Alexandra Moskovskaya, Higher School of Economics, Moscow

State — Social Entrepreneur Relationship: Accord or Dissonance?

1. Prerequisites. Institutional and socio-historical context

Social entrepreneurship is a manifestation of developed market economy which matures providing certain evolution of business and society. That’s why no wonder that the first discussions on contribution of business to solution of social problems and the first socio-entrepreneurial initiatives date back to the 2000s, i.e. after the lapse of the dramatic decade of 1990s, when Russia not only joined world market but also experienced the longest and the most severe transformation crisis, as compared to that in most of East-European countries. The 2000s is considered to be stabilization period in Russia during which such notions as “socially responsible business”, “corporate social responsibility”, “state-private partnership”, “social entrepreneurship” appeared. However, unlike other terms mentioned above “social entrepreneurship” remains little known to the Russian audience both terminologically or practically. People found social enterprises, whether successful or not, having no idea that they act as social entrepreneurs and basing on no serious political or economic support.

In post-Soviet countries, the concepts of social entrepreneurship are essentially spread through borrowing the experience from foreign not-for-profit organizations and international donor funds. Such transmission of the experience occurs both on the same level through contacts of local and international NGOs and downwards – through consulting of particular country’s state structures by international organizations. However, unlike the Ukraine, Poland and other post-Socialist states, in Russia in the 2000s resulting from single-minded political decisions of the state leadership, the operation of international NGOs was gradually curtailed. At that time, international organizations had no significant influence upon formation of state social policy agenda, particularly, upon state-business dialogue or that with NPOs. The only aspect, taken into account by state in international inter-sector cooperation experience was the idea of corporate social responsibility. But as soon the ideas of CSR in Russia were popularized upon the initiative of the state and not infrequently through direct pressure upon Russian business, quite soon the latter learned imitating the CSR, paying their way out from the state making quasi-tax payments through co-financing social projects (Sokolova, 2007), or using corporate philanthrop programs for self-advertising.

Such situation is not rare in the Western world either (Porter and Kramer, 2002). At the same time such a fact that in most Russian companies supervision of social programs is carried out by PR departments, is indicative of casual attitude of the Russian companies to social projects and of their few commonalities with business strategy or society.

Against this background, a significant landmark of attitude of business to solution of social problems (however, so far an individual case) is establishment of the Fund of regional social programs “Our Future” in 2007, which has been acting as messenger of theory and practice of social entrepreneurship. It was founded by Vagit Alekperov – president and co-owner of LUKOIL, the Russian major oil company. Since its establishment, the Fund has proceeded to holding social entrepreneurship competitions in various Russian regions and
currently remains the only organization aimed to promotion of social entrepreneurship. Among cases of social enterprises, considered below is “School of farmers” the winner of the contest sponsored by the Fund in 2009.

In spite of the indicated upheavals in information and financial support to social entrepreneurship in Russia, its development and recognition is restrained by weakness of institutional and socio-historical basis of the formation of both non-profit sector and small business in Russia.

Among barriers to small and medium business development the experts single out economic obstacles to market entry, such as growth of necessary start-up capital, poorly developed financial infrastructure, control of local monopolists, blocking access to market to newcomers as well as corruption and shadow schemes of “power-business” relations. (Obraztsova and Chepurenko, 2008; Kurbatova and Levin, 2005; Oleinik, 2010). Some authors consider the latter as the phenomena entailed by the preceding history. The question is of tradition of state power-enterprises hierarchical relations, typical to the Soviet times. Under new conditions these relations transformed into informal agreements between business and officials concerning terms of operation (Kurbatova and Levin, 2005). Herewith, “power-business” relations are subdivided into 3 segments: (1) “white zone”, involving formal practices, such as legislative regulation of tax relations, administrative and economic regulation of business (registration, licensing, control and enforcement to observation of established norms, etc.); (2) “black zone” including non-formal criminal practices, such as corruption and (3) “grey zone” involving informal extortions from business, which are not directly linked to corruption, but result from the agreements on terms of activity (for instance, forms of “social responsibility”) (Kurbatova and Levin, 2005).

It should be argued, that small business and micro-business, which form initial organizational and entrepreneurial basis of social enterprises are least involved into corruption and shadow relations of authorities and business. This is worth considering not only as success (wider liberty and transparency of the activity) but also as neglect. The latter is expressed in the fact that state represented by regional and local officials doesn’t view small business as serious and/or useful actor. This is expressed in lack of support system and guarantees of terms of operation.

