

ECOLOGICAL ENTREPRENEURSHIP AS A BASIS FOR SOCIAL RESPONSIBILITY OF BUSINESS

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I. INTRODUCTION

Entrepreneurship is one of the most important components of the contemporary economy. The social character of entrepreneurship deals with not only activities of agents participating in it but also the presence of definite conditions, which enables to implement functional features being peculiar to entrepreneurship. Combination of such conditions forms entrepreneurial environment with economic freedom and vested interest being its important elements. Economic freedom is a determinant attributive of entrepreneurial environment. For a business man, the presence of entrepreneurial environment is not only an opportunity to do various businesses and have equal access both to resources and markets, but also a moral and ethic sanctioning of entrepreneurial activity. In the context of uncontrolled exploitation of natural resources and realization of socio-ecological programs on the leftover principle, ecological entrepreneurship is being higher-valued with its degree of development reflecting a level of social responsibility of the state and business to the society and nature.

Is there a Russian model of corporate social responsibility (CSR)? Unfortunately, foreign authors do not consider the issue of social responsibility in the context of contemporary Russia; some of them think that the CSR concept can not be associated with Russia (*Kogut, Spicer, 2002*). So does Russia see no agreement of opinions whether a CSR model has been formed. There are three groups showing different attitudes to the issue. The first group thinks that corporate social responsibility in Russia is ‘a hybrid’ comprising the elements of both Anglo-Saxon and continental CSR models. The second group keeps to the position that currently Russia is following Anglo-Saxon CSR model oriented to social investments into local community and “human capital assets”. It is particularly maintained by S. Peregudov (2005). The third group believes that Russian CSR model exists and its peculiar feature deals with combination of new social practices preserving Soviet and even pre-revolutionary traditions.

A famous Russian social scientist Y. Levada (2003) believes that “the elements of the constructions common to the last epoch are still functioning”. A. Prokhorov (2002), the author of the Russian Management Model theory, writes about preservation of pre-revolutionary traditions. He thinks that the origins of the national model should be looked for in the revolutionary past.

A peculiar feature of this model - ‘a role of the person’ and ‘bondservice’ of the employee – is common for current companies, which are aimed at reinforcing personnel dependence on management and top management dependence on owners.

Some studies of Russian scientists and representatives of the business world deal with the following peculiar features of the Russian CSR model (*Chirikova, Lapina, Shilova, Shishkin, 2005*):

1. Absence of ideology of socially responsible entrepreneurship in contemporary Russian. This attitude is maintained by management of large business in Russia, considering that native business is associated with a low level of “civil self-consciousness”;
2. High variety of social activity forms at definite enterprises and companies;
3. Absence of transparent procedure of social policy formulation, dependence of forms and methods of a company’s social activity on personal trades and interests of managers and owners;
4. High differentiation of social corporate benefits oriented, as a rule, to the ‘working aristocracy’ and highly-skilled personnel (Yurasov, 2005);
5. Considerable gap between society and business as far as social responsibility conscience is concerned;

Practically, all the participants of the discussion on ways of corporate social responsibility development consider that the future of social activity of Russian corporations is not clear. Answering the question ‘what is necessary for the development of social practices in Russian business’, analysts and business representatives point out the following positions:

- making of a state policy oriented to approving the rights of private property and stimulation of social responsibility;
- provision of transparent legal frameworks for social activities, formation of priorities of the state supporting the CSR.

II. ECOLOGICAL ORIENTATION AND ECOLOGICAL ENTREPRENEURSHIP

In the developed countries a concept of corporate social responsibility of business came into scientific and sociopolitical use. The situation in Russia is radically different. Nevertheless, last few years saw a birth of a principally new phenomenon at the interface of both ecological and economic systems of the country, which is a phenomenon of *ecological entrepreneurship*.

Such concepts as ecological business, ecological entrepreneurship, and ecologically-oriented entrepreneurship can be met more often in scientific literature.

