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## PROBLEMS OF DEVELOPMENT OF SOCIAL BUSINESS

### 1. Introduction

During the transition to a market economy, the welfare of the population of Azerbaijan declined, and a sharp economic differentiation of society occurred. In post-Soviet countries, including Azerbaijan, the system of social services for the population did not meet the requirements of the market. A modern market strategy involves the production of what people buy, but the social system still sold what it produced. As a result, low-quality social services were provided to the population. In the absence of competition, state-owned enterprises are not interested in producing quality products; therefore, they have a stable and steady supply. Social enterprises were not encouraged to develop and improve their activities, which led to a further increase in the difference between producers and consumers of social services.

One of the most important resources for the country's economic development is the non-profit sector, although this resource has not yet been used efficiently. At the same time, the budget sector of Azerbaijan is not able to provide the country's population with high-quality social services, therefore it is important to attract non-profit organizations to social services.

In the modern era, the effective and dynamic development of the social sphere is possible only through the development of social business. From this point of view, issues related to the use of innovative forms of social business development and its role in the development of the social sphere are very relevant and their scientific research is urgently needed.

### 2. The socialization of business

In recent years, companies' interest in corporate social responsibility has grown significantly, as their activities in the field of social responsibility have a positive impact on their business reputation and increase the sustainability of business development.

The concept of "corporate social responsibility" (CSR) is widely used in public life in the modern world. The concept of CSR, which appeared in the middle of the 20th century, remains relevant today.

Corporate social responsibility is a concept whereby an organization assumes responsibility for

influencing the company and other stakeholders in the public sphere and takes into account the public interest. This commitment goes beyond what is required by law and requires the organization to take additional steps to improve the living standards of its employees and their families.

In recent years, the concept of CSR has been widely used in the world. This concept was first used in corporate governance practices in the United States and Canada in the 1950s and 1960s. Today, in economically developed countries, CSR has become an instrument of social cooperation between the government and society as a whole.

The level of corporate social responsibility is an important criterion for the actual participation of the company in solving socio-economic problems of society. At the same time, a company that achieves more strategic goals in the form of social and economic programs receives a competitive advantage.

The formation of social reporting is carried out on a voluntary basis. The social reporting form is presented in the form of the principles of CSR, the social policy of the company and its environmental project, charity. If measures on CSR and sustainable development lead to lower risks, increase business reputation, increase the company's capitalization and financial results, then this should be considered as an additional factor, and not as a result of CSR.

Despite the voluntary nature of using the principles of corporate social responsibility, the state should act as a regulator and create conditions for the widespread use of corporate social and environmental responsibility.

The results of the company's activities are presented in the form of social reporting, which contains information about economic, environmental and social results.

Thus, the assessment of corporate social responsibility refers to a series of sequential actions to analyze a large number of economic, environmental and social indicators.

In the economic literature there are three approaches to assessing CSR [1, p. 190]:

- minimalist approach;

- an approach based on the separation of the main areas of implementation of the company's social policy;
- systems approach.

The stages of a company's life cycle, industry affiliation, scale of operations, financial stability, purpose of evaluation and transparency should be taken into account in the evaluation process.

There are three levels of CSR determination [2]:

- at the lower level, CSR ensures employment of people, professional attitude to their duties and compliance with tax discipline;

- at the average level, the search for regulatory and ethical principles of doing business continues and the establishment of legal relations with state institutions in various fields continues;

- a high level is characterized by the creation of philanthropic ideas, which are manifested in various charity events.

Studies show that business has a negative tendency to develop its social behavior. Under these conditions, the state cannot cope with the heavy social burden placed on it. It is necessary to increase the social responsibility of companies and entrepreneurs in resolving social issues. In this regard, the mechanism of state regulation of CSR and the process of socialization of business should be considered as one of the strategic directions of the economic function of the state.

Any business entity cannot work solely for financial gain and profit without taking into account public interests. In business, it is important to find a common language between society and government at all levels, which requires transparency and publicity on the part of business. In other words, the socialization of business is an important condition for the effectiveness of the economic system. In this regard, it is necessary to find a compromise between business profitability and meeting the needs of society.

Currently, CSR is the most effective public policy instrument. Modern companies strive to meet the needs of society and the state. The state benefits greatly from implementing policies aimed at improving corporate social responsibility. This allows you to identify the "sore point" and identify priority areas for applying the principles of corporate social responsibility. Evaluation results play a key role in decision-making in the field of economic, environmental and social management of the company.

Social partnerships play an important role in the socialization of business. There are various approaches to determining the meaning and importance of the term "social cooperation" [3, p. 688-689]:

- the first approach defines social cooperation as a special category of social relations established between social professional groups, social classes, population groups and state structures;

- the second approach characterizes social cooperation through a certain type of relationship between the organization's workforce, employers and the government;

- the third approach considers social cooperation as any basis for harmonizing the interests of various social groups, enterprises and government bodies.

