

MANAGING HUMAN POTENTIAL AND YOUTH SOCIAL ENTREPRENEURSHIP IN PERIPHERAL REGIONS

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Abstract

Our paper focuses on the management research of human potential and youth social entrepreneurship in peripheral regions. We identify the criteria that determine the effectiveness of using this human potential and increasing its efficiency for all parties involved. Moreover, we consider the role of social entrepreneurship in managing and strengthening the human potential of depressed peripheral regions of Russian Federation. We propose some managerial tools and mechanisms aimed at enhancing the development of youth social entrepreneurship using the case study of the North Caucasus Federal District in the Russian Federation.

Keywords: human potential; management; social issues; small business; youth activity; social entrepreneurship; higher education; North Caucasus

1. INTRODUCTION

In general, human potential represents a combination of hidden, temporarily unused abilities and qualities exhibited by people (Vomberg and Homburg, 2015). These are qualitative and quantitative characteristics which are determining the productive capacity and used to achieve the goals of the region all of them taking into account its innovative and economic potential (Pribadi et al., 2015). Specifically, peripheral regions can greatly benefit from the investments into the human potential, in particular education and training (see e.g. Cabelkova et al., 2017).

With regard to the above, successful human resources managers and personnel policy makes possible the obtaining of an economic effect not only at the level of an individual subject, but also in the whole region. Issues of formation and development of human potential are solved in each region separately taking into account the peculiarities of its socio-economic development. One of the modern directions, allowing to increase the efficiency of using of the region's human potential, is small and medium entrepreneurship, which is divided into two types: social and technological (see e.g. Ding et al., 2016; or Kaya, 2018).

Social entrepreneurship, which is one of the most relevant and perspective directions in the modern world economic system, has a special role in solving the problems of the social sphere of the region and in strengthening its human potential.

The experience of social entrepreneurship began to accumulate actively from the 1970s and stretched all the way to the 1980s, appearing almost simultaneously in different parts of the world with different economic and social conditions. In the 1990s, social entrepreneurship found its way to the countries with transitional economies. By the beginning of the 21st century, social entrepreneurship became the subject of great public expectations. Increasingly, it is recognized as a new prospect for the development of the third sector, business, and social policy of the state.

Social entrepreneurship represents a new way of socio-economic activity, in which the social purpose of an organization is combined with entrepreneurial innovation and the achievement of sustainable self-sufficiency. It is based on the functioning of so-called social enterprises - enterprises created to solve a particular social problem or problems that operate on the basis of innovation, financial discipline and the order of doing business in the private sector.

In general, one can distinguish four major approaches that are used for understanding the practice of social entrepreneurship:

- social entrepreneurship as a way of social support for certain groups of the population;
- social entrepreneurship as a mechanism for promoting economic development, supporting entrepreneurship;
- social entrepreneurship, as an alternative to the state mechanism for solving social problems;
- social entrepreneurship as a socially oriented business (see e.g. Sassmannshausen and Volkmann, 2018; or Rawhouser et al., 2019).

Furthermore, social entrepreneurship can be characterized using the following fundamental features:

- the primacy of the social mission over commercial, which means that the enterprise is designed to solve a real social problem or significantly reduce its severity; while the social effect is not a by-product of activity, as in entrepreneurship, but a direct, purposeful result (in turn, this determines the direction of the profit received for the social goals of the organization, and not to the investor or the owner);
- existence of a sustainable commercial effect ensuring self-sufficiency and competitiveness of the enterprise (the best guarantee of this is the receipt of income primarily from the sale of goods and services, rather than grants and charity, which, as additional financial resources, however, are not excluded);
- innovation, with which social and economic resources are combined - without which neither the sustainability of the social mission nor economic stability is possible, since the organization has taken on the task of solving the unsolved social problem.

Thus, social entrepreneurship is an entrepreneurial activity aimed at mitigating or solving social problems, characterized by the following main features:

- social impact - targeted focus on addressing and mitigating existing social problems, sustainable positive measurable social results;
- innovation - the application of new, unique approaches that increase social impact;
- self-sufficiency and financial stability - the ability of a social enterprise to solve social problems as long as it is necessary and at the expense of income derived from its own activities;
- scalability and replicability - increase in the scale of the activities of a social enterprise (at the national and international level) and the dissemination of experience (models) with the aim of increasing social impact;
- entrepreneurial approach - the ability of a social entrepreneur to see market niches, find opportunities, accumulate resources, develop new solutions that have a long-term positive impact on society as a whole.