Insufficient development of non-profit sector in Russia is basically justified by other problems. Firstly, Russia had no historic tradition of self-assistance organizations and social welfare (Kleineberg, 2000). Customarily, this is linked to monopolization of social maintenance by the state in the Soviet period, although it was Tsarism and the Law of serfdom which were significantly responsible for backward and extensive development of socially oriented civil organizations in the Russian Empire. Before the Revolution of 1917 in Russia, civil self-organization, including creation of cooperatives and social maintenance enterprises became possible only after abolition of serfdom in 1861 as a result of series of civic reforms of 1860-1870s, carried out by Aleksander II, which turned to be inconsistent. After the murder of Aleksander II in 1881 by terrorist-revolutionary I. Grinevitsky many democratic initiatives were wound-down. In pre-1917 Russia civil self-organization in economic sphere made better progress, than that in social sphere. For instance, at the end of 19th – in early 20th century credit cooperation was booming. In early 20th century virtually every fourth citizen of the tsarist Russia
was member of associations. After the Revolution of 1917 cooperatives and credit unions experienced further development, which was hindered in the 1930s due to introduction of state monopoly over financial services (Tretyakova, 2008). As for the social sphere, its governmentalisation started from the first years of the Soviet power.

Secondly, the fact that socially oriented non-profit organizations were created from the bottom up in 1990s affected the style and the results of their operation. On the one hand, newly created NPOs couldn’t demonstrate high professionalism and efficiency straight away, which caused lack of confidence from the part of the population. On the other hand, in the eyes of the population the state was the only subject of provision of social services, which were comprehensive and guaranteed in the Soviet times. Under such circumstances the idea of state being replaced by non-state organizations in the sphere of social welfare seems one-sided and deceiving. Thirdly, in 2000s the Russian leadership noted that NPOs could stake claim not only to the field of socio-economic assistance to population, but also to political activities, like in case of human rights organizations. The starting economic stabilization and Vladimir Putin’s ascension to power in 2000 entailed NPOs’ activities being regarded as rather detrimental, moreover, that NPOs sought financial support chiefly from foreign funds. There was a tendency towards driving out of foreign donors and discriminatory solutions as regards the Russian NPOs (re-registration, stiffening of reporting, commencing suits against some NPO activists, creating loyal organizations by the initiative “from above”, establishment of diverse structures for dialoguing with civil society such as public chambers, commissions, which co-opted NPOs upon recommendations of the officials, etc.) Such policy weakened financial basis of NPOs in general and undermined confidence to this sector among the population. There are three types of socially oriented NPOs which have been displayed in Russia’s small non-commercial sector by mid-2000s1: (1) organizations established “from below” having insufficient competence and influence, designed for winning in competition for resources and professionalization; they give rise to moral confidence, but are not strong enough to be considered as protectors by the population and as real partners by state and business; (2) organizations, which have emerged by the initiative from “above”, sometimes simulating useful activity, hence enjoying no confidence, however, having access to state resources (their relations to state are similar to state-business relations, featured above); (3) the organizations created by social sphere professionals which are able to dialogue both with state and population as well as adopt effective forms of work of Western colleagues, but also endure hardships in access to resources, as soon as they are forced to compete for resources with organizations from the (2) group. Similarly to the first group, the third group maintains lasting customer relations. In the meantime, regardless of professionalism this group has narrow development perspectives, because the resources are under control of the officials, who prefer cooperating with the second group. The competition between the second and the third group gives rise to their convergence, which doesn’t contribute either to expansion of not-for-profit sector, or to consolidation of its connections with the population.

2. Specifics of research

1 This paper focuses on non-political activity of NPOs, that’s why social orientation/designation is construed as provision of social services and social assistance.
This work presents the results of the research carried out by the author on the basis of original pilot research project in the activity of social entrepreneurship organizations in Russia (Oxfam Great Britain, 2009, research supervisor – Alexandra Moskovskaya); it also reflects three-years’ experience of the author in evaluating social projects submitted to the competition held by the Fund of regional social programs “Our future”.

Qualitative methods of sociological analysis were used in the pilot project. The basis of the survey involving representatives of social entrepreneurship organization and their principal stakeholders is formed by semi-structural interviews in focus-groups. Peculiarity of the project consisted in interviews of stakeholders of target social enterprises alongside with survey of the latter. Participants of the survey were representatives of public and private enterprises being consumers of social enterprises’ services or their partners, representatives of state structures supporting small entrepreneurship, as well as employees of the social enterprises.

