

A New Wave

The State of Social Enterprise in Ukraine



СОЦІУМ XXI



This research was conducted by Natalia Gusak, Viktoria Kuznetsova, and Tetiana Stetsenko. It is a highly condensed summary of their larger report on research on social entrepreneurship in Ukraine, conducted from April to December 2016.

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Stephanie Marienau-Turpin and Katherine Hallaran of Pact Ventures supervised the content of this summary booklet. Stefan Peterson, Pact Senior Multimedia Designer, designed and laid out the booklet, and Rachel Elrom, Pact Global Proposal & Donor Documents Editor, edited and organized the booklet.

CONTACT INFORMATION

Natalia Gusak

Associate Professor, PhD in Sociology, MSW
Head of the School of Social Work of the National University
Kyiv-Mohyla Academy
2 Skovorody vul., Kyiv 04655, Ukraine
+380661291703
nataliagusak@gmail.com; gusakny@ukma.edu.ua

Katherine Hallaran

Pact Ventures
1828 L Street, NW, Suite 300
Washington, DC 20036
United States
+1-202-684-3620
khallaran@pactworld.org



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About the research study



LOCATIONS

Across the whole of Ukraine, omitting the Autonomous Republic of Crimea and occupied territories of Donetsk and Luhansk oblasts



AIM

Assess Ukrainian social enterprises and determine their best practices



TIMELINE

April to
December 2016

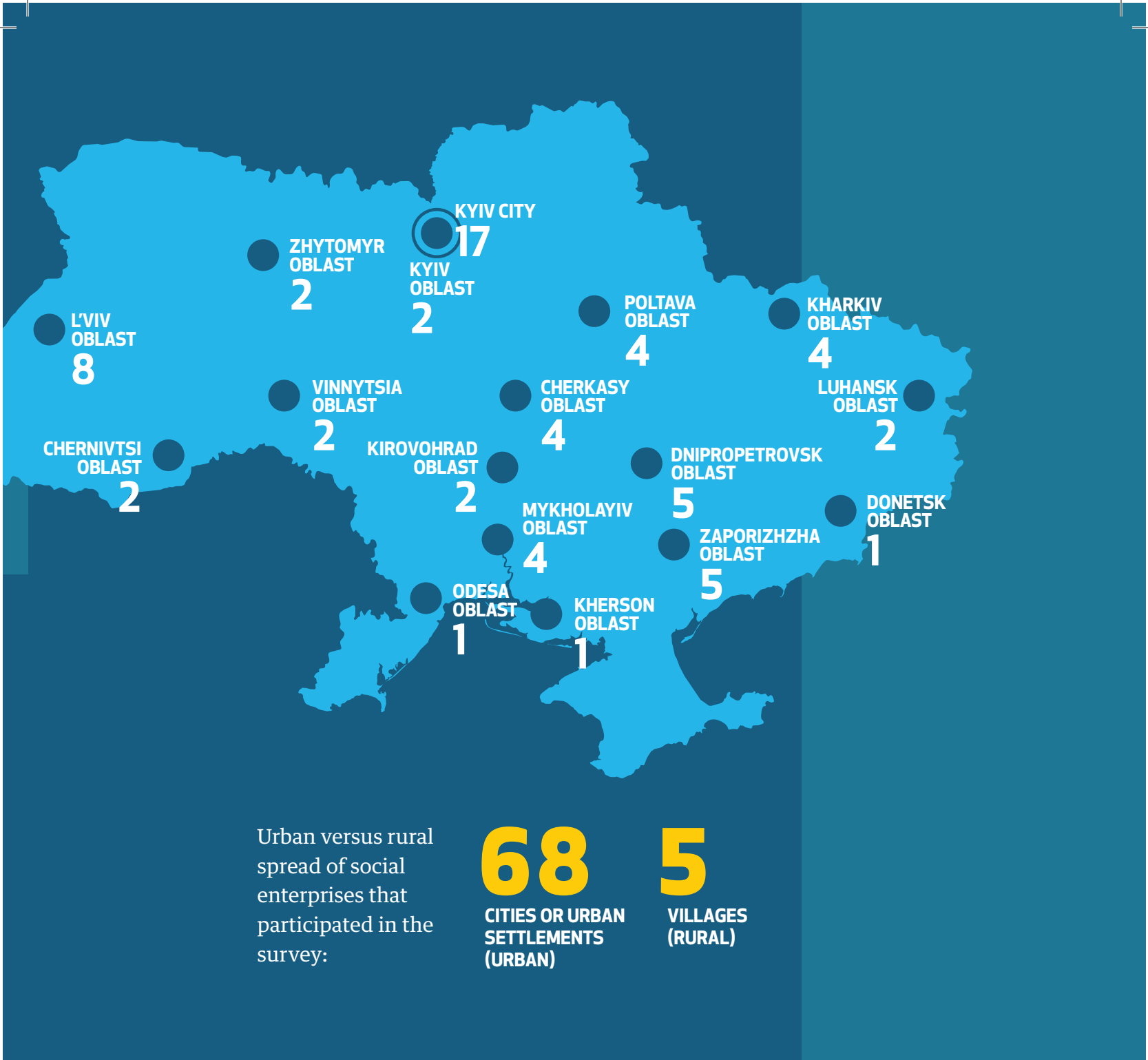


RESEARCH METHODS

Mixed (quantitative and qualitative data collection) via:

1. Desk research
2. Semi-structured interviews with 4 experts to identify activity criteria and the list of successful social enterprises
3. Questionnaire survey among 73 Ukrainian social enterprise representatives