This paper is structured as follows: Section 2 provides a short literature review of the scientific approaches and schools of social entrepreneurship and elaborates on the effectiveness of the regional human potential. Section 3 describes the socio-economic situation in the case study region of North Caucasus Region of Russian Federation with regard to managerial approaches to social entrepreneurship. Section 4 contemplates the role of youth as the main human resource for social entrepreneurship using the example of North Caucasus Federal

District (NCFD). Section 5 describes the role of higher education in fostering social entrepreneurship with a special impact on peripheral regions. Finally, section 6 concludes our paper with some closing remarks and policy implications.

2. LITERATURE REVIEW

Scientific research on social entrepreneurship is becoming more and more popular around the world today (Rey-Marti et al., 2016). Being a new field of research, social entrepreneurship is an attractive direction for studying different knowledge areas (Van der Have and Rubalcaba, 2016). Special attention should be paid to the works of scientists who laid foundation of social entrepreneurship research and created pathways for the other researchers to follow (see e.g. Thompson et al., 2000; Borenstein, 2004; Zahra et al., 2008; or Doherty et al., 2014). Moreover, among those prominent theorists who formed the prerequisites for the need to conduct social business and provided the examples and the results of many case studies from various countries around the world are Roberts and Woods (2005), Peredo and McLean (2006), or Orhei et al. (2015). Particular attention is paid to the analysis of the historical development of this area as a part of modern business enterprise (see e.g. Westlund and Bolton, 2003; or Henderson et al., 2018). Moreover, this issue also constitutes a dilemma for the public sector (see e.g. Hoogendoorn, 2016; or Ciobanu and Androniceanu, 2018).

In Russian Federation, the bibliography in the field of social entrepreneurship is very small, articles and works of a descriptive and overview nature are prevailing (see e.g. Moskovskaya, 2011; Yukhin, 2015; or) and empirical research based on Russian data is still not enough. This paper aims to fill in this gap even though its scope and its means are rather limited and modest.

It has to be noted that the theoretical justification of this problem is in the stage of its formation, is random and unsystematic as well. However, practice shows that activating social entrepreneurship development processes in regions with a low level of socio-economic development will strengthen their human potential by creating new jobs, using unclaimed innovative potential of the economically inactive part of the population, stabilizing the political situation in the region.

The category "human potential" reflects the resource aspect of the region's workforce. The human potential is composed of working specialists and the economically inactive part of the population, but potentially capable of participating in the labor process: the unemployed, housewives, students, people engaged in personal subsidiary farming, retirees, migrants, the disabled, and others.

At the same time, the substantive component of human potential includes qualifications, the level of modern professional training, abilities, personal capabilities and readiness to carry out innovative activities in the process of carrying out professional functions.

According to Sweetland (1996), human potential is the national wealth of the country, the guarantor of its development as a legal, democratic and social state. In this regard, the author highlights the problem of formation, development and rational using of personnel as an actual issue not only at the level of regions, but also at the level of governmental management in general.

Nevertheless, this concept is revealed in somehow different way by Wilson (2012) who defines human potential as a set of hidden, temporarily unused abilities and qualities of people. This statement can be accepted when it comes to the unemployed or to the inefficiently used skilled workers, engineers and scientists, whose training has involved significant amounts of time and material resources. Thus, the development of human potential of the country and in particular individual regions are within the competence of the authorities (Jessop, 2019).

It should be noted that the category of human potential is close in meaning to the category of human capital, and, therefore, acts as a source of new ideas and innovations, as well as a factor facilitating their perception and dissemination.

The main criteria of the efficiency of using the human potential of the region are: the gross regional product per capita, the average age of the employed population, the level of economic activity of the population, the average annual number of employees in the labor sphere, the share of the employed population with higher education,

the unemployment rate, etc. Moreover, the issues of formation and development of human potential are solved in each region separately, taking into account the peculiarities of its socio-economic development.