At the preliminary stage the researchers made a long list of potential survey participants, for which purpose they made “intelligence” survey of consultant-experts, the analysis of mass media materials, using the author’s expertise experience of social entrepreneurship projects carried out by “Our future” Fund. At the next stage the researchers formed “short list” of organizations qualified to survey (with target number of 10) with a glance to presentation of wider diversity of social entrepreneurship models and assumed compliance of surveyed organizations to social entrepreneurship criteria.

The following criteria were considered as qualification criteria:
- predominance of social goal over gaining economic effect;
- solution (mitigation of urgency) of really existing social problem, the organization activity is directed to;
- self-sufficiency and financial stability is ensured by predominant sale of goods and services (and not through obtainment of grants or any other form of external charity providers’ assistance);
- availability of innovations in the achievement of the result activities (social or economic innovation, innovative combination of social, material, financial and other resources).

Four cases of social enterprises were selected for the analysis within the framework of the present report, which represent four different models of social enterprises’ adaptation to the terms of communication with the state. At the same time, for the pilot project in general social entrepreneur – state relations were not a focus theme, but were studied alongside with other issues – of organizational partnership, professional basis, formation of social, customer and value network, the problems of market positioning, etc.

It’s necessary to point to specificity of the situation in which the research was carried out and even more significantly, in which our respondents found themselves. Firstly, there was a certain terminological problem, which faced both the authors and the respondents. Although the notion of “social entrepreneurship” provoked ever greater curiosity among the Russian audience, it hasn’t become a generally valid notion. The Russian everyday speech or legal language hasn’t a conventional term for self-sustaining activity, directed to solution of social problems of the population. That’s why one of important objectives of research was searching and revealing among various enterprises of social entrepreneurship organizations which would satisfy basic criteria of social entrepreneurship.
Secondly, in view of foregoing, the social entrepreneurs face self-determination problem. It's not so important how you would call your business, as what purposes of the enterprise you'd set. The problem lies in the fact that people who make efforts to solve social problems with use of business aids, so far lack socially recognized models which could be correlated to others' positive experience or certain business model. While selecting organization model for self-determination, they can only choose a form of incorporation – to work as non-profits organizations, small business or part of state institution. But this is merely a formal differentiation, which says nothing on content and models of social entrepreneurship.

Thirdly, Western social entrepreneurship, being a sort of creative negation of both regular business and regular activity of NPOs, nevertheless, relies on ramified business, financial and organizational networks which emerged in these sectors. Consequently, there emerge unique models of combination of resources, information, various forms of cooperation and exchange of services. Under Russian conditions of insufficient development of small and medium business on the one hand and of non-profit sector, on the other hand, the support to social enterprises is an extremely limited resource.

Fourthly, as soon as market economy and moreover, social entrepreneurship in Russia has been existing for rather a short time, although the start-up stage of the projects studied by us has been left behind, whether successfully or not, such projects still remain quite vulnerable financially and in terms of client base development. This implies search for more efficient business model which would allow overcoming arising hardships, or usher a new stage of development. In this connection, the list of analyzed cases has included enterprises the business model of which has proved effective («The School of Farmers”, “Toy museum”), those searching for it (Aurora Equestrian centre) and even those temporarily renouncing it (“Prologue” autonomous non-profits organization).

Selecting enterprises for social entrepreneurship pilot study, we took as a basis quite clear definition of social entrepreneurship, however, allowed small deviations by one of criteria. Particularly, we admitted variability of financial results in time, possibility of partial organizational dependency on state in the formation process, alternation of successes and setbacks in the development of social enterprises.

3. Four Cases

3.1. Toy museum (Moscow)

Director is Aleksey, 52 years old, a graduate of the Moscow Pedagogical Institute in the specialty of “History”. In 80s upon graduation he was occupied by the Central Committee of the All-Union Leninist Young Communist League (VLKSM). In 90s he was engaged in social projects carried out jointly with international funds, then was engaged in business. In late 90s he inherited folk toy collection from his father, who had gathered it throughout his life. First, he organized toy exhibition with interactive elements for kids. Success of the exhibition implied foundation of a social enterprise.

Purposes of organization are as follows: 1) familiarizing children with diversity of the Russian traditional toy; 2) attract children’s interest to toys, giving kids the idea that playing with these toys would be not less entertaining as compared to those available at their place; 3) to
render feasible assistance to craftsmen from renown families, creating sustainable demand and
customer purchasing activity (as soon as kids can play with the toys demonstrated at the
exhibition; there’s a permanent turnover of products, because the toys so bought are damaged
with the course of time).

