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PREREQUISITES FOR THE DEVELOPMENT OF DEMOCRATIC GOVERNANCE IN THE FIELD OF SOCIAL ENTREPRENEURSHIP

ПЕРЕДУМОВИ ДЛЯ РОЗВИТКУ ДЕМОКРАТИЧНОГО УПРАВЛІННЯ В СФЕРІ СОЦІАЛЬНОГО ПІДПРИЄМНИЦТВА

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The article is devoted to the analysis of governance mechanisms in the field of social entrepreneurship in the European Union. The purpose of the article is to determine the prerequisites for the development of democratic governance in the field of social entrepreneurship. The article emphasizes the importance of participatory governance in social entrepreneurship. It is determined that social entrepreneurship should be analyzed from the perspective of the approach of three dimensions: economic, social and managerial. The unique mission of each social enterprise provides key tasks for the development of appropriate management structures that meet the needs of stakeholders. Recommendations for improving the directions of state policy to promote the development of social entrepreneurship and creating an enabling environment for social entrepreneurship were developed.

Keywords: social entrepreneurship, democratic management, participatory management.

Соціальні підприємства в процесі управління стикаються з багатьма викликами, тому важливо знайти відповідні структури управління, які б відповідали поєднанню підприємницької діяльності та соціальної місії. Унікальна місія кожного соціального підприємства передбачає ключові завдання з розвитку відповідних структур управління, які відповідають потребам зацікавлених сторін. Управління соціальним підприємством має бути адаптованим до контексту, щоб стейкхолдери могли легітимізувати свою діяльність і забезпечити її легітимність. Стаття присвячена аналізу механізмів управління в сфері соціального підприємництва в Європейському Союзі. Метою статті є визначення передумов для розвитку демократичного управління в сфері соціального підприємництва. У статті підкреслюється важливість партисипативного управління в соціальному підприємстві. Визначено, що соціальне підприємництво необхідно аналізувати з позиції підходу трьох вимірів: економічного, соціального та виміру управління. Виокремлено основоположні передумови демократичного управління в сфері соціального підприємництва в Україні: нормативно-правове регулювання діяльності соціальних підприємств; нормативне закріплення понятійно-категоріального апарату для соціального підприємництва; запровадження державних програм підтримки соціального підприємництва на національному та місцевому рівнях; підвищення обізнаності всіх стейкхолдерів про соціальний вплив діяльності соціального підприємства та розвиток його екосистеми; визначення ключових показників ефективності діяльності соціального підприємства, зокрема для вимірювання соціальних впливів; розробка національної стратегії щодо розвитку соціального підприємництва. Запропоновано рекомендації щодо удосконалення напрямів державної політики задля сприяння розвитку соціального підприємництва та створення стимулюючого середовища для соціального підприємництва.

Ключові слова: соціальне підприємництво, демократичне управління, партисипативне управління.

Problem statement. Governance plays an important role as one of the key determinants of entrepreneurial success. For social enterprises,

the issue of governance is more critical compared to traditional businesses, as the mission of social enterprises is built on the reconciliation

of economic and social goals. Governance is essential in social enterprises due to the number of stakeholders and beneficiaries, which can make it difficult to balance economic activities with social goals.

Social enterprises should focus more on participatory governance as they aim to achieve social goals through economic activities on the one hand, and involve different stakeholders in decision-making processes on the other. Stakeholder involvement in decision-making allows the social enterprise to participate in democratic governance processes. Social enterprises focus their activities on the needs of target groups. By focusing on the social context, social enterprises face special challenges in terms of governance. Often social enterprises are under the influence of donors or grantors, providing financial support, donors or sponsors can control the actions of the social enterprise. Also, the difficulty of choosing an appropriate governance model for social enterprises is explained by the fact that social enterprises do not yet have their own legal status in Ukraine.

Analysis of recent research and publications. The preconditions that promote the development of participation and involvement of stakeholders in the management of social enterprise are becoming a key focus of attention of domestic and foreign scholars.