For achievement of the strategic goals of social and economic development of the region is necessary to shift the economy to an innovative socially-oriented type of development, one of the aspects of which is the expansion of the spectrum of small and medium-sized businesses, which along with the solution of multiple socio-economic problems promotes the activation and transformation of society. In the development of entrepreneurship and investment activity, a special role is played by social entrepreneurship, which in the world economic system is one of the promising directions. The urgency of the development of social entrepreneurship is conditioned by:

- the need to modernize the social sphere, create new social services, improve the quality of life in the territory through the development of competition in the social sphere;
- lack of tools to support the access of non-governmental organizations to the provision of services in the social sphere;
- the need to create conditions for the development and implementation of social entrepreneurship projects;
- the need to develop effective mechanisms and platforms for sharing experiences and demonstrating the main achievements in the social sphere of the region;
- lack of effective mechanisms to support leaders of promising initiatives to improve the social sphere and broadcast successful social practices;
- the lack of educational practices (formal and informal) of youth training for activities in the field of social entrepreneurship;
- the lack of a regional educational and professional community and partnership in the field of social entrepreneurship;
- the need to attract public attention to the possibility of self-realization and self-employment through the organization of socially oriented business;
- the need to attract attention and increase the interest of large businesses in solving social problems not through charity, but through the creation of new industries.

3. SOCIO-ECONOMIC SITUATION IN THE NORH-CAUCASUS FEDERAL DISTRICT

In this section, we would briefly present the region that was selected for our case study, namely a North-Caucasus Federal District (NCFD) located in the south-east part of Russia at the foothills of the mighty Caucasus mountains. NCFD represents a special place in the Russian regional planning and has many objectives and special priorities. For example, in the Strategy of social and economic development of the North Caucasus Federal District until 2025, approved by the order of the Government of the Russian Federation of September 6, 2010 No. 1485, the main goal is to provide conditions for outstripping development of the real sector of the economy in the constituent entities of the Russian Federation composition of the North Caucasus Federal District (NCFD), creation of new jobs, as well as improving the living standards of the population (Government of the Russian Federation, 2010).

The North Caucasus Federal District is one of the least economically developed regions of the Russian Federation, because it has the low level of economic and social development that characterized by high unemployment, a complex criminal situation, a tense ethnopolitical situation, a large number of social problems, including high unemployment, a low level of development of social infrastructure, institutions of social support for the unprotected strata of the population, people who find themselves in a difficult life situation (see Grishina et al., 2016).

For instance, the unemployment rate, according to the methodology of the International Labor Organization in the NCFD, is the highest in the Russian Federation and is about 10% on average in the district, with the lowest unemployment rate in the Stavropol Territory - 5%, and the highest unemployment rate in the Republic of Ingushetia - 27, 1 %. The main reasons for employment remain: structural unemployment, prevalence of low-skilled unemployed, non-mobile and non-responsive; a high proportion of the unemployed, for whom lack of labor is a risk of social exclusion (primarily, people with disabilities, more than 60% of whom are unemployed)

(see Yukhin, 2015). Thus, statistics show that in the NCFD socially unprotected strata of the population have an extremely low percentage of involvement in active labor and, especially, in entrepreneurial activity.

Demographic indicators play a significant role in the development of the North Caucasus Federal District as in the NCFD the highest natural increase in the population among all federal districts of Russia is observed - 7.1 people per 1000 people, which certainly increases the burden on social infrastructure, exacerbates the shortage of health facilities, preschool and educational institutions, cultural and sports facilities, many of which are located in atypical and dilapidated premises, where there are no basic sanitary and hygienic conditions.

One of the ways to solve the problems of employment and strengthening the human potential of the region is the development of small and medium-sized businesses. As practice shows, in developed market countries, the share of small business is quite large. Table 1 presents some of the structural characteristics of the economic sphere of individual countries.

