

# Social Entrepreneurship And Digital Technologies

Hristo Prodanov\*

## Summary

This paper considers one of the most recent developments in the field of alternative and innovative economic strategies, known as “social entrepreneurship”. Its aim in this regard is to examine new ways to overcome the social gap that according to the World Economic Forum is widening with only 8 people today owning as much as the poorer half of humanity. My main idea is that along with the rise of the Fourth Industrial Revolution, with robotization, automatization and digitalization new social problems emerge that need new solutions. One of the possible solutions is based on the emerging concept of social entrepreneurship. To prove this thesis, I have highlighted the need for social entrepreneurship by using critical, historical, comparative, theoretical, practical approaches. In the process I examine both the theory and practice of social entrepreneurship to consider that the accelerated development of digital technologies has two opposite effects – on the one hand they create many new opportunities for social entrepreneurship that can be of benefit to all, and particularly to those in need, but on the other hand they are one of the main reasons for the widening inequalities and wage gap. An attempt is made to understand the various aspects of social entrepreneurship by considering the existing literature and by comparing

existing concepts, practices and differences with other forms of entrepreneurship. The main idea is that social entrepreneurship represents one of the possible trends towards finding a solution of the social problems in the age of digital economy.

**Key words:** social entrepreneurship, social exclusion, digital technologies, welfare state, inequality

**JEL Classification:** L31

## Introduction

The popular and much discussed idea of entrepreneurship extended its meanings in the last decades beyond the area of for-profit businesses to include social entrepreneurship, political entrepreneurship, and knowledge entrepreneurship. Social entrepreneurship was one of the main topics discussed at the World Economic Forum, held in Davos in January 2017, as a new way or a tool for overcoming certain social ills that plague contemporary societies. In this regard the social entrepreneurship business models emphasize not on profit, but on human and social values. Common characteristics of profit-oriented entrepreneurs and social entrepreneurs are that both are innovators, dedicated, initiative takers, leaders, alert to opportunity, persistent, committed. Among the unique characteristics of the social entrepreneur are that he is a mission leader, emotionally charged, an agent of change, opinion leader, social value creator, socially alert, manager, visionary, highly accountable

\* Assistant professor at the Department of Political Economy, UNWE. [h\\_prodan@abv.bg](mailto:h_prodan@abv.bg)

and not driven by profit (Abu-Saifa, 2012: 25).

I contend that one of the most important reasons for the rise of social inequalities, unemployment and the crisis we are witnessing today is the rise of digital technologies, but the same technologies might also become the main tool for overcoming these problems. One possible way of development is the rise of social entrepreneurship over the past years during the transition towards digital economy as a result of the Third and subsequently the Fourth Industrial Revolution. What is peculiar for the economy that is result of these revolutions are the permanent innovations and the leading role of the entrepreneur and entrepreneurship. The social entrepreneurship emerged on one hand as an attempt to realize social goals not with the instruments of the state, but with those of the market, and on the other hand – the rise of a new type of economy, known as digital economy that uses digital technologies to attain those goals. The main idea in this study is that there is close link between digital economy and social entrepreneurship. I see social entrepreneurship as a form of solving social problems in the era of the Fourth Industrial Revolution. As a result of this revolution everything is changing extremely fast and the entrepreneur with his innovative ideas is becoming an important figure in all areas of social life. Today the digital technologies and digital space are becoming a major tool used for the purposes of social entrepreneurship.

To prove the thesis presented above I have divided this paper in three parts. In the first part I discuss the need for social entrepreneurship as one of the many possibilities to solve social problems during the transition from the Third to the Fourth Industrial Revolution, under conditions of crisis of the welfare state, growing social inequalities, middle class decline in the developed countries and changing human

needs. The growing inequalities and evolving human needs are not something new, and we have seen it during transitional periods of the past Industrial revolutions that were related to the crisis of the capitalist system, growing inequalities, integration of new technologies, new business strategies and new economic growth. In the second part I discuss the nature, emergence and growth of social entrepreneurship in the past decades as a tool that can solve certain social problems in contemporary societies. I stress on the role of digital technologies for the rise of inequalities and unemployment, but also for the rise of social entrepreneurship in the past decade. By using theoretical analysis of the existing literature about the connection between the Fourth Industrial Revolution and social entrepreneurship, I describe the opportunities, forms and challenges for this form of entrepreneurship that digital technologies present. I also discuss the criticism of the concept of social entrepreneurship as there is still not a clear definition and distinction between social and other forms of entrepreneurship. The third part concludes with a review of the practical applications of the discussed phenomena that illustrate the many new and innovative ways for combining social entrepreneurship and digital technologies.