Y.Y. Yandyganov defines the essence of ecological entrepreneurship as a vigorous activity with a personal responsibility (including property responsibility) of the entrepreneur, aimed at receiving commercial profit and based on the use, protection and restoration of natural resources and objects, and legislatively based on the RF law of entrepreneurship and entrepreneurial activity. In his opinion, enterprises of small and medium ecological business have considerable advantages since having comparatively small scopes of work and services, they can promptly respond to the pulsating demand. Therefore, they are viable and more preferred in a new sphere of ecological entrepreneurship; they can provide a larger variety of types and fields of activities. A similar point of view on the essence of ecological entrepreneurship belongs to E.V. Chehunova. She thinks that ecological entrepreneurship deals with all types of business activity aimed at production, work and services ensuring the observance of environmental requirements stipulated in the applicable law. As far as ecological entrepreneurship is concerned, E.V. Chehunova points out such peculiarity as a constant search for new discoveries and new possibilities for economic activity, opening of new markets of services, and development of new previously unutilized resources. She divides ecological entrepreneurship into two forms – primary entrepreneurship and complimentary entrepreneurship (non-ecological). According to E.V. Chehunova, primary entrepreneurship is associated with enterprises producing eco-technological equipment; organizations (including scientific and industrial ones) developing new and low-waste

technology (ecological), new substances (reagents, sorbing agents, etc.); businesses with due regard to ecological requirements, restrictions, and criteria. Complimentary entrepreneurship deals with waste recovery enterprises (industrial or domestic waste including those accumulated over the past years); enterprises contributing to the increase of extraction ratio and production yield rates, etc. As far as forms of ecological entrepreneurship are concerned, E.V. Chechunova thinks similarly to A.K. Ryabchikov. He also divides ecological entrepreneurship into several types - primary and complimentary entrepreneurship - due to the forms of ownership and enterprise areas (*Ryabchikov, 2002*).

V.I. Boboshko, A.A. Guseva, I.M. Potravny define the following criteria of ecologically-oriented enterprises:

- the articles of association of a company stipulate that the main objective of its activities shall be provision of environmental works and services as well as production of environmental goods;
- execution of federal and regional ecological and natural resources programs of state and municipal orders;
- production of goods and provision of works and services correspond with the needs of environmental activities and natural resources recovery;
- predominant share of total production volume belongs to environmental products, works, and services (*Boboshko, Gusev, Potravny, 2006*).

Basing on several viewpoints, A.I. Toropetsky also defines ecological entrepreneurship as authorized business activity of organizations and enterprises oriented to protection of environment by production, works and services in compliance with the requirements of current environmental legislation. In his research he comes to conclusion that ecologically oriented business is a priority direction for a company's stable development.

Over the last few years an outburst of 'ecological conscienceness' has taken place worldwide. Public opinion polls are showing a great environmental awareness dealt with a general state of environment, unreasonably intensive devastation of natural resources, extinction of flora and fauna on every continent of the planet. Industrial pollution of air and water as well as careless depletion of fertile lands results in a growing number of severe diseases. More and more people of our planet want to eat ecologically clean food and drink safe water. All these facts evidence the appearance of a new category of needs, which are ecological needs. Although ecological needs can be somewhat considered as a sort of physiological needs (if they are associated with food, water and air), they are conceptually oriented to increasing a quality of the environment up to the state optimum for a human being. Nowadays ecological needs must be a trigger for the development of ecological entrepreneurship.

Thus, if ecological utility plays a core role in total utility of goods, entrepreneurial activity aimed at producing such kind of goods shall be associated with ecological entrepreneurship. The dominant role of ecological utility deals with orientation of entrepreneurship primarily to this constituent part of total utility. If ecological utility plays an important (and not core) role in total utility of goods, entrepreneurial activity aimed at producing such kind of goods shall be associated with ecologically-oriented entrepreneurship. In this context entrepreneurial activity is oriented to creating traditional utility with ecological utility being its accompanying element. Traditional entrepreneurship takes place when ecological utility comes to zero or does not play any important role in total utility of goods (*Varennikova, 2011*). This means ecological entrepreneurship deals with activities conducted with the aim to minimize risks of influence on all environmental components with due regard to ecological preferences in the system of economic relations and oriented to systematic profits from rational use of properties, natural and secondary resources, sale of goods, and performance of works and

services. The criteria for entrepreneurial structures to become a part of ecological entrepreneurship can deal with a continuous improvement of environment quality as a result of the functioning of ecological entrepreneurship; core (dominant) role of ecological utility in total utility of the results of its activities; core (dominant) role of ecological innovations.