TABLE 1 - COMPARISON OF THE MAIN INDICATORS OF THE ROLE OF SMALL BUSINESS (SME) IN THE ECONOMY OF DIFFERENT COUNTRIES, IN %

Value of indicator	USA	Japan	Germany	Singapore	Russia
The share of SME in the country's GDP, %	52	51,6	57	53	22
Share of employed in SME in total employment, %	50,1	69,5	69,3	62,3	12,5
Share of SME in total number of enterprises, %	97,6	99,2	99,3	98,5	30,2

Source: adapted from OECD (2018)

One can see that Germany, the USA and Japan are the leaders among all countries in terms of small business development. Russia occupies a far from leading position in this list. Thence, the measures to support small businesses are developing at the state level:

- Long-term priorities of the state policy in the sphere of small and medium-sized enterprises are defined
- The anti-crisis plan has been developed and is being implementing in Russia.
- The project approach to support small and medium-sized businesses is being implementing.

However, in practice, the development of small and medium-sized businesses still remains low, especially in the NCFD (see Table 2 that follows).

TABLE 2 - COMPARISON OF TURNOVER OF SMALL ENTERPRISES IN THE FEDERAL DISTRICTS OF THE RUSSIAN FEDERATION

Value of indicator	The volume of turnover of small enterprises, million rubles	The volume of turnover of small enterprises per capita, million rubles	The share of small enterprises in the total number of SME in Russia, in %
Russian Federation	16692,9	116,2	100
Central Federal district	6519,6	167,7	30,3
North-West Federal district	1951,0	141,4	11,6
Ural Federal district	1384,2	113,1	8,7
Far Eastern Federal district	657,9	105,7	4,4
Volga Federal district	3016,5	101,4	18
Southern Federal district	1241,8	88,9	12,1
Siberian Federal district	1558,1	80,8	11,7
The North Caucasian Federal district	363,8	37,9	3,3

Source: adapted from Federal Tax Service (2019)

As it becomes apparent from Table 2, the North Caucasus Federal district has the lowest rates of turnover of small enterprises, the volume of turnover of small enterprises per capita and the share of enterprises in the total number of enterprises, among all Federal districts of the Russian Federation. Now, let us consider the performance of small businesses in the context of the subjects of the NCFD (see Table 3).

TABLE 3 - COMPARISON OF INDICATORS OF ACTIVITY OF SMALL ENTERPRISES IN THE NORTH-CAUCASIAN FEDERAL DISTRICT (WITHOUT MICRO-ENTERPRISES)

Value of indicator	Number of small enterprises, thousand units, %		Number of employees thousand people., %		The volume of turnover of small enterprises, million rubles
Russian Federation	242,6	100	6540,1	100	16692, 9
NCFD	5,3	2,2	171,5	2,6	363,8
Republic of Dagestan	0,6	0,3	20,0	0,3	55,4
Ingush Republic	0,1	0,0	1,5	0,0	9,0
Kabardino-Balkar Republic	0,5	0, 2	12,0	0,2	23,7
Karachay-Cherkess Republic	0,4	0,1	6,0	0,1	14,8
Republic of North Ossetia-Alania	0,4	0,2	11,1	0,2	17,6
Chechen Republic	0,1	0,1	1,4	0,0	4,1
Stavropol region	3,2	1,3	119,4	1,8	239,2

Source: adapted from Federal Tax Service (2019)

According to the presented data, in the North Caucasus Federal district there are disproportions and uneven development of small and medium-sized businesses in the context of the subjects of the North Caucasus Federal district, which creates the need to activate these processes both at the level of the entire region and especially in the Chechen Republic and the Republic of Ingushetia.

Currently, there are two main forms of entrepreneurship: technological and social. At the present time in Russia, social entrepreneurship as a practice only begins to develop, the number of really functioning social enterprises is small, and often they do not even perceive themselves in this capacity. The measures of state and public support for this movement are still insignificant. Over the past three years, the development of social entrepreneurship has been intensified in several constituent entities of the Russian Federation and selected Russian cities, such as Moscow, St. Petersburg, Novosibirsk, Omsk Region, Krasnoyarsk Territory, Perm District, and others. Currently, the supposed number of social enterprises in the Russian Federation is about 5000 units.

In the North Caucasus Federal District, the practice of social entrepreneurship is virtually non-existent, only in the Stavropol Territory and individual entities there are a few but successfully developing social businesses.