### **1. Social entrepreneurship as one of the possibilities to overcome the social problems in the age of the Fourth Industrial Revolution**

During the transition from one form of capitalism to another, we always witness the rise of new orthodox and heterodox theories, aimed at solving the emerging problems and the crisis of transition. The topic about the cycles of capitalism is something analyzed by many scholars. Joseph Schumpeter believes that cycles are embedded in the very nature of capitalism, and their presence is a historical proof of the

autonomous dynamics of capitalism. In his book "Capitalism, socialism and democracy" (1942) he develops the theory of „creative destruction" and argues that capitalism is capable of self-destruction in the process of introduction of new technologies. Fernand Braudel (1902-1985) shows how periodically capitalism enters stages of financialization, which are followed by a crisis of the capitalist system. Giovanni Arrighi develops this idea further, arguing that there are four cycles of capitalism from the Renaissance to present days. The Marxist theories of the crises are also related to the idea of the recurring economic depressions – ideas that began with Jean Sismondi (1773-1842) who criticized the thesis of classical political economy about the balance of supply and demand. This topic is also discussed by Nikolay Kondratiev, who defines the so called "cycles of Kondratiev", which include phases of prosperity, recession, depression and improvement.

Based on these studies I argue that we are in the transition stage from the Third to the Fourth Industrial Revolution of robotization, automation and digitalization and with it in a new crisis of capitalism, which is widening the social gap and giving rise to social disorder. I also argue that we can use the technologies of the Fourth Industrial Revolution to overcome the existing problems. The first cycle of capitalism began with the depletion of the potential of the First Industrial Revolution with the crisis of 1870-1929 that was one of the main factors for the emergence and the spread of Marxist political economy. It was overcome through a combination of Keynesian political economy and the technologies of the Second Industrial Revolution that made possible the welfare state in the Western countries. In socialist countries in the East "Marxist-Leninist" political economy of catch-up modernization emerged with the slogan „soviet power plus electrification".

In the beginning of the seventies of the 20<sup>th</sup> century the potential of the Second Industrial Revolution was already depleted and the world entered a new crisis that was overcome by the rise of neoliberalism, the rise of financial over the production capital and the technologies of the Third Industrial Revolution. According to the founder of the World Economic Forum Klaus Schwab the world economic crisis of 2007-2008 is the precursor of the end of that stage and the outset of the Fourth Industrial Revolution. This is why today we are witnessing again rising inequalities and we should look for new forms and ways to reform capitalism if it is to survive. One of the possibilities lies in social entrepreneurship discussed in this paper.

During the last decade, with the rise of the Fourth Industrial Revolution, robotization and automation of the working process, the spreading of digital technologies, the Internet and of rise of digital economy changes in labor market have intensified and created new factors for the decline of the welfare state. Even Francis Fukuyama, who in 1989 declared "the end of history", today is writing articles about the "future of history", growing inequalities, oligarchization of societies, crisis of liberal democracy, decline of the middle class and against the weakly regulated financial capitalism (Fukuyama, 2012). The decline of the welfare state is a result of two groups of factors. The first one is technological, connected with the increase of technological unemployment, development of dual labor market, deindustrialization, and decline of the middle class. The second group of factors are connected with the globalization of the markets and the loss of control over financial capital by the national state, the sharp decline in marginal tax rates on high income brackets and the growth of indirect taxes on the poor and the middle class. This brought a rapid increase in the number of poor people in both the developed

countries and the former socialist countries. It resulted also in a rising levels of inequality all over the world in every sense of the word. In the last few years this brought geo-economical collisions, wars unprecedented in the past 70 years, migration of humanity from the periphery to the center of the global system, social and geopolitical conflicts, processes of de-globalization, rise of nationalism. After the crisis of the 70-ties of the last century, Reagan's and Thatcher's programs of privatization of the public sector, the rise of the neoliberalism and the principles that "money is spinning the world", we are witnessing a sustained decline of the social and welfare state. There is a major transformation in the entire system of social protection. The policy of the welfare state with its social goods, built to protect the working class from the whims of the market, underwent great changes and today is fully submitted to the forces of free market. These processes were strongly accelerated as a result of the crisis of world economy in 2007-2008, which brought about severe crisis of the welfare state, growth of public debt and a great magnitude of global inequality. In a report Oxfam is warning that the global inequalities have reached new historical levels and that today the 8 richest people on the planet own as much as the poorest 50% of humanity. They have the unimaginable fortune of 426 billion dollars, which is equal of the fortune of 3,6 billion people on the planet.<sup>1</sup> Bill Gates alone has a fortune of 75 billion of dollars, which is more than the the average GDP of many countries. At the same time after 2015 the richest 1% of own more than all the humanity (Elliott, 2017). According to Eurostat data from 2013

there are 120 million people, representing 24,8% of the EU population, that are at risk of poverty and social exclusion. Those living in households with a very low intensity of work are 10,3% of the population, 17% of people have income lower than their national risk of poverty threshold, those living under material deprivation are 9,9% and in 2012 40,2% of the population reported difficulties covering their expenses (Cecilia Grieco, 2015: 8). **In its latest report from January 2018 Oxfam warns once again that just 42 people own the same amount of wealth as the poorest 50 percent worldwide and that the richest one percent owns 82% of the money in the world. This means that 82% of the profit is going in the hands of capitalists and only 18% goes in labor. The situation does not look much different from that in the middle of XIX century when Marx talks about the absolute impoverishment of workers and predicts a socialist revolution (Ross Chaney, 2018).** This is an ever-growing tendency, widening the socio-economic gap with all the consequences that come with that. This brings the most important question of the monstrous levels of inequality in a world where the distribution of the global income gives everything to a few while billions of people languish in poverty and even die from famine.