Level of ecological business development shows moral and ethic responsibilities for the results of increase in production and enables significant changes of ecological situation in the country, improve protection of the environment and use of natural resources. In the current conditions any entrepreneurial activity should care for ecological properties. To our opinions, the formation of ecologically-oriented and ecological entrepreneurships is able to become one of the core elements of supporting the country on its way to a stable economy, favorable social situation and ecological safety.

Obviously, it is impossible to solve ecological problems and move to a stable development without general improvement of economic situation of the country and effective macroeconomic policy. Environmental degradation can be provoked by several economic and legal factors acting in different spheres, on different levels, and with different scales of impact:

- macroeconomic policy provoking intensive use of natural resources;
- investment policy oriented to development of resource-exploring sectors of economy;
- inefficient policy of the sectors (fuel-and-power sector, agricultural sector, forest sector, etc.);
- imperfect law;
- undetermined property rights to natural resources;
- lack of ecologically-balanced long-term economic strategy, inappreciation of stable development;
- inflation, economic crisis and unstable economy which prevent implementation of long-term projects including most of ecological projects;
- natural resource export;
- presence of a forceful trigger such as fast and big profits from re-exploitation and/or sale of natural resources (oil, gas, wood, ore, etc.).

According to the data of RF's Ministry of Natural Resources, there are 1.4 million tones of different wastes deposited on landfill sites within the country. Moreover, this volume is annually increased by 89.9 million tones of toxic and hazardous products - especially petroleum derivatives. The environment is currently in critical emergency state which endangers national security interests. Nowadays, approximately 15% of the territory is officially called 'zone of ecological catastrophe'. Approximately one-half of the population drinks unsafe water and two-thirds of the population have to live in the areas with excessive air pollution. The cause of such a terrible situation shows a significant association with lack of efficient mechanisms for control over the ecological situation, undeveloped economic conditions to trigger the environment protection, and the government standing aloof from the process of ecological renovation of its enterprises.

Landfill sites provide ecological businessmen with an inexhaustible source of raw materials; nevertheless, only 20% of wastes are currently regained, the other 80% are being deposited at the landfill sites. This is caused by traditional methods of waste recycling, which Russian manufacturers and their foreign colleges are more accustomed to, and lack of adequate investments. Currently, the Federation Council is reviewing a draft law which should help to organize more accurate work on waste utilization. Furthermore, a special tax assessment

scheme for legal bodies and agents of ecological entrepreneurship will be stipulated by the Tax Code.

The world has accumulated a wide experience of ecological entrepreneurship proving not only its vital necessity but also economic benefits. This is ecological entrepreneurship which is currently becoming the main way to a stable development of the society.

Almost every developed country has current government programs dealing with measures on competent inspection (acceptance, processing) of cars, partial demounting tire dismantling at conversion sites, reuse of dismantled units, car remelting, disposal of non-recyclable wastes (especially plastics and textiles). Waste management is subject to regulatory legal acts and under a careful control of governmental authorities. This means enterprises are liable for recycling of self-manufactured products. Required funds are allocated by the government for waste recycling and accumulated in special ecological funds at the local and federal levels.

In the USA, government regulation at both the federal and state levels is playing a grater role in triggering production of secondary raw materials from wastes. The Solid Waste Disposal Act, passed in the USA in 1976, regulated mandatory minimum recycled content in commercial products. Nowadays, the studies deal with the position of secondary raw materials on the market, economic and ecological barriers hindering their use, new fields of their use, etc. The Federal Government abolished previously applicable discriminatory rate tariffs on transportation of secondary raw materials, adopted a decision on a definite percentage of raw materials for the national stockpile, and passed the act which prohibited disposal of waste produced in territories outside the state.