The enterprise exists in form of interactive people’s toy museum for kids, where in game
form the teachers-guides give classes to kids in accordance with special methods. The teachers
from general education schools who have passed training in the organization, are engaged as
museum teachers. Deputy Director is a professional art historian, specialist in people’s toys.
The entire open museum fund is designed for kids and accessible to children. During the
studies kids get acquainted with traditional folk craft toys, learn how to distinguish them, play
with them and even paint the rough parts up to their taste. The organization was established in
1998 as Society of folk art amateurs. The group studies are for pay, which allows meeting the
expenses of the organization.

3.2. School of farmers (Perm, Western Siberia)

Director – 54 years old Vyacheslav, graduate of the Perm Pedagogical Institute in
“Biology”. After graduation he worked as at teacher at school. In 1980 he started training junior
team in orienteering, among his foster-lings were Olympic champions. In 1994 on the basis of
the sport school he was a director of, he started studies with socially disabled teenagers. School
of farmers is the last of above 30 social projects, he has realized within the framework of state
and public organizations, he was member and partner of during various periods of time.

The enterprise organizes complex events targeted at socializing, adaptation to
independent life and teaching farming to orphans with a view of their subsequent employment at
the farms of the Perm territory. As enterprise, designed for task solution, the project has been
existing from 2003 on the basis of Vyacheslav’s private farming enterprise. This enterprise is
self-sufficient due to sales of agricultural products and contracts made with orphan’s asylums for
organization of summer work camps for elder foster children. Grant financing, from time to time
raised by the director, amounted to not above 5-8% out of the total amount of received funds
and was directed to social purposes of the organization.

3.3. Aurora Equestrian Centre (Syktyvkar, The Republic of Komi)

The organization majors in provision of hippotherapy services for kids and development
of equestrian sports for disabled adults. The enterprise was established in 2003 on the basis of
the director’s household. Head of the centre is Natalya, 33 years old, the graduate of the
Moscow Academy of Physical Training and Sports, specialty – trainer-teacher of the equestrian
school. Social services are provided for disabled persons free of charge, or upon unpretentious
conditions of exchange of services with the children’s boarding school and child care center.
The enterprise has achieved self-sufficiency thanks to selling animals – foals and ponies bred at
the private farm of the director (which makes the maximum item of income), as well as to horses
and pony livery for riding of healthy children and training of healthy equestrians and amateurs
(in summer-time).
The number of disabled customers utilizing services of the centre is limited by the maximum admission standards. Currently they number 30-50 persons, both kids and grownups. The number of desirous is so numerous that the enterprise is unable to provide assistance to everyone. The centre selects the “strongest” out of unhealthy children, for whom hippotherapy may be the most effective; the selection is carried out by day-care centers. Apart of services to disabled persons, the organization also renders free assistance in organizing city events with part of horses and equestrians, the main labor force is volunteers - students of the veterinary college and young enthusiasts of equestrian sports.

3.4. Autonomous non-profits organization “Prologue” (Moscow)

The organization was established in 2000 with principal activity of art direction of children’s theatre groups and teaching “Theater” to school teachers. The basic objectives of the organization are professionalization of children’s theater art direction, preventing children’s psychological traumas while organizing school public events and performances, development of artistic skills and socialization of children through school theatrical performances, application of stage elements in school teaching. Director of the organization (until 2007) was Alexandra, Ph.D. (History of arts), theater critic, 45 years old, graduate of the Theater Institute (1987).

The idea of organizing courses for training of theatrical pedagogues appeared in the 90s. By the end of 1990s the methods had been elaborated and a group of enthusiastic art historians was formed. The first concept test of extended education courses for pedagogues was held on the basis of the Moscow Institute of Advanced Vocational Training of Educationalists. It was scheduled to create the system of professional training of pedagogues majoring in separate specialty of pedagogue – director of educational space.

In 2001-2006 the organization existed as a successful social enterprise, the students were school teachers (including organizers of school theater groups) from various regions of Russia. In 2006 the conditions of state regulation of educational institutions were changed, which made it impossible to give training on the same conditions. Firstly, norms of remuneration of teachers' labor were increased radically, as well as tax payments/ deductions by the contract. Secondly, the accommodation charge for non-resident students increased. Consequently, this should have entailed many-fold increase of education fee which was unaffordable for students-teachers who studied at their own costs. So, the organization activity was blocked and is now directed to pursuing philanthropic purposes – holding theater festivals.