After the eruption of the global financial and economic crisis inequalities began to grow rapidly, which will probably become one of the main challenges for the future of global economy. They are becoming a serious obstacle for globalization and are expected to lead to new processes of self imposed isolation against the growing external threats. A manifestation of this trend

<sup>1</sup> There have been some doubts concerning the annual Davos reports of Oxfam International but we should have in mind that they are accepted by the world economic and political leaders who gather each year in Davos. Winnie Byanyima, the executive director of the anti-poverty confederation Oxfam International, was named a co-chair of the World Economic Forum in Davos. More over the authors of Oxfam Davos reports responded convincingly to the their critics (Galasso, 2015)

were the Brexit, the election of Donald Trump for president of the United States, the idea of Europe at multiple speeds, the growing social unrest all over the world, the rise of populism and racism, the fencing of more and more countries against external threats, the tendencies of economic isolationism and protectionism, the return of mercantilism after decades of free trade. This led to the emergence of new forms of economic models, which are trying to limit the consequences of the crisis of neoliberal economy that brought great poverty and inequalities. Many new concepts are emerging today, which are aimed at solving social problems – the universal basic income, the reduction of working hours, the collaborative commons of Jeremy Rifkin or Paul Mason's project zero. There are also many emerging theories dealing with phenomena labeled "cyber-communism", "cyber-fascism", "post-capitalism", "digital socialism", "post truth era", alter-globalization or "Tobin tax" on financial transactions. In the conditions of a new digital economy based on perpetual innovation and exponential changes, it is impossible to return to the old welfare state, based on the realities of the Second Industrial Revolution. Now mass production and the large industrial working class of the Second Industrial Revolution are increasingly replaced by mass entrepreneurship and a growing role of the creative class of the Fourth Industrial Revolution. Here I would again emphasize the idea of "social entrepreneurship" as one of the possible ways to overcome the problems contemporary societies face.

The idea of entrepreneurship is not something new. We can see it in the works of Alfred Marshall in the 19<sup>th</sup> century, where he writes about the entrepreneur as the person who combines the factors of production in the best possible way. Later these ideas were developed by famous scholars like Joseph Schumpeter, who argues in his theory of "creative destruction"

that entrepreneurial innovations can lead to the destruction of capitalism, because they are destroying ideas, skills and equipment. The ideas of entrepreneurship are discussed also by Jean-Baptiste Say, Richard Cantillon, Peter Drucker and many other scholars, but they view the figure of the entrepreneur more as a manager who conducts the work of the company and combines the factors of production in the best possible way in pursuit of profit. Here I consider the figure of the social entrepreneur whose aim is not maximization of profit, but creation of social value. The social entrepreneurship here is seen as a part of a new fourth sector, different from the public one which provides social goods through the state, different from the private sector which focuses on the profit of capitalists, and different from the NGOs. Those three main sectors were born in the past industrial age when resources were abundant, technologies and jobs very different, and environmental problems weren't so pressing. Today, with the rise of the new digital Fourth Industrial Revolution there is a growing tendency towards new approaches and social entrepreneurship is seen as one of them.

Successful models of social entrepreneurship in conditions of fast changes on the labor market and loss of jobs as a result of automatization and robotization are connected with new strategies that are expected to find a new form of social activity based not upon human egoism and capitalistic expansion for profit, but on the feelings of solidarity, morality and social responsibility. This is an attempt to achieve social goals with the instruments of the market, not those of the state. New digital technologies are used to stimulate a new type of economics – the digital one. The idea is to find new forms of social policy that is about innovation and difference. The main figure is that of the entrepreneur, who creates new things. The entrepreneurship is oriented

towards social goals, which are increasingly difficult to achieve for the weakened welfare state.

## 2. The concept of social entrepreneurship and the role of digital technologies

The term social entrepreneurship was first introduced by Bill Drayton in 1963. He is the founder of “Ashoka” foundation in 1978, which binds together social entrepreneurs from all over the world and gives them different forms of support – from consultation to financial resources. In the 90ties of the past century social entrepreneurship and its organizations rapidly gained popularity and today they are attracting the attention of all kinds of social scholars. One of the main factors that promoted the idea of social entrepreneurship is the Nobel Prize awarded to Bangladesh banker and economist Muhammad Yunus in 2006. He is the founder of “Grameen Bank” which became known for introducing and implementing a micro-financing program for small business (Voinova and Kozvola, 2016: 102-103). The Nobel Prize was given to him for his efforts to create economic and social initiatives from below by micro-financing entrepreneurs who are too poor to get traditional bank loans.

From the beginning of this millennium there is a growing scientific interest and many magazines in the sphere of social entrepreneurship are emerging. In 2005 in London the magazine *Social Enterprise Journal* started being published, followed by many others like *Journal of Social Entrepreneurship*, *Journal of Co-operative Studies*, *Annals of Co-operative and Public Economics*. There is a growing number of scientific networks and nests, working on many aspects of this issue. Maybe the most prominent amongst them are EMSR and Ashoka. The World Economic Forum in the beginning of 2017 also placed as one of its main topics the theme of social

entrepreneurship where it sees one of the main factors that are able to reduce the widening social inequalities in the world.