In fact, social cooperation is a mutually conditioned relationship between participants in the educational process and, on the other hand, the relationship between government agencies that are interested in a certain stage of interaction.

The function of business structures as a social partner is not only to identify the material and technical support of the company, to apply existing forms and mechanisms of social partnership, but also to develop and use new, innovative approaches.

### **3. Characteristics, principles and philosophy of social business**

Social business, as an innovative form of social development, uses economic tools to solve socially significant problems. The organizational form of social business depends on local conditions and opportunities, social and environmental requirements, as well as on the characteristics of each country: legal framework, social security, cultural and historical traditions, and so on. The diversity of social business is reflected in the vision of its sharp social initiative.

The philosophy of social business is a combination of the position of business entities. Proponents of this philosophy believe that all people and their activities are essentially a product of the market, therefore, each and everyone has its own value. Proponents of free-market social business believe that a person can serve society, but only by serving himself [3].

In the implementation of social business, the consumer is considered as an equal participant in commercial activities. The main participants in commercial activities in the field of social business are not only business structures, but also consumers. An important factor for an entrepreneur when concluding a contract is income (economic benefit), and for a consumer-a necessary product (service) that more fully covers his needs.

The complex task of commercial activities in the field of social business is solved by meeting the needs of the population. When a consumer makes a deal in the market, he or she directly affects the behavior of social entrepreneurs, the choice of market segment, the organization of the supply and sale of goods, the formation of the range and pricing policy. The commercial activities of social enterprises can differ in their goals and objectives, and in most cases it should be profitable, which is subsequently invested and sent to the company's social mission (mission).

Azerbaijan is actively developing the idea of social business, implementing social projects aimed at improving the living standards of the population and at the same time earning money. Companies are increasingly investing in social technologies. According to experts, progressive changes in the management

culture are also necessary for the wider application of social technologies.

Entrepreneurs use social technologies mainly in business processes, and also use social experience to support their clients' initiatives. Social tools and practices are used in both internal and external communications of companies. Business is socialized to improve customer service, increase productivity and business processes, stimulate innovation and make good management decisions.

Nobel prize winner Professor Muhammad Yunus made a great contribution to the formation of social business as an independent systematic scientific and practical direction and published the book "the banker of the poor". In this book, he defined social business as an important part of the overall business and reveals its philosophy and distinctive features.

The main goal of a social business is not to maximize profits, an entrepreneur does not receive dividends from profits, profits are invested and directed to business development. More precisely, business profits are invested in improving the quality of products or services manufactured by the company, as well as in subsidizing a social mission and investing in social projects. Social business, on the other hand, is not dependent on donations or private and state grants. Unlike non-profit organizations that spend only once per location, social business funds are invested unlimited in multiplying and improving business operations.

M. Yunus identifies two main motives of a person: selfishness and self-sacrifice. A selfish person seeks income through business, but his or her social business is based on the ultimate motivation of people through charity services in places like churches, mosques, synagogues, art museums, public parks, medical clinics or community centers. For M. Yunus, the benefits of social business are less important than charitable services for society. He created the Yunus Social Business (YSB) to train and support investment in young social companies.

Yunus notes that in many cases when we involve the poor and non-poor in joint programs, the poor are soon forced out of the program by non-poor. If no precautions are taken at this stage, it will continue forever. As a result, non-poor people will receive all the benefits. According to Gresham's law, if there are two forms of commodity money in circulation that are legally recognized as similar in face value, the more valuable commodity will gradually disappear from circulation.

M. Yunus worked day and night to fulfill the mission of lifting the country out of poverty, starting with the practical implementation of the idea of social business. As an experiment M. Yunus starts by providing \$ 27 to low-income families for a total of 42 people, and then provides a large loan to people who serve the community. Grameen Bank, which in 1976 had a loan portfolio of \$ 1,050, in 1998 allocated \$ 2.4 billion to 2,330 borrowers. As a result of the

development of social business, poverty in Bangladesh with a population of 120 million people has significantly decreased, which makes Grameen Bank a historic success in saving people from suicide, hunger and loss of faith. Thanks to long-term effective measures, Grameen has gained a reputation as a "bank of the poor". The public trust gained by such a bank has led to a review of the banks' exploitative reputation.

M. Yunus developed the basic principles of social business:

- 1) the goal of a business is to fight poverty or one or more problems that affect people and society; the goal is not to maximize profits;
- 2) economic and financial sustainability;
- 3) only the capital invested by them is returned to investors. Dividends are not paid in addition to investment money;
- 4) after the initial investment has been repaid, the profit remains inside the business to finance its expansion and improvement;
- 5) gender-sensitive and environmentally conscious;
- 6) employees receive a salary that meets market conditions, but with better working conditions;
- 7) do it with joy.