4. State and social enterprises: formal framework of relationship

The problem of social enterprise – state relations has several aspects, depending on what is implied by the notion of “state” – (1) state department, regulating specific lines of the activity of economic agents and rendering support to them (2) enterprises in state ownership (3) system of procedures, requirements and norms of organizational behavior, which albeit being the result of communications of all agents in Russia are significantly determined by state authorities.
Why is the role of state so important if social enterprises are construed as self-sufficient organizations, raising main revenues from sale of goods and services? The matter is not only of non-formality of state-business relations which has emerged or of critical attitude to NPOs which inevitably affects the relations with social entrepreneurs. Neither is it a matter of first-time social entrepreneurs experiencing shortage of resources. The importance of relations with state for social enterprises is also defined by the fact in Russia state is the principal subject of social policy and the main owner of enterprises in social sphere/services – education, healthcare, social maintenance and social rehabilitation, etc. That’s why if an entrepreneur is oriented at establishing organization for social task solution sooner or later he should make a decision which model of relations with state and state-financed institutions he’d choose, because he will be hardly able to carry out his functions in complete isolation.

What is relevant here is a form of incorporation of the enterprise — whether a for-profit or not-for-profit enterprise — and which organizations it would have as its principal partners and customers – state-financed, private, non-profit, whether the enterprise is positioned on regular market or on quasi-market, whether the enterprise would need monetary funds from donors (particularly state grants) for increasing financial stability, or preferential credits, to what extent the social entrepreneur is ready to cooperate with representatives of regional and local state departments in the course of his everyday activity (taking part in public commissions, negotiations on legislative decision-making, lobbying social enterprise inclusion to target state program, etc.)

The four cases described above illustrate 4 different approaches to solution of the indicated problems, which will be discussed in the next paragraph. Here I’d like to focus on peculiarities of responsibility distribution by the regional departments and on opportunities of their relations with social enterprises as soon as the state support of specific enterprises and organizations is concentrated on regional level of state management². Regardless of the notions of social enterprise and social entrepreneurship being unavailable in the legislation of RF, the principal authorized functions and the budgets of regional government departments allow rendering support to social enterprises. At the same time, practice of cooperating primarily with state-financed institutions regional state departments being connected with subordination and control relations with limit full-valued cooperation opportunities with non-public enterprises – whether they are for-profit or not-for-profit organizations.

Generally, there’s a trend towards sectoral subdivision in the structure of sharing responsibilities of the government regional departments — for-profit sector is controlled by one

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² “Region” is construed as constituent entity of the federation. The Russian regions are administered by the governor and regional government, the national republics — by the president of the republic and republican government. There are no formal differences in the region status. Actual differences are defined by economic resources of the region and volume of regional budgets. In spite of redistribution of federal funds being in favor of depressive regions enduring shortage of budgetary recharge sources which first of all concerns state-financed enterprises of the social sphere – education, health care, social welfare, support of the local for-profit and not-for-profit enterprises is transferred to regional authorities and depends on regional budget, regional legislation and views of the region’s leadership on priorities of economic and social policy.
group of departments\textsuperscript{3}, non-profit non-government sector — by another group, while the state-financed sector – by the third group of departments. However, regional authorities distribute irregularly, incoherently and non-transparently the resources intended for contribution to development of enterprises overseen by these sectors.

Business regulation is consolidated by the department for development of entrepreneurship and trade, the department of industrial policy, departments of transport and construction. The first department focuses on the activities for support of small and medium business, while the two other interact chiefly with large sectoral companies. Interaction with public and not-profits organization comes within the terms of reference of the department or of the committee for communications with public organizations. This structure may be a department or a committee, which depends upon whether it’s a unit in regional government or in the governor’s administration. In both cases they are controlled by the governor, although in the first case the work with non-profits organizations is based upon regular communications and is stipulated by the budget articles, while in the second case it is of consultative and political nature and doesn’t stipulate wide financial support of NPOs.

Unlike the department for state support of entrepreneurship, which, no matter how it is styled, is a unit of every regional government, specialized structures of executive authorities for interaction with nonprofits organizations are unavailable in many regions. The regional authorities focus chiefly on the activity of state-financed enterprises. Most of departments are in charge of its regulation and principal funds of the regional governments are spent on it. Among the social sphere structures there single out departments of education, healthcare, culture, social development, physical culture and sports, etc. The basic lines of the department of social development consist in fulfillment of state obligations on social payments and reimbursements to vulnerable social categories, as well as in management of state social services institutions, designed for rendering social services to vulnerable social categories — elderly persons, children, disabled persons, etc.