The concept of social entrepreneurship is comparatively new and contradictory, applied in different contexts, countries and traditions, with different approaches and boundaries between different kinds of entrepreneurship, enterprises and entrepreneurs, so there is not a common definition about it. Scholars, institutions and countries are giving all kind of definitions, emphasizing on different aspects of it. Dees (1998) defined social entrepreneurship as “innovative activity with a social purpose in either the private or nonprofit sector, or across both.” Austin, Leonard, Reficco, and Wei-Skillern (2006) define it as “the process of extending the firm’s domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value.” (James Austin and Ezequiel Reficco, 2009: 2) The European Commission defines the notion of “social enterprise” as “an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.” (European Commission report, 2015: 9). According to the: Czech definition at least 10 per cent of the revenues of a social enterprise should come from market sources; UK definition says that “a social enterprise must generate at least 25 per cent of its income from trade; the Italian Law on Social Enterprises (Law no. 155/2006) stipulates that a social enterprise ex lege must generate at least 70

per cent of its income from entrepreneurial activities i.e. production and exchange of goods and services having social utility; as per the draft definition being considered in Croatia, at least 25 per cent of a social enterprise's income should be generated from entrepreneurial activities, three years after its establishment. Here I will stress on the EU Commission definition, because it is broad enough. Firstly, it distinguishes social enterprises from non-profit organizations and mainstream enterprises, indicates the minimum criteria for a social enterprise, which were developed to better understand the characteristics, communalities and differences of social enterprise populations within and between countries. Secondly, it establishes that the organization must engage in economic activity, must pursue an explicit social objective, must have limits on distribution of profits and assets, must be independent and the decisions have to be made in a democratic manner (Synthesis report of European Commission, 2015: 9-14). Thirdly, it defines the actors that make social entrepreneurship possible, i.e. it gives some understanding about who the "social entrepreneur" actually is. And finally, it says what social enterprise should do and by doing that it permits us to understand the meaning of the notion of "social entrepreneurship".

So in the broader sense the social entrepreneurship is about introducing entrepreneurial approaches for solving social, cultural and environmental problems. It is developed by organizations and people who implement business strategies not for profit, but for the improvement of both human and natural conditions. This is implemented by innovative decisions where profit is combined with the idea of maximizing the positive social impact. However we are not talking about social activities that are aimed at maximizing profit through preservation of human capital or the image of the enterprise. **One enterprise can be social**

**only when the social goals are the main mission of its activity.** It must be a business initiative that is based on social goals or on solving social problems. It focuses on benefits that can be given to society. It expands the horizon, knowledge, skills and possibilities of human realization in life. It removes the boundaries between business and charity and transforms the business into a charity. Its focus is not on money but on the person. It's based on the promise to create opportunities to simultaneously save the world, gain social status and earn some money. That is exactly how it brings a direct advantage to society, replaces some social functions of the state and intertwines the interests of social enterprise, community and state. But if the main goal of an enterprise is maximizing profit and it has some positive aspects by serving the social good, as Adam Smith explains in his concept of the "invisible hand of the market", it is not a social one. To be social the main purpose of the enterprise must be the common good and profit can't be the primary goal of the business. It can of course make profit, but that profit is a by product of its main activity and is not needed for the enrichment of somebody, but for the financial stability of the enterprise, so that it can carry out its activities successfully. In this case the entrepreneurship is an activity that produces new goods and services where the primary objective is social and those goods and services are aimed at improving social conditions. Moreover, we are talking about initiatives where the main idea is to find different, innovative and creative approaches. The social purpose is usually about overcoming poverty, inequality, bad education and lack of satisfaction about basic human needs. It aims at helping people to find work, gain new skills and stability in life. It is concentrated on overcoming many different problems like the fight against unemployment, social exclusion, urbanization, new initiatives about the poor

and people at risk. It is becoming a global movement gaining more and more attention. Governments and corporations are creating all kinds of funds for social innovations, a growing number of people from all over the world are interested in social activities and are becoming social entrepreneurs. For these reasons social entrepreneurship is seen as one of the most important sources of innovation in the social sphere and in the creation of new institutions that are able to offer new forms of social policy. The social entrepreneur directs his efforts towards achieving social goals that can't be done by private corporations or non-government organizations, which are usually addressing the issues of liberal rights and rarely those of social goods. (Leadbeater, 1997: 2-3)