Defourny and Nyssens argue that according to European approaches to social entrepreneurship, governance mechanisms are an important prerequisite for achieving its social mission [1]. Nyssens and Petrella emphasize the importance of participation in order to take into account collective preferences in management decision-making, determining that overcoming challenges is essential by engaging in dialogue with stakeholders and through participatory management [5]. Huybrechts et al. state the important role of stakeholder participation in the management of social enterprises [4]. Vidal emphasizes the special role of dialogue with stakeholders and participatory management in social enterprises that provide public services [9].

Revko A. explores social entrepreneurship as a tool for regional development in the context of decentralization [7-8]. Nahorna N. initiated the study of participation in social entrepreneurship in the Ukrainian context [14]. Luhovenko N. and Kovalenko N. studied social enterprises from the perspective of dialogue between the state and society [13]. Smal V. and Kokot V. are well-known researchers of social entrepreneurship from the perspective of state and local levels [18].

Antoniuk L. and Bocharnikova A. studied social entrepreneurship in Ukraine during COVID-19 through the prism of gender equality [12].

Identification of previously unresolved parts of the overall problem. The EMES approach to social enterprise regarding the interdependence between economic, social and democratic characteristics has potential in theory and practice. The study focuses on the governance or democratic dimension within the EMES approach, as it is the least developed and researched dimension and the most debated among scholars.

Formulation of the objectives of the article (task setting). The purpose of the article is to identify the preconditions for the development of democratic governance in the field of social entrepreneurship. The study focuses on the legal and political aspects of social entrepreneurship as they affect all other elements of the ecosystem.

Presentation of the main research material. In the countries of the European Union (EU), social entrepreneurship has historically developed mainly as an activity aimed at integrating socially disadvantaged categories of the population into the labour market and providing social security services, and social enterprises were most often cooperatives and associations. According to Vidović, the first prerequisite for the development of social entrepreneurship in the aspect of democratic governance was the adoption by the European Commission of the Statute of European Cooperatives in 2003, which provided a legal basis for the development of cooperatives in Europe [10].

European institutions such as the European Parliament, the Council of the European Union and the European Commission have adopted relevant acts, promoted the establishment and development of the social economy and social entrepreneurship: European Agenda for Entrepreneurship; Small Business Act for Europe; Public Procurement Directive (stipulates that public authorities should pay special attention to bidders from the social economy when procuring goods and services) [3].

Among the most important documents that have influenced the development of social entrepreneurship in the European Union is the Europe 2020 Strategy as a prerequisite for further regulatory documents, projects and programs [2].

Financial incentives introduced at the state level have become an important prerequisite for the development of social entrepreneurship in the European Union. The 2011 "Social Business

Initiative" created within the framework of the European Platform for Combating Poverty and Social Exclusion identified three important tools: facilitating access to finance, raising awareness of social entrepreneurship and developing an enabling regulatory framework. The Innovation Union programme encouraged charities and social entrepreneurs to develop innovative solutions to social needs. The Single Market Act aimed to promote the creation of a common European structure and single market to increase the availability of investment in all EU member states [3].

European experience shows that there are various approaches and tools to support social entrepreneurship. The political and legal context in the EU countries contributed to the development of social enterprises as participants in the social security system. The European legislative framework is established at the national level, taking into account legal traditions, social protection systems and the specifics of the economy of a particular country [6].

The Emergence of Social Enterprises in Europe (EMES) network has defined common principles for a common understanding of social entrepreneurship. The EMES approach takes into account national differences and is based on interdisciplinary dialogue (economics, sociology, political science and management). The uniqueness of the EMES approach in the context of the study lies in the definition of participatory governance as one of the dimensions of social entrepreneurship [4].

The role of governance structure is a key issue in the European debate on social enterprises. Young & Lecy argue that in Europe, the more important characteristics of the concept of social enterprise are the way of governance and the purpose of the activity, rather than compliance with clear formal criteria of a non-profit organization [11].

Pestoff, V., Hulgård, L. propose to add a managerial dimension to the characteristics of social entrepreneurship to distinguish it from other types of entrepreneurial activity: in addition to the business function and social mission of social enterprises, it is worth highlighting the management process. The authors propose to use the concepts of participation and non-participation for the governance dimension to more clearly reflect the nature of governance. It is the combination of the three dimensions (economic, social and governance) that allows more accurately define the space for the development of social entrepreneurship in

Europe. Thanks to the dimension of democratic governance in addition to economic and social, the contextual space for different types of social enterprises in Europe is displayed [6].