Sectoral character of the activity of the aforesaid departments in most regions doesn’t rule out uniformity of pattern of ownership of lower organizations. In most cases these are state institutions, whose activity is financed out of federal or regional state budget. Actually, while distributing the authorized functions of regional governments inter-sectoral principle of operation is not implemented, although it would allow organizing work with enterprises of two or three main sectors – state, not-for-profit and private engaged in similar or mutually complementary types of activity. It wouldn’t be fair saying that the state doesn’t take part in social partnership, but its scope of action is quite limited. Under-representation of inter-sector communication within

\textsuperscript{3} In this case we bear in mind formal organizational and legal status of enterprise and not its social or commercial designation. Knowingly, nominally social enterprises may have both for-profits and not-for-profit status conforming with advantages or disadvantages of a particular legal status for their social mission.
regions’ executive power structures points to instability and secondary importance of such interaction for state and particularly of its social policy.

Within the structure of regional governments there are two departments authorized functions of which would include inter-sectoral communications. One of the most important is the department of labor and employment. On the one hand it regulates activity of state territorial employment centers exercising admission and registration of unemployed, allocation of benefits and consulting, on the other hand it stimulates employment with reference to job opportunities declared by the employers, which stipulates regular communications with employers, organizing career fairs, cooperation with professional education institutions, etc. Compared to other departments, it’s characterized with higher openness, flexibility and ability to work with non-public organizations and citizens. Dues to specifics of its operation, not every social entrepreneur has to deal with it.

Another department with authorized inter-sectoral functions is the department of youth policy. However, in contrast with the previous department it has no sustainable lines of activity. As a rule the department of youth policy has funds for allocation of grants on social projects and contests among young people with regular participation of youth non-profits organizations. At the same time, as a rule youth policy is additional to some other, basic profile of the department. This is testified by the titles of corresponding state structures, e.g. The ministry of culture, youth policy and mass communications (the Perm’ region), The department of family and youth policy (Moscow), The ministry of youth, sports and tourism (Republic of Tatarstan), etc.

What does it imply for social entrepreneur? It’s quite difficult for social entrepreneur to reach dialogue with the departments of regional governments in case he demands merely consulting. In case he needs organizational or financial assistance the problem is even more complicated. If his activity is registered as commercial (for-profit), it falls within the area of responsibility of department of entrepreneurship and trade. In the meantime, such activity is not prioritized by this department, which doesn’t consider its social results as significant. As soon as cooperation with social entrepreneurs is not on the agenda of the department, its employees cannot report for it before their administration. If a social entrepreneur is registered as non-profits or public organization, sometimes he’s unable to find the structure of state support, because regional governments rarely have specialized departments for communications with NPOs. As for social departments responsible for social services to the population, they highlight as their priority relations with state-financed institutions of appropriate branch. It means their authorized/composed functions may not include communicating with non-state (for-profit and not-for-profit) organizations. If such line of activity is available it’s of secondary importance compared to work with state-financed institutions.

Herewith a common problem of social enterprises’ relations with representatives of regional governments is lack of information on lines of activity of a certain department, its
priorities in selection of customers, recipients of benefits, etc. as well as unavailability of clear criteria of delimitation of responsibility areas, the department title doesn’t reflect priorities of its policy. The positive shift in operation of the region’s executive authorities lies in the fact currently all regional governments have websites, which provide information on the basic scope of responsibilities, political priorities, activity agendas. However it’s quite difficult to digest this information. Our experience of communications with social entrepreneurs and NPOs shows that not all of them are able to “read between the lines” and compare information provided by different departments, which causes misunderstanding of interests of corresponding authorities and disappointment from communication with the latter.

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The studied cases of social entrepreneurship provided numerous examples of communications with the departments of regional administration. Significant share of contacts, quite probably objectively, eventuates in failure (e.g., if the request wasn’t addressed to the authorized person, if it occurred in improper time, if the applicant didn’t provide some important documents, etc.). But frequently, such failures are caused by the absence of communication as such. So, regardless of clear social importance of work with disabled persons, head of the Equestrian centre Natalya cannot secure meeting with head of the Department of sports and tourism of her region so as to discuss financial support opportunities for participation of her fosterlings in equestrian sports competitions among disabled persons. So far, her contacts with state are limited to the city level, with well-organized communications with the department of culture. Quite probably, this communication is successful because she doesn’t ask money from this department, but on the contrary seeks assistance of city authorities in holding city festivals and street events. At the same time, support of disabled persons is in the competence of republican, not of city authorities.