It is well known that technological progress has always led to fundamental changes in the way politics, society and economy work. Today we are the outset of the Fourth Industrial Revolution of robotization and automation, which are eliminating traditional jobs and changing the entire natural background of the modern man. We are also in the era of new digital technologies creating virtual political and social-economic realms. There is a new and radical shift, changing the way we do business, work, interact, socialize with others. That shift transforms the very core of capitalism and gives new opportunities for all kinds of innovative strategies for identifying and solving socio-economic problems that society faces in a world with hundreds of millions of people in danger of dying from famine and 1% hyper rich. This effect is faced by a growing number of people all over the world with mobile devices and Internet access (the modern everyday life tools of almost every human) completely transforming human lives, business, societies, institutions, the flow of information etc. In that respect social entrepreneurship becomes a popular strategy for developing an innovative business. Especially in a world where computers and

mobile devices revolutionize and change every aspect of our lives. Linking people through technology gives them the ability to combine their efforts, knowledge, ideas and to reach their goals. By doing that they also overcome the space limitations, because of the ability of the digital space to connect digital entrepreneurs at zero cost everywhere in the world, to unite people, to form new social capital, to share information, to raise funds for social goals. Digital technologies allow combination of efforts and resources of people from all over the world free from the limitations of time and space. They allow funds to be raised and combine the efforts of people at national, local and global level in the name of particular social goals. They give the entrepreneurs the ability to disseminate ideas in the growing public sphere, to unite in groups with particular interests, to organize events, to share ideas, to generate support, to connect potential investors, voluntaries and charities. The low price and unprecedented reach of modern interaction allows social and digital entrepreneurs to achieve their goals with less efforts and funds, and increase profits. The ability to reinvest that profit in specific social goals is one of the main characteristics of social entrepreneurship. Unlike the initiatives known as "sharing economy" like Uber or AirBNB, which achieve some social benefits as a by-product, but make enormous profits, social entrepreneurs reinvest everything back into social goods. In this way digital technologies become political and socio-economical phenomenon that transforms the way business is conducted and also a platform for various kinds of innovative strategies, which poses a great challenge for traditional economic agents. What matters about digital technologies is that knowledge and innovation are much more important than traditional resources of production. They can't create material goods, but they can distribute material goods. For now they can create

only social value, but with the development of 3D technologies and 3D printers we can imagine that in time traditional production will come under serious competition and much of it will disappear. They also suggest development and preservation of knowledge, which turns social capital into knowledge and knowledge itself becomes accessible by anyone, anytime, anywhere. They permit us to transform physical things into virtual ones, and with the development of 3D technologies – virtual into physical. Digital technologies give us the ability for much easier exchange of data and information between entrepreneurs and customers, they allow us to reach many more people, to identify target groups and to popularize any initiative at a much lower price. They offer personalization and micro-marketing while mass production and mass consumer fade away and are forced to seek new entrepreneurial strategies to survive in the new and changing economic, political and social environment. They are giving the possibility for a wide access to those in need. They are becoming a powerful tool for integration of different services and for cooperation between private institutions, the NGO sector and the state for attaining particular social goals.

The internet networks, digital communications, social media are main tools of the digital economy and growing activities. They are important instrument also of digital entrepreneurship, place for collaboration collecting and disseminating information, marketing strategy. In the digital space the social entrepreneurs could use open-source software and crowdsourcing. A lot of them are experts in the field of digital technologies or want to be new social tech entrepreneurs looking for different Apps to improve their work. Digital technology becomes most powerful tool a new generation social entrepreneurs using it in imaginative ways to tackle complex social challenges. (Small, 2014)

The use of technology in social entrepreneurship led to the emergence of the term “technology social venture”. It is the merger of social and technology entrepreneurship which uses knowledge bridging mechanism for technological innovation to serve social needs. Like social entrepreneurship, technology social ventures address the double keystones of social value creation and financial return, but they do so using advanced technology. Often requires more initial funding than traditional social ventures but they can be replicated across regions or projects with less expense and at a faster rate. (Kamariah, Sohela, Ayuniza, 2012)

Digital technologies open a new and perhaps limitless field of innovative strategies, and along with it the much broader debate about the future of capitalism. It can be said that in their pursuit of change and new social value they also disrupt traditional industries by finding much easier, cheaper and innovative solutions. A lot of jobs will also disappear, causing serious socio-economic contradictions and conflicts. The Wikipedia for example is a product of the collective effort of many Internet users and gives us knowledge on almost any subject at no cost, but in doing that it has replaced all encyclopedias, including the 244 years old Encyclopædia Britannica, which is now entirely in a digital format. It is noted that a social and digital entrepreneurship can be successful only if it incorporates a few key principles: a) not just to ensure that digital knowledge and skills are developed and used, but also that these are used for the solving social problems; b) digital and information technologies must be used to strengthen and enhance the link between the suppliers and the recipients of the service; c) guarantees that the marginalized groups will have a chance to succeed in life; d) creation of decentralized networks of knowledge that support the exchange of information without

a central filtering body; e) exerting pressure on public institutions where decisions are taken by gathering information and data from citizens. And the main challenges social entrepreneurs face are (Ashoka, 2014: 5):

- a. Technological infrastructure is centralized, decisions are still monopolized and can't reach all in need;
- b. Timely ground-level data that is essential for successful development is still difficult and too expensive to collect, transfer, and use;
- c. Young people still don't possess adequate enough information technology knowledge in order to find the job they seek;
- d. Social enterprises can't afford the high price of developing digital innovations;
- e. The difficulties of hiring hi-tech specialists in the social sector where the pay is still much lower than in the private IT sector. Social entrepreneurs can use the achievements of digital technologies, but they can't create them.
- f. The difficulties in securing funding for two types of activities: creating ICT tools for achieving social impact goals (e.g. a mobile tool that helps reduce infant mortality); and ICT needed for the organization to run more efficiently (e.g. financial management systems).
- g. There is limited capacity to accept pro-bono offerings or knowledge on how to use open-source options that will increase social impact;
- h. Technological consulting and partnerships have limited impact because they are often not longitudinal and/or context specific enough to be successful, given the possible complexity of each technological solution.
- i. organizations are not in a position to fully use the unprecedented amount of data

they can collect for the specific target groups or social issues they work on, and their data sets remain smaller and more fragmented than the "big data" sets that experts focus on.