4. YOUTH AS THE HUMAN RESOURCE FOR SOCIAL ENTREPRENEURSHIP

The main initiator and implementer of the promotion of social entrepreneurship in the North Caucasus region should be the youth, which accounts for more than one-third of the total population of the North Caucasus Federal District (about 2.8 million people). Such an understanding of the role of youth in the development of social entrepreneurship will allow:

- developing an effective models and forms of involving young people in labor and economic activities;
- improving the regulatory framework for attracting young people to work and ensuring its legitimate rights and interests;
- implementing youth entrepreneurship development program;
- forming civil maturity and patriotism;
- ensuring the integration of the youth of the North Caucasus Federal District in socio-economic and social life of the region;
- creating a system of measures aimed at development economic thinking and entrepreneurial abilities;
- carrying out profile education that promotes youth acquire business skills;
- ensuring the realization of the potential of youth, facilitating the starting conditions of entry in market relations;
- promoting socially aimed business activities among youth;
- selecting perspective entrepreneurial social ideas;
- forming an image of a socially responsible youth in the NCFD;
- expanding the opportunity of career advancement representatives of the youth initiative.

5. HIGHER EDUCATION AND SOCIAL ENTREPRENEURSHIP

In this section we will focus on the interaction of universities and regions with a specific focus on peripheral regions. Moreover, we will focus on the role of higher educational establishments on supporting small business, in particular social entrepreneurship. We are employing a case study of NCFD in Russia in order to demonstrate our points.

The basic platform for the development of social entrepreneurship in the NCFD became North-Caucasus Federal University (NCFU). The University in collaboration with noncommercial organizations and government contributes to the creation of a sustainable system of implementing the ideas of social entrepreneurship in the region. According to the development program of North-Caucasus Federal University, the University is unique developing core of scientific-educational and innovative sector of the economy of the North Caucasus Federal District, providing skills development to meet the challenges of priorities for socio-economic development of the region.

NCFU ensure the popularization of the ideas and practices of social entrepreneurship, training for work in the field of social entrepreneurship, implementation of educational programs aimed at training of social entrepreneurs and formation of stable economic business models of social enterprises in the region, the development of methodical providing of educational process and functioning of social entrepreneurs.

The University has been conducting Summer Schools of Social Entrepreneurship, conferences, round tables, competitions for years, in which as moderators and experts are involved experts from the Center for Social Investments of the Heidelberg University (Germany), the charity fund of the corporation BMW (Germany), the Faculty of Social Sciences of the University of Ljubljana (Slovenia), of the Center for General Academic Education Initiatives of the Russian Presidential Academy of National Economy and Public Administration (The Presidential Academy, RANEPa) (Moscow), the Institute for Information Transmission Problems of the Russian Academy of Sciences (Kharkevich Institute), the Association of MitOst (Germany), National Association of Social Housing (Armenia), representatives of regional authorities, regional Social Fund programs "Our future", etc.

In addition, it appears that continued development of supporting and enhancing the social entrepreneurship in the peripheral region should be in the following areas: information and educational activity, organizational activity, legal activity, consulting activity, and the integration activities.

5.1. Information and educational activities

Popularization of the ideas and practices of social entrepreneurship, training of professional personnel to work in the field of social entrepreneurship, implementation of educational programs aimed at the training of social entrepreneurs (the master program "Social entrepreneurship and social innovation in the region", international master degree educational program "Management in the noncommercial sector", jointly provided with the University of Heidelberg (Germany), additional educational programs, network educational programs with federal and foreign universities, inclusion of the course "Foundations of Social Entrepreneurship" in the curricula of all areas of the preparation of NCFU, training courses for schoolchildren), formation of sustainable economic business models of social enterprises. Development of methodical providing of educational process and functioning of social entrepreneurs. Creation of an information platform for popularization, information, motivation for involvement in projects of social entrepreneurship.

5.2. Legal activity

Development and improvement of regional normative legal acts regulating the functioning of enterprises in the field of social entrepreneurship (criteria of reference to subjects of social entrepreneurship, a certification mechanism, a single register and requirements for the annual reporting of social entrepreneurs, the definition of the responsibility of the subjects of social entrepreneurship, benefits for investors in a social enterprise, measures to support social entrepreneurs); implementation of activities in support of the legal aspects of functioning of social entrepreneurs.