Much more active policy is conducted by authorities of some states, dealing with charges for waste disposal resulted in the increased use of secondary raw materials. New Jersey authorities passed the bill providing a 50% discount on operating equipment for production of goods with secondary raw materials content not less than 50%.

The most important economic trigger for recycling waste into secondary raw materials is associated with the fact that utilization is currently becoming the cheapest way to control wastes in American cities. Creation of new landfill sites is prohibited in the USA, disposal and incineration of wastes due to all ecological regulations appears to be three times more expensive than recycling waste into secondary raw materials. Many states have passed the acts which oblige every county to implement the recycling of some part of the waste on its territory under the threat of termination of state funding. The disposal of car batteries is commonly prohibited in the USA.

Japan shows great success in rational management of natural resources. It is commonly known that this country is import-dependent as far as most sorts of raw materials and fuels are concerned. Therefore, Japan pays a particular attention to the problem of recycling. By 1985, Japan industry had utilized 60% of waste.

III. DEVELOPMENT OF ECOLOGICAL ENTREPRENEURSHIP IN RUSSIA

Nowadays, the most important step taken by the Russian authorities is the creation of favorable climate for ecological entrepreneurship development by means of efficient, supplementary and primary, economic tools and regulators. Beside financial and legal benefits prescribed by law for small business regardless of its type, those enterprises which contribute

to environment recovery must undergo preferential tax treatment up to the total abolishment of municipal taxation. Only this kind of support can help small and medium-sized businesses often working under unfavorable operating conditions (materials of low quality, bad transport links, etc.) achieve output profitability which is enough for attracting potential entrepreneurs. Moreover, regional funds for business support shall be created. They must provide concessional lending and non-repayable subsidy assistance for building and reconstruction of such enterprises with the funds from penalties for ecological offences as well as voluntary donation of enterprises, public organizations, local authorities interested in ecologically clean environment.

Beside financial benefits, an essential condition for wide attraction of entrepreneurs to environment protection deals with creation of regional ecological information centre with a careful data base on ecologically troubled sites and possible profiles of enterprises contributing to environment recovery. Currently, a lot of disciplines are trying to keep to the existing production lines and associate their goal only with the development of inner non-waste and other 'ecologically clean' technologies enabling to decrease their own influence on the environment. Nevertheless, the problem on rational correlation of production with the environment is impossible to solve this way since one of the system components, which is the environment itself, is not considered. Studies of the process of public production and its correlation with the environment require economic and ecological methods provoking the occurrence of ecological entrepreneurship.

Ecological entrepreneurial doctrine shall be built not only as a part of nation-wide strategy of long-term development but also as a special 'ecological cut' of all directions of the Russian domestic and foreign policy. Moreover, a common 'ecological line', in other words a common system of criteria implemented for estimation of strategies, programs or projects of any level including federal (national), regional (subnational), corporate, and international ones.

Giving an estimate to the efficiency of the state policy and the development strategy as its basis, one can use different criteria, the choice of which directly depends on stated objectives and a range of assigned tasks. Some criteria serve for evaluation of anti-recessionary strategies aimed at, e.g. minimizing heaviest consequences of the systemic crisis; other criteria do with strategies of dynamic development aimed at returning Russia to the list of top leading countries. Some criteria suit less developed countries, other ones are to be implemented by developed states. For those countries which are outsiders, the criteria of positive dynamics deal with, e.g., any tendency to raising of living standards, e.g., up to the subsistence minimum. Here the ecology cannot be the matter. Correspondingly, the status of ecological constituent of such strategy will not be of high level. Those countries which identify themselves as elite community must apply a different criterion associated with guarantees of significantly high quality of life. And use of this criterion is accompanied by strengthening of ecological requirement for the quality of drinking water, air, preservation of biological diversity, etc. Obviously, the status of ecological doctrine of Russia depends significantly on our vision of its future. It is essential to understand that we still have a choice. There is a dramatic difference between the contemporary economic situations of Russia and its enormous potential including resources, intellectual power, and geostrategic facilities. But this is the difference which shelters a possibility of choice of really efficient strategy for temporary perspective rather than one- or two-year period, which gives sense to any economic modernization which is essential in contemporary Russia.