The social entrepreneurship can also take different forms and sizes.

First, *cooperatives and other forms of shared use*. This means companies that aim to solve social problems and then to reinvest all the profit back into company. They are member-owned organizations that embrace the principles of democracy and solidarity. The social goals and the creation of social value are the main priority in the production and the supply of goods and services, while the financial interest is secondary. The main goal of cooperatives is to meet the needs of the community or some vulnerable groups. There are various kinds of companies that differ from country to country. In some cases they could be a part of the tradition of cooperatives, while in other instances they are philanthropic in nature.

Second, *non-commercial, civil society organizations*. They are included in relevant market interactions of production and sale of goods and services that are not aimed at the increase of profit, but focus instead on the satisfaction of particular social aims with a high level of democratization about the ownership, control and management of that ownership by the particular producers, employees and consumers. They are created by voluntary associations of citizens and are managed by them, not by states or private companies, but they can use grants from those states or companies. They can have a small amount of employees who are paid, but there can be also voluntaries working without a salary in the same way it is done in philanthropic organizations. They incorporate voluntary and paid labor. The decisions are made not on the basis of shareholder capital like in big corporations, but on the principle of "one

man, one vote”, as in direct or participatory democracy. Amongst the social enterprises there are some that don't distribute profit, and others – where in some limited cases the distribution is possible. In any case they are about integrating disadvantaged people and providing some social services to them. In social enterprises the outcasts can find community to protect them, they can develop skills and qualification and then reintegrate into society and the economy.

Third, *businesses affiliated with NGOs* that generate revenues to fund their activities, provide employment, income and qualification to their employees, participate in some social initiatives, help those that are vulnerable and in need. For them sometimes social enterprises are just a convenient alternative source of profit.

Fourth, *legally recognised social enterprises* – those having a distinct legal identity in the country concerned either through a legal form exclusively designed for social enterprises or a social enterprise legal status.

Fifth, *de-facto social enterprises* - beyond legally recognised social enterprises, entities which fully meet the criteria laid out by the EU definition (and are de-facto social enterprises) span across a wide variety of organisational and legal forms such as WISE, cooperatives, associations and mainstream enterprises. Those enterprises are often hidden behind associations and foundations with commercial activities, cooperatives serving general or collective interests and mainstream enterprises pursuing an explicit and primary social aim (Synthesis report of European Commission, 2015: 19).

Sixth, *mutual societies* – autonomous associations of persons, whose primary aim is to satisfy their common needs. Mutual funds are owned and managed jointly and indivisibly. To join the mutual society, future members have to pay for the services

provided without buying a share in the capital or paying membership costs.

No matter what forms social entrepreneurship takes, there are always some common features: it addresses a certain social problem and does not pursue profit, so it creates social value that can be broad or narrow, local, regional and global; it includes civil society as a factor that distinguishes between public social goods in the public and the private sector; it must be about innovative business models like new goods and services, new distribution methods, new organizational models etc.; it gives the opportunity for new knowledge and skills; it is guided by social values like justice, solidarity, transparency; there is an economic impact, because it saves countries resources and efforts, increases qualification, and gives access to work and a chance to the excluded, poor and vulnerable. It is not about “the economic man” and the “invisible hand of market” of Adam Smith, but about the solidarious, moral and social person who takes part in the economic activity only to help people in need.

Everything new is initially met with some criticism and skepticism and the idea of social entrepreneurship is not an exception. There are a few areas of criticism.

**First.** There is a saying that “the road to hell is paved with good intentions” and things are not always what they seem to be. It is the same with social entrepreneurship as a tool for social policy conducted not by the state but by private businesses. We often try to help others but usually we achieve quite the opposite. Especially when our enthusiasm blinds us and we are not able to analyze and see the problem clearly and if we haven't seen its place in the whole complex system of social problems, institutions, relations etc. Social entrepreneurs should focus not just on solving problems but should try to predict the impact of their actions. Moreover, social entrepreneurship might be seen as one of

the factors for the decline of welfare state and for its replacement by the market, which might have the opposite effect on growing inequalities. This is why the real question is how to combine the forces of state with those of social entrepreneurship. Especially at a time when the contemporary state delegates many of its functions to the private sector and is therefore unable to solve the growing number of challenges it faces today, especially the social ones.

**Second.** It can also be said that social entrepreneurship is not something new and there have been many organizations and historical figures throughout time that have conducted social initiatives, including trade unions, political parties, churches, charities, business etc. It is well known for example that more than a hundred years ago Henri Ford introduced the firm wages and an 8 hour work day in an attempt to increase and improve production and employee retention, and his profit rose as a result. Latter this was adopted by the whole capitalist sector, because it became evident that exploitation of workers, long working hours and low wages lead to a situation when no one has the time or the means to to buy its products, resulting in decreased profit and crisis of overproduction. In this sense what we are calling today social entrepreneurship has always existed in one way or another and what we are witnessing today is just an upgraded version that is looking for new ways and patterns in the new environment of growing poverty and inequalities, new technologies, new business models, changing power structures and losses of jobs.