Based on empirical research, Nyssens and Petrella conclude that European approaches to social entrepreneurship emphasize the correlation between participatory governance and the social mission of the social enterprise. The authors identified factors that explain the importance of participatory management for the growth of a social enterprise [5]:

1) Coordination of economic activities with social activities of the enterprise.

2) Stakeholder participation in decision-making on the activities of the social enterprise promotes the introduction of social innovations.

2) Participation has a particular role to play in strengthening constraints on the ability of social enterprises to make a profit.

4) Social capital is an important aspect of entrepreneurship.

5) Participatory management can contribute to the process of economic recovery, and therefore social entrepreneurship can be an example of activities in times of crisis for ordinary enterprises.

Therefore, the determinant of governance in social entrepreneurship is becoming a subject of increasing attention and a key concept in many social disciplines.

Unlike the European experience, Ukraine has not yet developed comprehensive policies of state support for the development of social entrepreneurship and has not implemented programs to support social entrepreneurship at the national and local levels.

The definition of "social enterprise" is not enshrined in Ukrainian legislation. Activities are regulated by the current laws relating to enterprises in accordance with the organizational forms of market entities. The main organizational forms of social enterprises in Ukraine are: individual entrepreneur, private enterprise, limited liability company (TOV), public organization, charitable organization, public union, organization of public association [18].

Discussions on regulatory support for social entrepreneurship began 10 years ago. Since then, there have been three attempts to develop and approve a regulatory act on social entrepreneurship: Draft Law of Ukraine "On Social Enterprises" № 1061028 of 14.06.2012 [15]; Draft Law of Ukraine "On Social Enterprises" № 250829 of 11.03.2013 [16]; Draft Law of Ukraine "On Social Enterprises"

№ 271030 of 23.04.2015 [17]. Current Ukrainian regulations do not contain a definition of the term "social entrepreneurship". This leads to the functioning of relevant business entities in conditions of legal uncertainty, non-transparency and the possibility of abuse. Some references to social entrepreneurship can be found in various by-laws and regulations. In turn, local programs for the development of social enterprises are developing, which, due to the lack of regulation of this issue at the national level, do not have a unified approach and may differ within different regions and communities. According to Antoniuk L. and Bocharnikova A., there is an urgent need to formalize the principles of social entrepreneurship in Ukraine and overcome the existing regulatory gap [12].

In the absence of a normative approach to the definition and regulation of social entrepreneurship at the national level in Ukraine, new opportunities for the development of social entrepreneurship are opening up at the local level in the context of decentralization. Local governments are endowed with the powers and resources to address socio-economic challenges on the ground on the principle of autonomy. According to the principles of democratic governance, the identification and solution of urgent socially important problems of the community, the development of local programs and their further implementation, financing and distribution of assistance for local initiatives belongs to the powers of local authorities and stakeholders in territorial communities. By implementing a bottom-up approach and developing local policies for the development of social entrepreneurship, participatory governance in the field of social entrepreneurship at the local level is a prerequisite for strategic planning of the state policy to support social entrepreneurship at the national level of Ukraine.

The fundamental prerequisites for democratic governance in the field of social entrepreneurship in Ukraine are as follows: regulatory and legal regulation of social enterprises; normative consolidation of the conceptual and categorical apparatus for social entrepreneurship; introduction of state programs to support social entrepreneurship at the national and local levels; raising awareness of all stakeholders about the social impact of social enterprise activities and the development of its ecosystem; identification of key performance indicators of social enterprise, in particular for measuring social impact; development of a national strategy for the development of social entrepreneurship.

Based on the theoretical analysis, recommendations for improving the directions of public policy to promote the development of social entrepreneurship and create an enabling environment for social entrepreneurship will be formulated.