4. Semi-structured interviews with representatives from 10 successful social enterprises, chosen by the 4 experts

DISCLAIMER: The research study and the information contained in this booklet are representative only of those social enterprises that voluntarily provided information, not necessarily the entirety of social enterprise in Ukraine.



Urban versus rural spread of social enterprises that participated in the survey:

68

CITIES OR URBAN SETTLEMENTS (URBAN)

5

VILLAGES (RURAL)

Origins and development of social enterprise in Ukraine

Social enterprise has steadily grown in Ukraine since the early 2000s, and a number of organizations and initiatives have sprouted up in support.



EARLY 2000s

Social entrepreneurship launched in Ukraine at the professional level



2006

U.S. Government-supported Ukraine Citizen Action Network (UCAN) implemented with the aim of training civic organization representatives and providing grants for establishing social enterprises through business plan competitions



2010

British Council initiative consortium 'Promotion of Social Entrepreneurship in Ukraine' established



2013

41 social enterprises included in the Catalogue of Social Enterprises of Ukraine

First All-Ukrainian Forum of Social Entrepreneurs held, with 100 participants



2016

Up to 700 social enterprises in Ukraine, 290 of which established by civic organizations of people with disabilities

Second All-Ukrainian Forum of Social Entrepreneurs held, with 300 participants



2017

Second edition of the Catalogue of Social Enterprises of Ukraine planned for release

Characteristics of Ukrainian social enterprises

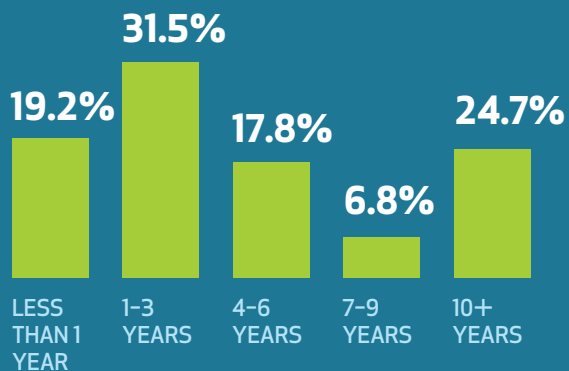
WHAT IS SOCIAL ENTREPRENEURSHIP IN UKRAINE?