**Third.** It can be pointed that private business has social impact by nature, as it provides employment, salaries and social security payments for the workers, creates consumer products, generates economic growth and in that sense is not so different from social entrepreneurship.

**Fourth.** It can be argued that social entrepreneurship represents a very small part of economy and in most cases reaches only few of those in need, which reduces its effect and usually makes these kinds of social initiatives short lasting and unsuccessful.

### 3. The digital technologies and social entrepreneurship in practice

On this basis are emerging all kinds of innovative and social initiatives, which are trying to ensure the access to different services like education, health, social and legal protection for those in need. A typical example of the use of digital technologies in social entrepreneurship is the initiative of David Risher and Colin McElwee who see hundreds of children without textbooks during one of their visits to Ecuador. So they decide to create the Worldreader app, which gives access to digital books even in the most remote places on Earth. From 2010 to 2016 the app has given access to more than 46 thousands books in 52 countries and in 23 languages to more than 5 million kids, students and parents (Worldreader, 2017). Another example is Kenya where an app was created to ensure the access to healthcare and medical consultation for 10 thousand mothers. Another platform also created in Kenya was the Eneza Education, which helped in the education of 1.7 million people in the whole African continent (Eneza Education, 2017). Another inspiring example is the so called "Tea room" in United Kingdom, which connects hosts and guests by giving a home for the second ones. Another example is the web page Kickstarter, a network of 200,000 people who share their experience in the struggle against different medical conditions, providing support and information. Another interesting project is Cell Slider. It allows users to participate in the classification of millions samples of cancer cells, which helps scientists to find a cure for their medical condition (Nominet

Trust, 2017). Other interesting examples are about: a young man named Etienne who is redesigning a Haitian curriculum so that teenagers can use their school projects to solve city-wide problems, such as building the country's first solar powered street lighting system; Shivani Sorya showed that not having a bank account isn't a hurdle that prevents one from getting a bank credit and creating wealth for tens of thousands of people in India and Kenya; Hilmi Quraishi reached more than 22 million Indians through games that address public health issues such as HIV/Aids and infant mortality; and Jamila Abbass increased the wealth of more than 7,000 farmers by creating a mobile tool that collects and shares real-time price information for different crops in markets throughout Kenya. Entrepreneurial drive turns challenges into opportunities and sparks new possibilities for using ICT to transform lives (Ashoka, 2014: 4).

Social entrepreneurship is gaining popularity all over the world. The Global Social Entrepreneurship Network was created to use digital space for the distribution of innovative practice and ideas. Along with The Thomson-Reuters Foundation and Deutsche Bank it created the first country rating system based on the conditions for social entrepreneurship there. The first ten places are taken by United States, Canada, United Kingdom, Singapore, Israel, Chili, South Korea, Hong Kong, Malaysia and France. As a reaction to the growing levels of inequality the idea of social entrepreneurship is gaining serious popularity in the United States, where courses of social entrepreneurship are taught at universities, attracting an increasing number of young people who want to change the world. One of the most famous social enterprises in United States, based in California is called REDF. It has generated 1,563 million dollars of profit and has given employment to 11,000 people. For every dollar in the initiative we have

2,23 dollars pure profit reinvested in the initiative. The marginalized and unemployed there can master new habits, knowledge and qualifications that gives them 50% higher chance of finding work than those who have not taken part in a social enterprise. So it seems that in many cases social entrepreneurship replaces the traditional and government funded social networks.

In 1991 in Italy Social cooperatives were created to provide social services and help disadvantaged people to find work. In 2007 there are between 6,500 and 7,000 such cooperatives giving employment to 200 thousand of workers and providing social services to 1,5 million people. A cooperative of social responsibility to support the economic integration of disadvantaged people was created in Portugal. In the United Kingdom was created a Company in the interest of the community for private enterprises who want to use their profits and assets for the benefit of the community. (Truhe, Nicole & Jim Schorr, 2016: 23-24). The findings of a survey conducted among 763 entrepreneurs in India, who in 2003-2013 made the transition from entrepreneurship for profit to social entrepreneurship, show that 21% of them had a successful business, but turned to social business nevertheless (Human Development Report, 2015: 97). A survey for the UK government estimated the number of social enterprises as 62,000 across the country, contributing £24 billion Gross Value Added to the economy from 2005 to 2007. A Global Entrepreneur Monitor survey from 2010 estimated that an average of 1.9% of the population directly engaged with social entrepreneurship, with significant variation depending on the region concerned and its level of economic development. Another success story is the Fair Trade movement, which now generates more than €2.4 billion of sales worldwide and reaches more than seven million people across the world (Benjamin Huybrechts and Alex Nicholls, 2012: 9)

Another prominent social entrepreneur initiatives are for example: the free app Charity Miles that allows people to raise money and awareness for a charities just by running, biking or walking; Horyou, which is a social network where members and organizations can connect around the world to promote solidarity through action; the GoodGuide app, which is a barcode-scanning software that instantly tells the users if a product lines up with their environmental and social values; or Fundly, which is a fundraising platform that's helped non-profits, creative projects, campaigns and individual fundraisers raise over \$300 million to date.