The first policy direction concerns increasing the number of social enterprises in Ukraine by creating an enabling ecosystem. A larger number of social enterprises can have a positive impact on social entrepreneurship by shifting the focus of competition to social value, contribute to solving social issues and change consumer attitudes. In this paper, the mechanisms that contribute to the creation of a favorable ecosystem for social enterprises, creating a positive synergy between stakeholders, are proposed:

1) financial and economic (creating a comprehensive and flexible set of financing options, such as grants, investments, social impact bonds, to cover different stages of development and sectors of social enterprises);

2) legal and regulatory (creating a legal framework that recognizes social enterprises. The legal framework is important to create targeted policies, such as fiscal incentives, special provisions for public procurement, to recognize the sector, and to avoid disadvantages associated with the use of legal forms that do not fully fit the scope of social enterprises);

3) socio-economic (encouraging traditional businesses to become social enterprises or engage social enterprises as partners, for example, to manage the company's corporate social responsibility. This process can be stimulated by providing tax incentives for investments in the creation of social enterprises or for corporate restructuring. In the case of companies that are closed by their owners, e.g. because they are not considered profitable enough, the government can finance a buyout from the employees, provided that these companies become social enterprises. This can also reduce the unemployment problem);

4) socio-market (create new markets for social enterprises. This can be achieved by increasing the types of tenders in which social enterprises participate, as well as by promoting sustainable consumption patterns among companies and the general public);

5) educational (introduction of courses at all levels of the education system, in which the topics of social entrepreneurship are also considered through learning approaches).

The second area concerns how to use the power of social enterprises at the community

level. The presence of social enterprises in the community does not mean that they automatically produce as much social value as they could. This can be the result of a number of factors, such as competition, capacity of social entrepreneurs, unfavorable legal framework for social enterprises, etc. The proposed governance mechanisms aim to reduce or eliminate such impeding factors:

1) participatory (public authorities at all levels should promote participatory governance processes and legal structures in which social enterprises are formally involved in sharing information, joint planning and decision-making with stakeholders. This will improve understanding of the problems at all levels and among stakeholders, as well as increase opportunities for finding and developing innovative solutions);

2) fair competition (keep competition between social enterprises and traditional commercial companies at a fair level by offering incentives (these can be award criteria in tenders, fiscal advantages, etc.) for creating social value);

3) social and legal (soften the legal framework in areas related to the activities of social enterprises. This does not refer to the specific legal framework of social enterprises as such, but, for example, rules for the employment of vulnerable people; co-financing or tax exemptions for investments of social enterprises, for example, in terms of marketing or technological advances, so that these organizations develop faster);

5) educational and developing (co-finance education and capacity building for human resources working in social enterprises to make them more effective in their work).

The third area of recommendations is aimed at strengthening the role of social enterprises. The government should not only promote social enterprise education at all levels of education, but also improve the links between research institutions and social enterprises. This can be achieved through special research grants that require the involvement of social enterprises, or by including in the tenders for which social enterprises apply the need to have a research institution as part of the partnership.

The government should create incentives for pro-social behaviour in all everyday actions of

citizens. All new services, activities, projects and policies should integrate features that promote pro-social and pro-environmental behaviour among the population, so that in the long run such behaviour becomes the norm. The state should promote participatory governance processes aimed at supporting the localization of the Sustainable Development Goals, involving all stakeholders. This may involve, for example, the creation of digital platforms for different stakeholders to actively participate in policy-making, not just in an advisory role. The government should also open its R&D policy to stakeholders dealing with social and environmental issues in order to focus R&D activities on solving the most pressing social and environmental problems.

Conclusions. In Ukraine, there are challenges that stand on the way to the creation and scaling of social enterprises. The lack of a legislative definition of social entrepreneurship is one of the most acute challenges. On the one hand, the lack of a unified approach to understanding social entrepreneurship, which leads to unregulated sector, creates opportunities for autonomy. On the other hand, it hinders in determining the social and economic impact of social entrepreneurs' activities. In order to achieve sustainability, social enterprises, especially newly established ones, need initial funding, as the start-up and development of social enterprises requires greater resource investments due to the social burden.

Democratic governance should be chosen in the management of a social enterprise. Social enterprise governance should be adapted to the context so that stakeholders can legitimize their activities and ensure their legitimacy. It is important to meet the needs of stakeholders in a transparent and accountable way. Social enterprises face many challenges in the process of management, so it is important to create conditions for training board members with the necessary skills and experience in business, finance and entrepreneurship; to find appropriate governance structures that would correspond to the combination of entrepreneurial activity and social mission. The unique mission of each social enterprise includes key tasks to develop appropriate governance structures that meet the needs of stakeholders.

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