One more example. Vyacheslav, the director of the School of farmers, has never won in the grant competitions of regional Department of youth policy, although has been engaged in social and labor adaptation of 14-18 years old orphans. He neither managed to secure preferential credit as a farmer from the department of entrepreneurship support, which focused on development of farming. The department he holds dialogue with now and finds support at least by word of mouth is the department of social protection of the population. One more story may be cited from the history of Vyacheslav’s communication with regional departments. Some time ago, even before organizing School of farmers, he had initiated the project “Tourism against criminals” oriented to social adaptation of wayward teenagers through organizing walking tours across the territory. For its realization he sought assistance from a well-known Russian children’s film director, the leader of several children’s public organizations. Knowing of this address from Vyacheslav, representative of the regional department of education wrote a letter to film director warning that head of the project “Tourism against criminality” had no relation to educational sphere nor represented a state-financed institution, so no assistance
should be provided to him. And this is moreover that Vyacheslav is a professional pedagogue and by that time had not only successful experience of work with wayward teenagers but also achieved renown in the region for high results of his supervising youth sport orienteering team.

A significant problem of communications with non-public organizations is difference in culture and forms of communication. Being accustomed to work with subordinated state-financed institutions, connected with executive structures by regulation ties, state officials perceive NPOs’ and social enterprises’ representatives as insufficiently trained and not quite professional partners, calling for different uncustomary work style, more attention, etc. These differences in style and experience of business communication affect capability to mutual understanding of the parties and force potential social entrepreneurs to select isolationist or merely market strategies and behavior models for their organizations.

5. Embedding of social enterprises into institutional framework and choice of business model

Embedding into institutional and relationship system formed by the state starts from selecting form of incorporation of the social enterprise which should facilitate its communication with partners, customer or regulating organizations and ensure highest possible fulfillment of its social mission. Alongside, embedding allows analyzing not as much rootedness of social enterprises into the emerged institutional system, but their reciprocal relations with the environment, which are ultimately embodied in business model of the enterprise.

The examples of described cases demonstrate 4 models of embedding of social enterprises into the existing environment: (1) “own game” in the field of the state - active cooperation of the social enterprise with state services and state-financed organizations, lobbying of decisions which correspond to new forms of activities offered by the social entrepreneur (School of Farmers); (2) “market isolationism” – distancing from state authorities and sustainable partner relations with state-financed organizations through implementation of predominantly market mechanisms of supporting partner and customer networks, market self-sufficiency (Toy museum); (3) “non-market isolationism” which is realized in waiving active search of support from state structures, maintaining partnership and customer network predominantly through non-formal relations, exchange of gifts and attraction of volunteers with insignificant use of market deals (Equestrian center); (4) waiving social entrepreneurship - implementation of projects in curtailed form through embedding of the initial plot into the available operation model of state-financed organization with secondary structure in form of volunteer events and fulfillment of social projects with partner NPOs (the case of “Prologue” ANPO).

It should be taken into account that the indicated models are firstly manifested as a prevailing tendency, but specific elements of all four types may be found in the activity of each
organization so described; secondly, the choice of model is sometimes forced and makes allowance for correlation of the opposite forces, balancing of benefits and losses by the social entrepreneur in case of changes in each direction, thirdly, with the course of time, the choice of model may be changed in accordance with development stage of the organization (e.g., at startup phase the dependence on the source of borrowed funds or organizational support may be higher, hence isolationism is hardly probable), as well as changes in available conditions and goals implemented by the enterprise. The last circumstance is well-illustrated by the example of Prologue. If the research had been carried out not in 2009, but in 2005 when the organization was at the stage of prosperity, it could exemplify the first model. If we admit a different development, e.g. if organizers of children’s theatre pedagogy were able to register a new specialty in the system of additional professional education supervised by the state, disavowal from social entrepreneurship would be not a retreat from the concept of theatre pedagogy, but a means of its approbation and introduction to the state system of extended professional education. In this case the activity initiated within social entrepreneurship format could be considered successful, while the development period within the framework of social entrepreneurship – a catalyst of changes in the interests of all participants – professionals, customers and state authorities, overseeing professional training.