Social entrepreneurship was also one of the main topics during the World Economic Forum in Davos in January 2017, known as one of the main places where the dominant orthodox economic doctrines are developed. The founder of the World Economic Forum and ideologist of the Fourth Industrial Revolution Klaus Martin Schwab and his co-thinkers see social entrepreneurship as one of the main fields, where we should look for solutions of the growing contradictions that unprecedented levels of inequality bring as a result of the diminished options for contemporary state to conduct social policy. For this purpose he created a special foundation to disseminate and popularize social entrepreneurship, called Schwab Foundation for Social Entrepreneurship. Its purpose is to create „platforms at the regional and global level to highlight and advance leading models of sustainable social innovation. It identifies a select community of social entrepreneurs and engages it in shaping global, regional and industry agendas that improve the state of the world in close collaboration with the other stakeholders of the World Economic Forum“ (Schwab Foundation for Social Entrepreneurship 2017)

But to break through, to increase its effectiveness and duration, the social

entrepreneurship must be embraced by the state and political parties that are able to put it in the center of their socio-economic policies. This is possible by offering various initiatives like: a public-private partnership to increase social responsibility of private businesses, to guarantee growth and alleviate the state from some social functions and expenses; subsidizing, interest free loans or tax relief for young and innovative social entrepreneurs; creation of funds and programs to stimulate social entrepreneurship; the creation of digital registers of social entrepreneurship to identify the fields that need more efforts; the creation of clear legal framework guaranteeing the sustainable development of social entrepreneurship; to remove or reduce the administrative procedures for those who wish to engage in social entrepreneurship; negotiating more funds for social entrepreneurship from governments, international organizations like EU and international financial institutions.

The idea of social entrepreneurship is a part of the EU growth strategy by 2020, which is aimed at the endorsement of social entrepreneurship business model to generate social value, growth, employment, to help those in need, to improve living standards, to fight poverty and social exclusion. The implementation of the strategy is not very probable, considering the events in the EU over the past few years, the Brexit, the disintegration processes and the idea of two-speed Europe. Nevertheless the strategy has five goals that must be reached by 2020. They include: ensuring employment for 75% of people between 20 and 64 years of age, development of different scientific activities, fight against climate change, reducing the percentage of those without high school degree to 10% or lower, reduction of people threatened by poverty and social exclusion by at least 20%. The strategy provides for creation of a European Social entrepreneurship fund to ensure financing

for those who want to engage with this kind of activity (Kumanova and Shabani, 2017: 4-5).

### Conclusion

In this paper I endeavored to find the link between Industrial revolutions, cycles and crises of capitalism and the need for new approaches for solving the emerging problems. This article was an attempt to define one possible approach, regarding the concept and practice of the social entrepreneurship as a social dimension of the Fourth Industrial Revolution. There is however still a much work to be done to fully understand this new field of research.

Firstly, the debate about what social entrepreneurship is still in its early stage and there is not a common definition about the notion. The boundaries of social entrepreneurship and other forms of entrepreneurship are still blurred and some may say that they are the same thing. Especially when we are talking about the differences between social responsibility of business, different kind of NGOs and social entrepreneurship. A serious debate about the notion and the real nature of social entrepreneurship is needed in order to more clearly outline the theory. It can even be argued that a new scientific branch must be created that deals with this new phenomenon. This can help to clarify the notion of social entrepreneurship, and create criteria and sustainable indicators to measure its effect. All this must be done, because of the different approaches, practices and notions that make the whole theory of social entrepreneurship unclear and often non-respondent and non-applicable in practice.

Secondly, we should clarify and use that theory to improve the practice of social entrepreneurship, to find better ways to measure and maximize its social impact, to combine resources in the most pragmatic way, to see and define the role of the state and

other actors or social partners in combining these resources and maximizing the results. Furthermore a clear legislative framework must also be created to enhance social entrepreneurship. Much more must and can be done to better theory and practice of social entrepreneurship and the growing interest in the problem is a good start.

Thirdly, it should be noted that the Fourth Industrial Revolution is still at an early stage, so: (a) social problems are yet to occur; at present we have mainly predictions about the disappearance of jobs and the decline of the middle class; (b) technologies of robotization, automation, 3D printing, big data, quantum computers, synthetic biology, renewable energy are yet to be fully developed, to create wealth or new problems. This is why we are about to witness the creation of many new practices and forms of social entrepreneurship or other forms of solving social problems like unconditional basic income or the reduction of working hours for example. Otherwise the growing social inequalities will provoke growing social conflicts, contradictions and human suffering with all its consequences like wars, revolutions, fences, nationalism, disintegration of states and cataclysms in the entrance of the Forth Industrial Resolution – something we have witnessed in all past transitional periods. This is what we are witnessing today and this is why a new approach with special attention to social problems is needed for humanity to go through this transitional period between the Third and the Fourth Industrial Revolution.

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