The situation with socially responsible business development shows a level of moral development of the society. Considering the world experience, Russian business must understand that the only economic mechanism (for the present) to solve the problem of transfer to the innovative development vector (through creation and development of human intellectual capital of the nation) is investment into human development. The development of correlation of business and the state through social investment in the innovative sphere is one of the most essential conditions for the creation of efficient economic policy, increase in innovative activity, and development of economic and social infrastructures.

IV. CONCLUSION

Ecological entrepreneurship demonstrates a leading position in the economy of most developed countries. At the national level, ecologically-oriented economy provide the increase in competitive power of the nation in general through the increase of the environment, life quality, and life span. A particular company can fail in fast returns on investments into environment protection, but on a national scale these advantages are more obvious even if they do not have clear estimated monetary value all the time. E.g., application of waste water treatment regulations can raise expenses of definite firms but provoke a positive effect on a national scale at the same time due to the decrease in disease incidence caused by consumption of contaminated water.

Transfer to a new model of development is not self-driven but triggered by goal-oriented ecological policy. Admitting a priority value of ecological legislation for improvement in business competitive power, it is essential to point out that in some cases more effective means of ecological policy are associated with economic tools. Therefore, in the last few years, directive regulation has been changed to economic regulation with its core tools including ecological taxes and subsidies, emission quota, determination of ownership title to some natural resources (land, water, and forest), obligations associated with acceptance, requirements for recycled materials content in products, etc. At the same time, business develops and efficiently impellents a goal-oriented system of its own tools of ecological policy to achieve definite benefits. This means the formation of a new business philosophy rather than simple measures of ecological policy. Ecological requirements are becoming an integral part of a corporate strategy of leading companies, and provoke both promotion of new products on the market and preservation of the positions occupied in the world economy. Our country does not pay a particular attention to the issue of ecological policy since consideration of ecological factors is associated here with particularly money-losing efforts which are able to decrease a competitive power of the state and its enterprises. Nevertheless, Russia is able to and even must consider the world experience of competitive growth for the development of a new economic strategy with due regard to ecological factor and possible use of competitive advantages appearing on the market of ecologically clean products. Stabilization of ecological situation in Russia depends on the efficiency of current economic reforms, their adequacy to the objectives of forming a stable type of Russian economic development. Here, a particular importance is associated with the measures on creation of favorable climate by efficient market tools and regulators for the development of all business spheres contributing to ecologization of economy.

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SUMMARY

In the developed countries a concept of corporate social responsibility of business came into scientific and sociopolitical use. The situation in Russia is radically different. Nevertheless, last few years saw a birth of a principally new phenomenon at the interface of both ecological and economic systems of the country, which is a phenomenon of ecological entrepreneurship. Ecological entrepreneurship is associated with an activity, which is conducted for minimizing risks of the influence on all components of the environment with due regard to ecological preferences in the system of economic relations, and which is aimed at systematic gaining of profits on efficient use of property, natural and secondary resources, sale of goods, and performance of work and services. Criteria for reference of entrepreneurial structures to ecological entrepreneurship can be associated with a continuous improvement in quality of the environment as a result of ecological entrepreneurial functioning; a dominant (or predominant) role of ecological utility in general utility of the results of ecological

entrepreneurial performance; a dominant (or predominant) rate of ecological innovations. The article defines the concepts of social responsibility of business, ecologically oriented and ecological entrepreneurship as well as directions of their development in Russia and formation of new ecological thinking in the sphere of entrepreneurial performance.

A degree of ecological business development reflects a degree of moral and ethic responsibility for results of increase in production and enables considerable changes in ecological situation of the country and improvement in both environment protection and use of natural resources. The formation of ecologically oriented and ecological entrepreneurship is able to become one of the key elements of support for the country on its way to a stable economy, favorable social situation and ecological security.

Key words: ecological business, ecological security, efficiency, Russia

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