It should be noted that relations of social enterprises and regional structures of the state are developing unevenly from region to region. To a great extent this is linked to the extent of development of regional legislation on non-profits organizations, resource endowment of a region, which enables to invest more funds in support of small business and NPOs. At the same time these factors don’t guarantee development of the third sector in the region, that’s why this question calls for a special study. Generally, the forms, not stipulating sustainable relations and serious financial obligations are prevailing among the forms of state-third sector relations in the regions. This involves joint holding of events as well as creating public and public-expert councils (Avtomonov, 2008). The next by popularity may be considered organization of grant competitions. Its disadvantage lies in the fact financial support provided within its framework has one-off and occasional character. It has nothing to do with supporting new operational approach or a new line of activity even if social entrepreneurs win in the grant competitions. Much less developed are such forms as social service procurement stipulating attraction of third-sector organizations to realization of target programs. Such programs are developed more frequently in the regions of Russia, although as noted in the previous section, most of funds are allocated to state-financed organizations, so NPOs usually get insignificant financing. Organizations of disabled persons, Great Patriotic War veterans and also “authorized” public organizations created by the initiative from “above” are primarily involved in such programs.
Table 1. Forms of social entrepreneurs – state relations, market and social participation of social enterprises (4 cases)

<table>
<thead>
<tr>
<th></th>
<th>School of Farmers</th>
<th>Toy museum</th>
<th>Equestrian Centre</th>
<th>Prologue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying of inclusion to social services procurements</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Lobbying of inclusion into state professional education system</td>
</tr>
<tr>
<td>Realization of social preferences</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Winning grant competitions</td>
<td>Yes, often</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Contracts with state-financed institutions</td>
<td>Yes</td>
<td>No</td>
<td>Rarely, on informal basis (barter)</td>
<td>Has been consolidated by state-financed institution</td>
</tr>
<tr>
<td>Participation in state-organized events</td>
<td>Seminars, rarely</td>
<td>Rarely</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sales of commodities and services on the open market / share in total revenues *</td>
<td>Yes, ≈ 70%</td>
<td>yes, 100%</td>
<td>Yes, ≈ 50%</td>
<td>No</td>
</tr>
<tr>
<td>Employment of volunteers</td>
<td>Rarely</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Use of social networks/principal type</td>
<td>Personal connections, business connections</td>
<td>Personal connections</td>
<td>disabled persons’, veterinary students’, equestrian sports athletes’ networks</td>
<td>Professional networks including art historians, theater agents</td>
</tr>
<tr>
<td>Participation in philanthropic activity **</td>
<td>Sometimes (support of orphans — non-members of the School of Farmers in living hardships)</td>
<td>No</td>
<td>Yes (recipients: disabled persons, city authorities)</td>
<td>Yes (recipients: teachers — organizers of children’s theatre groups, colleagues, who would like to master new methods)</td>
</tr>
</tbody>
</table>

*) Including non-repayable labor of volunteers, contracts with state-financed institutions
** Philanthropic activity embedded into main activity of the social enterprise

The Russian institutional and socio-cultural environment in which social enterprises have been developing has significant specific character, which is customarily associated with the traditions of domination of state in pre-Soviet and Soviet public life. Regardless of this specific character, the research of state-social entrepreneur relations in present-day Russia seems important not only for Russia but also for comparative international studies in social
entrepreneurship due to several reasons. Firstly, study of social entrepreneurship under different country and regional conditions contributes to deeper understanding of social entrepreneurship as a universal phenomenon of present-day social and economic life. Secondly, basically state domination in regulation of economic and social life is not a unique feature of Russia, it is typical to many post-Soviet and post-Socialist states, but also to the third world countries. That's why the Russian experience may be useful for clarifying development perspectives of the social enterprises and social economy in countries which have specific conditions of civil society and small business development, contrasting with those in western democracies and liberal economies. Thirdly, in a sense Russian conditions of the social enterprises’ activity represent a fanciful combination of American and European development model of social entrepreneurship. What is in common with the American model in Russia is the leading role of personal initiative and of the social entrepreneur’s efforts as organizer of business under conditions of state paying no attention to business as well as of unavailability of longstanding traditions of cooperative movement. What recalls the European model is active part of state in economic regulation. It remains to be seen which model will exert more influence on development of the social enterprises in Russia. Fourthly, some officials in the Russian government have voiced the idea that state should stimulate social entrepreneurship development. That's why Russia has a chance to join the ranks of the European countries, where social enterprises lend themselves to implementation of state social policy.

Bibliography