5.3. Organizational activity

Development of forms of public-private partnership aimed at solving social problems in the NCFD. Involvement of non-profit organizations and territorial public self-government in the development of social entrepreneurship. Creation of an incubator of social entrepreneurship on the basis of NCFU, whose goals will be: effective promotion of projects of social entrepreneurs, socially oriented NGOs; accumulation on its site of the best regional socially-oriented projects and creation of a base of social innovative ideas; replication of projects of social entrepreneurship; organization and implementation of short-term educational programs aimed at training socially-oriented young entrepreneurs; the development of tools for supporting social entrepreneurship, the formation of a mentoring bank for social entrepreneurs. Organization of systematic scientific research in the field of social entrepreneurship, providing scientific support for the development of social entrepreneurship.

5.4. Consulting activity

Conducting consulting, information and analytical support for the activities of social entrepreneurs and socially oriented NGOs; conducting training seminars and assisting social entrepreneurs in working on projects, in terms of understanding the main business processes, conducting marketing research, accounting, pricing, determining the effectiveness of lending and the operation of the enterprise, expanding the network of business contacts, interaction with authorities, etc.

5.5. Integration activity

Creation of the Association of Social Entrepreneurs of the North Caucasus Federal District, which will be an association of legal entities and citizens of the region based on voluntary membership, representing and protecting common interests in achieving socially significant goals. The main function of the Association will be to assist in the development of social business in the region, the growth of the professional, social and cultural level of social entrepreneurs, as well as the impact on the social and economic development of the NCFD, the formation of a positive image of the Russian entrepreneur, the integration of social entrepreneurs of all constituent entities of the Russian Federation within the structure of the NCFD .

Table 4 that follows provides the matrix showing the types of the region and the place of the university within this region. In addition, it maps the region and university interface on a comprehensive and transparent model listing the activities provided in various types of regions and comprised of the information and educational activity, organizational activity, legal activity, consulting activity, as well as the integration activity.

Our results show that in the case of NCFD and NCFU, the interaction would be located somewhere in the first two quadrants in the first column as well as in the second quadrant in the second column.

TABLE 4 - MATRIX OF THE REGION AND UNIVERSITY INTERFACE

University types	Type 1: Classic university			LA, CA, I&E
	Type 2: Vocational research university	LA, CA	I&E	IA
	Type 3: Vocational teaching university	IA		OA
		Rural region	Industrial region	Post-industrial region
		Regional types		

Note: I&E – information and education; LA – legal activity; OA – organizational activity; CA – consulting activity; IA – integration activity. Source: own results

From Table 4 one can see that the interaction of universities and regions can be beneficial for both sides. Moreover, this interaction might support the emergence of small and medium enterprises as well as the social enterprises that represent a special value-added for any peripheral region. In general, we are talking a win-win situation for both parties in question. Hence, it appears from our results that the support of social entrepreneurship can also be conducted to the benefit of regional development and higher educational policies and strategies.

6. CONCLUSIONS AND DISCUSSIONS

All in all, the development of the practice of social entrepreneurship appears to have the right potentials to provide the pathways for solving the social problems of peripheral regions in all areas of activity of social entrepreneurs. The solutions it might come up with include the following ones:

- employment of people in difficult life situation;
- improving the quality of life of people from socially unprotected categories of the population;
- participation in the preservation and enhancement of the cultural and historical heritage of Russia;
- development of preschool education, additional education for children and adults;
- provision of geriatric services to the population (a system of medical, preventive and social measures implemented by health and social care institutions for elderly and senile people in diseases and injuries);
- solution of environmental problems in the region;
- tourist services for socially unprotected categories of the population;
- development of farming in the region;
- releasing of socially significant products;
- improving the quality and accessibility of health services, etc.

Thus, it appears that further development of social entrepreneurship in the peripheral regions might contribute not only to the development of socially-oriented small and medium-sized businesses, creation of the non-profit sector and new jobs, solving priority social tasks through state and regional programs for supporting social entrepreneurs, but also to increasing the entrepreneurial activity of young people in solving social problems of society. These contributions are of a special value for less-developed regions not only in Russia but all over the world. Moreover, social entrepreneurship could and should be supported by the higher education establishments, such as universities and research institutions. Our results demonstrate a clear link between the higher education support and the rise and success of social entrepreneurship small and medium enterprises. Those are the findings policy makers and stakeholders should think about when managing the development of peripheral regions and considering innovative programs for rural development.

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