Social entrepreneurship in Ukraine aims to address social issues through self-sufficiency, innovation, and sustainability. Social entrepreneurs search for opportunities to implement innovative ideas, to establish organizations that address social issues, and to develop the network of social enterprises.

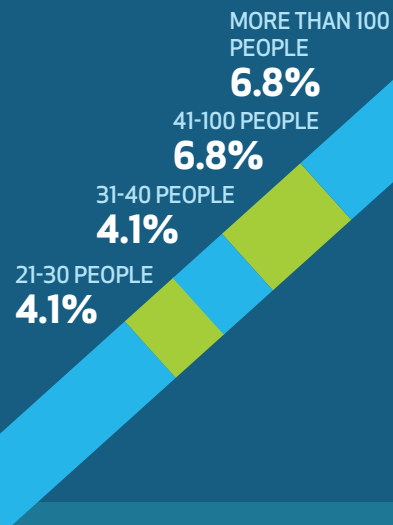
There is no specific law regulating social entrepreneurship in Ukraine. Social enterprises are regulated by existing legislation that is specific to how the enterprise is legally registered.



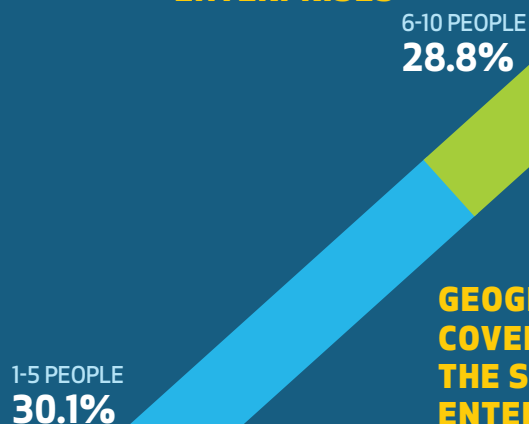
AGE OF SOCIAL ENTERPRISES



The oldest social enterprise in the study was established in 1933

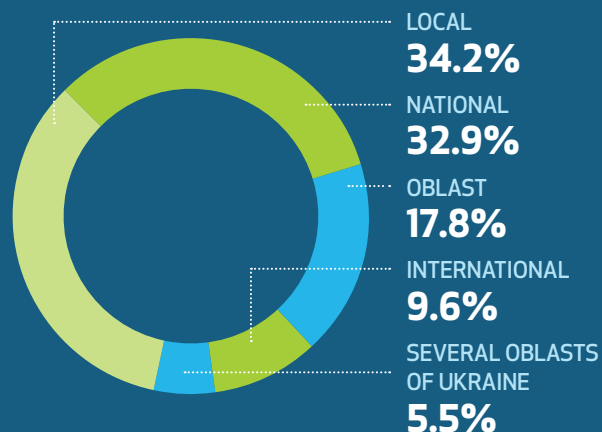


NUMBER OF STAFF WORKING FOR THE SOCIAL ENTERPRISES



Some successful Ukrainian social enterprises adapt an idea that has been successfully implemented in another country to fit the Ukrainian context.

GEOGRAPHIC COVERAGE OF THE SOCIAL ENTERPRISES' ACTIVITIES



Reasons for social enterprise creation



Political events in Ukraine, particularly since the Revolution of Dignity/Euromaidan of 2014, have initiated a surge of social enterprises in recent years.

These younger social enterprises, which most social enterprise directors believe emerged from the urgent need to promote the rights of certain groups, differ in culture and character from those older social enterprises in the study. Social enterprises established under the USSR were often large and initiated by groups of people with disabilities who received government support. Those that emerged after Ukraine's independence were formed by people who wanted to combine social benefit with profit.



The title [of our social enterprise] appeared spontaneously, but it reflects our business model. When we remember the times of the first shooting at Maidan [square, during the 2014 revolution,] when the first people were dying, people started to [trek] to Mykhailivskiy Cathedral. And, if [you] step aside it looks like a big anthill. There was a lot of snow there and the path was trailed: people were carried out behind the monument to Knjahynia Olha, and in front of it they followed the path carrying medicines, jars, etc. And it was a self-organized anthill; people self-organized themselves to reach the goal... The analogy with ants [shows that when necessary,] people do not need any regulations, everyone knows what to do."