#### **4. Family Farms as a Form of Social Business**

Family-owned enterprises with a long history are the most common form of business in the world. In addition to production, family firms perform a number of socially oriented functions and contribute to the preservation of the rural lifestyle, which is considered to be the bearer of national traditions and values.

The term "family economy" is widely used by domestic and foreign economists and farmers. A. V. Chayanov was the first economist who analyzed the activities of family farms and revealed their legitimacy. He developed a methodological framework for the study of family farms, to which modern scholars refer. Among them R. E. Proust confirms that family farming is the basic structure of agriculture. At a family farm, individuals or groups of citizens are engaged in labor activities with their relatives and are responsible for joint economic activities on land without creating a legal entity [5, p. 44-45].

Some scientists distinguish between the terms "family business" and "family farm". The main argument here is that in developed countries the main form of agricultural production is high-tech agriculture, and in most developing countries it is an extensive family farm. In foreign countries, the technological family farm prevails among organizational and economic forms of farming.

The Law of the Republic of Azerbaijan on family agriculture (2005) stipulates that family farming is the joint implementation of production and other economic activities (production, processing, storage, transportation and sale of products) in rural areas without creating a legal entity based on personal property and

property, owned or rented by family members and their partners. The composition of a household may consist of one person or members of his family and persons working together on the basis of kinship or other relationships. Less than 50% of all employees can be employed in the family economy, provided that the contribution of employees does not exceed the contribution of the family. Family business is a social business model in which family members participate, and management and inheritance are embodied in family traditions. The father leads the creation of a family business, and then the mother, children and grandchildren join him. All family members are equally involved in the management of income and capital in the household, income does not go beyond the family budget, and in case of financial difficulties, employees agree to work for low wages and even for free.

Famous family business firms have evolved and become large companies that influence the global economy. So, 75% of companies in the UK, 85% in the EU and 90% in the USA are family-owned enterprises.

Family business is also developing in the Republic of Azerbaijan. So, on April 4, 2016, President of the Republic of Azerbaijan Ilham Aliyev signed a decree "On additional measures to ensure self-employment of the population". The public legal entity "ABAD", run by the State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan, was created in accordance with the Decree of the President of September 23, 2016. In accordance with the decree, family business support centers (ABAD) were established to support active participation of citizens in the socio-economic development of the country, the development of small and medium-sized businesses, increasing employment and creating competitive family farms.

ABAD Centers implement family business projects in the field of arts and crafts and the agricultural sector, as well as provide business planning, marketing, branding and design, financial accounting and legal assistance to family businesses. "ABAD" carries out certification of products on the basis of a "single window" (one-stop-shop), and also organizes sales and logistics of products. Along with the brand name of the manufacturer's family, each product also has a special label that indicates its production under the control of ABAD.

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As part of supporting families involved in arts and crafts, there are ABAD craft centers in the State Historical and Architectural Reserve Icheri Sheher and at the Heydar Aliyev International Airport. In these centers there is an exhibition and sale of handicrafts from different regions of the country.

#### Conclusions

1. Socialization of business, that is, responsibility to people and society, is one of the strategic directions for the implementation of the economic function of the state, a necessary condition for improving the efficiency of the economic system and has become an important tool for cooperation with the government and society as a whole.

2. Social business, an innovative form of development of the public sector that uses economic instruments to solve socially oriented problems that can achieve the desired result at lower cost. The social problem that a businessman is trying to solve in his business is the exit point from the business. The forms of organization of social business depend on local conditions and opportunities, socio-economic demand and the specifics of each country: the legal framework, social security, cultural and historical traditions, and so on.

3. The oldest and most common form of social business is family business. A family firm may have family members, relatives, or employees who do not constitute fifty percent of the total number of employees. Family businesses are an exemplary model of social business in which management and inheritance are carried out in accordance with family traditions.

4. The philosophy of social business is that the investor does not receive dividends from profits received from entrepreneurial activity, he receives only as much money as the investments that he / she invests, and the rest of the profits are invested in expanding the company's activities and implementing socially significant projects.

5. In order to strengthen the institution of the family, which has weakened material interests, create additional sources of income for people at home, preserve folk arts and crafts and ensure self-employment, it is necessary to develop and implement the concept of family business development in the regions of Azerbaijan within the framework of the Strategic road map for the development of the national economy.



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#### **Аббасов А. Б., Аббасов С. А. Проблеми розвитку соціального підприємництва**

У статті розкрито корпоративну соціальну відповідальність, соціалізацію бізнесу, сутність, значення та критерії соціального підприємництва. Зроблено відповідні узагальнення щодо різноманітних науково-теоретичних поглядів економістів на оцінку соціальної відповідальності підприємств.