DIRECTOR OF THE CHARITY TRADE
PLATFORM ANTS



Criteria for social enterprise success in Ukraine



1. MAIN CRITERION FOR SUCCESS #1 Clearly formulated social mission

The social mission must be stated in official documents and publicly, be fulfilled by the social enterprise's work, and be measurable in a way that verifies the successes of the activities used to achieve it.

“

The indicators for evaluation of the social component of social entrepreneurship might be different. For instance, one can evaluate ... how many people from vulnerable populations were employed, how much their living standard has been improved, which steps were taken to achieve the latter, etc.”

ANASTASIIA SVYNCHUK, KYIV NATIONAL ECONOMIC UNIVERSITY

2. MAIN CRITERION FOR SUCCESS #2 Availability and appropriate distribution of profit or financial self-sufficiency

Social enterprise is a business that needs to make money to ensure that it is maintained and can address beneficiaries' needs. Appropriate financial indicators and distribution of profits according to set goals also are important.

“

[A] minimum 10% of the profit should address the social goal. But, if it's a social enterprise of the 'income generator' type, then it should give minimum 30% for the social goal.”

VASYL NAZARUK, WESTERN NIS ENTERPRISE FUND

3. MAIN CRITERION FOR SUCCESS #3

Public self-reporting on activities

The content and structure of a social enterprise's reporting depend on how it is legally registered and the information needs of those accessing the reporting. Because there is no law governing social enterprises specifically, there are no formal requirements for their reporting, though it usually includes management, financial, tax, statistical, and social/activity components. All 10 of the most-successful social enterprises report on their activities in public through their websites and/or official social media pages.



We have in the shop something everyone can see: there is a board hanging where the amount is indicated donated by us throughout the second year and almost 4 months already. And the report is there, too."

THE WARDROBE OF GOOD THINGS CHARITY SHOP

HOW SOCIAL ENTERPRISES MEASURE THE IMPACT OF THEIR ACTIVITIES*

NUMBER OF EMPLOYEES

21.1%

DEMAND FOR SERVICES/
NUMBER OF REFERRALS

16.4%

NUMBER OF PEOPLE WHO
RECEIVED ASSISTANCE

15.1%

POSITIVE FEEDBACK

13.7%

PROJECT SELF-ASSESSMENT
BASED ON ACTIVITY
INDICATORS

12.3%

NUMBER OF EVENTS AND
SOCIAL PROJECTS

9.6%

NUMBER OF PEOPLE WHO
ATTENDED EVENTS

9.6%

HAVE NOT MEASURED IMPACT

6.8%

PRIZES AND RATINGS

5.5%

INTERVIEWING

5.5%

MENTIONS IN MASS MEDIA AND
ON SOCIAL NETWORKS

5.5%

POSITIVE CHANGES IN HUMAN
BEHAVIOR

4.1%

NUMBER OF THOSE WILLING TO
HELP

4.1%

THE NUMBER OF FACEBOOK
SUBSCRIBERS AND 'LIKES'

2.7%

PROMOTION OF ACTIVITIES

1.4%

ORGANIZATION RECOGNIZABILITY

1.4%

NO SUGGESTION ON
HOW THIS COULD BE
DONE

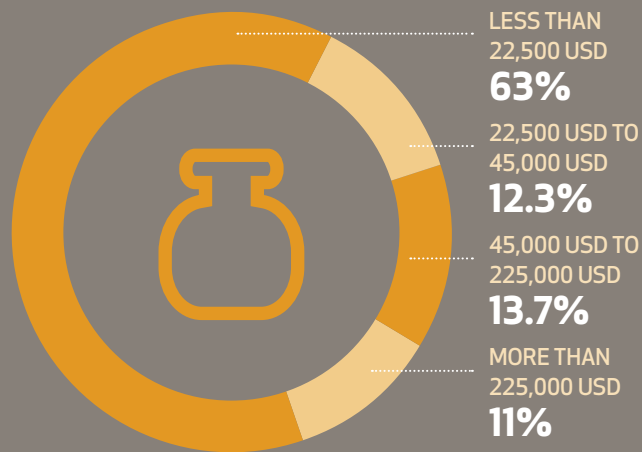
2.7%

** Social enterprises were allowed to choose or suggest multiple answers to this question in the survey, so the percentages will add up to more than 100%.*