Детально пояснюється характеристика, основні принципи та філософія соціального підприємництва. Філософія соціального підприємництва ґрунтується на тому, що інвестору не виплачуються дивіденди на прибуток, який отримано від підприємницької діяльності, – він отримує лише суму вкладених грошей, а решта інвестицій вкладається у розвиток бізнесу та реалізацію соціально значущих проєктів.

Розкрито особливості формування сімейного господарства (сімейного бізнесу) як важливої форми соціального підприємництва та перспективи розвитку на регіональному рівні. Сімейний бізнес – це соціальна бізнес-модель, у якій члени сім'ї беруть участь в управлінні та спадкоємності у сімейних традиціях. Фірми сімейного бізнесу розвивалися і стали великими компаніями, що впливають на світову економіку.

В Азербайджанській Республіці АВАД (спрощена підтримка сімейного бізнесу) надає підтримку сімейним підприємствам у сфері мистецтва та ремесел, а також у бізнес-плануванні, маркетингу, дизайні, фінансах, бухгалтерській та юридичній допомозі. Крім цього, підтримка здійснюється і при сертифікації виробленої продукції відповідно до принципу «єдиного вікна», організації логістики та збуту. Розроблено практичні рекомендації щодо посилення ролі соціального підприємництва у підвищенні добробуту населення та сталому розвитку національної економіки.

*Ключові слова:* соціалізація бізнесу, корпоративна соціальна відповідальність, соціальне підприємництво, сімейні фірми, сімейний бізнес, соціальне партнерство.

#### **Abbasov A., Abbasov S. Problems of Development of Social Business**

The article reveals corporate social responsibility, business socialization, the essence, meaning and criteria of social business. Appropriate generalizations were made on the various scientific and theoretical views of economists on the assessment of corporate social responsibility.

The characteristics, basic principles and philosophy of social business are explained in detail. The philosophy of social business is based on the fact that the investor is not given dividends on profits received from entrepreneurial activity, he receives only the amount of money invested, and the rest of the investment is invested in business development and the implementation of socially significant projects.

The features of the formation of family farms (family business) as an important form of social entrepreneurship and development prospects at the regional level are revealed. Family business is a social business model in which family members participate in management and succession in family traditions. Famous family business firms have evolved and become large companies influencing the global economy.

In the Republic of Azerbaijan, ABAD (Simplified Support to Family Business) provides support to family enterprises in the field of arts and crafts, as well as business planning, marketing, design, finance, accounting and legal assistance. Certification of manufactured products according to the "one-stop shop" principle, organization of logistics and sales is carried out by ABAD. Suggestions were made to increase the role of social business in improving the welfare of the population and in the sustainable development of the national economy.

*Keywords:* business socialization, corporate social responsibility, social business, family firms, family business, social partnership.

#### **Аббасов А. Б., Аббасов С. А. Проблемы развития социального предпринимательства**

В статье раскрыты корпоративная социальная ответственность, социализация бизнеса, сущность, значение и критерии социального предпринимательства. Сделаны соответствующие обобщения различных научно-теоретических взглядов экономистов на оценку социальной ответственности предприятий.

Детально разъясняется черта, главные принципы и философия социального предпринимательства. Философия социального предпринимательства основывается на том, что инвестору не выплачиваются дивиденды на прибыль, полученную от предпринимательской деятельности, - он получает только сумму вложенных денег, а остальные инвестиции вкладываются в развитие бизнеса и реализацию социально значимых проєктов.

Раскрыты особенности формирования семейного хозяйства (семейного бизнеса) как важной формы социального предпринимательства и перспектив развития на региональном уровне. Семейный бизнес – это социальная бизнес-модель, в которой члены семьи принимают участие в управлении и преемственности в семейных традициях. Фирмы семейного бизнеса развивались и стали крупными компаниями, влияющими на мировую экономику.

В Азербайджанской Республике АВАД (упрощенная поддержка семейного бизнеса) оказывает поддержку семейным предприятиям в сфере искусства и ремесел, а также в бизнес-планировании, маркетинге, дизайне, финансах, бухгалтерской и юридической помощи. Кроме того, поддержка осуществляется и при сертификации производимой продукции в соответствии с принципом «единого окна», организации логистики и сбыта. Разработаны практические рекомендации по усилению роли социального предпринимательства в повышении благосостояния населения и устойчивом развитии национальной экономики.

*Ключевые слова:* социализация бизнеса, корпоративная социальная ответственность, социальное предпринимательство, семейные фирмы, семейный бизнес, социальное партнерство.

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