Social enterprises' commercial activities and business management

Social enterprises receive funding from a diverse spread of sources. But, most often funding comes from their own commercial activities (businesses). Other sources include charitable donations, grants, philanthropists, sponsors, and state-funded projects.

AMOUNT OF REVENUE OF EACH SOCIAL ENTERPRISE



HOW REVENUE IS SPENT

0 |> 100%



INVESTED IN THE ENTERPRISE'S SOCIAL MISSION
10-100%, AVERAGE OF 42%

STAFF SALARIES

7-100%, AVERAGE OF 49%

INCOME DEDUCTIONS TO THE ENTERPRISE'S FOUNDER
10-50%, AVERAGE OF 27%

OTHER OR NOT SPECIFIED
5-95%, AVERAGE OF 39%



Administrative functions, such as rent, public utilities, salaries, and taxes, cost social enterprises most of their revenue. Some enterprises spend as much as 70% of their revenue on these costs, but others even as high as 90%.

“

We have a fixed amount which we spend on the Centre for Women and thus the percentage principle is not maintained here. We rather have the existing need as a starting point.”

YURIY LOPATYNSKYI, WALNUT HOUSE SOCIAL BAKERY

Challenges and considerations for social enterprise development in Ukraine

Challenges facing social entrepreneurs in Ukraine include:

- a deficient legal and regulatory base
- a lack of funding
- an inability to obtain credit
- a shortage of skilled staff
- not enough appropriate equipment or facilities
- a low level of social awareness for their work

“

The state is extremely inert, very clumsy, it doesn't like to get engaged into it... If the state would stop considering us purely as a business, at this moment both the state and we would address all our issues... And it would be very well if the state could give something in return [to] assist in developing this network.”

REPRESENTATIVE FROM LOVEHAV



Low level of social awareness

Social enterprises feel that greater society does not understand their businesses or activities, especially in how their social business is different from a traditional commercial business. Often they are put in the same category as charitable foundations, which leads to mistrust and an unwillingness to participate in activities.



[People say,] I do not believe you, that you pass the money. There are many suspicious organizations now where the way the money spent is unclear."

REPRESENTATIVE FROM THE WARDROBE OF GOOD THINGS CHARITY SHOP



The first problem you face is human world-views. Our society is just emerging and therefore social enterprises now are doomed to self-destruction. People are not ready to help others via somebody's work. And people are all standing on the position: 'the state, do give me money', 'you should take care of my health'. My current challenge is not a commerce itself. Something which is most difficult to overcome is the society around us with the global lack of education."

REPRESENTATIVE FROM MANIVTS TOURIST CLUB



Some entrepreneurs are aware that they do not have the relevant experience, knowledge, and resources to be efficient at the social aspects of their organizations, even if they are experts at the commercial aspects. New interest in educational opportunities in social business is fueling a rise in available trainings and degree programs to address this challenge.

Conclusions on the state of social enterprise in Ukraine



A ‘new wave’ of social enterprise is developing in Ukraine.

It stems from the country’s complicated socio-political and economic circumstances and likely from a growth in community consciousness. But, its direction is determined by the thought leaders who desire to merge commercial activities with social change. Indeed, those social enterprises that use their own commercial activities to fund their social activities are at a significant advantage in succeeding in the new socio-political environment. The young generation of social entrepreneurs continue to work hard to create optimal and efficient enterprises and to further this unique way of supporting their communities.



