

## Human potential of communities and social entrepreneurship as a factor of sustainable innovative development in Azerbaijan

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### Abstract

*Human challenges formed with the purpose of development of millennium and the agenda within the period after 2015 set new tasks before the world community. In this situation, we have to convert the scientific results into the national strategy, political course for stability. In the epoch of globalization, the settlement of the problems of sustainable development, the priority task will be effective management of the human potential. The planning, management and mobilization of the human potential is considered as the decisive factor of providing of synergetic resolution of national, regional and global challenges. In the condition of globalization of the world economy and free capital mobility, including the human capital from country to country, from region to region under the circumstance of the acute international competition, accelerated development of new technologies, namely the human capital serves the main intensive competitive factor for development. This process is more intensive in the countries of the world, which accomplish the advance investment of the high quality human potential, organize and finance its inflow to the country, create bets conditions for the leading specialists. The integral income from the investments to the human capital is increased with time in effective state.*

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### Introduction

The Millennium Development Goals, adopted at the suggestion of the UN World Summit, include the following important tasks to be conducted on a global scale: to significantly reduce poverty, to improve social indicators, and to eliminate gender inequality. These goals were to be met by the target date of 2015. The sectors of national governments and international organizations responsible for the implementation of these objectives have stated that significant progress has been made in these areas. Both the world average and the statistics in certain countries show that the level of poverty has decreased, there has been increased gender development, and social indicators have improved. However, the reduction of poverty in its various manifestations, improving social indicators, and further elimination of gender disparities are still relevant today. As such, the agenda for post-2015, which is currently being discussed worldwide at the suggestion of the UN, includes continuing to address these issues. The resolutions to these challenges are essential elements in achieving the goals of sustainable development which is a key priority of the 21st century (<http://mcgyouthandarts.org>).

The tasks for the post 2015 agenda will require different approaches. Social enterprises which are coordinated through public organizations of citizens in the community (community based organizations) and social entrepreneurship have the potential to improve economic and social indicators, as well as to eliminate gender inequality through the formation and mobilization of human potential (Human Development Report, UNDP, New York, 2014)

Social entrepreneurship, a relatively new way of implementing social and economic activities, achieves the social mission with economic efficiency and entrepreneurial innovation. At its core is the creation of so-called social enterprises - i.e. business enterprises, organized to work on social problems and to achieve social good. These enterprises use business strategies established in the private sector such as financial discipline and innovation. In the last decade, this practice has gained popularity both in

industrialized countries and in third world countries, for which this new method of combining economic and social resources is a means of reducing poverty in large parts of the population.

Social entrepreneurship in the form of companies not seeking a profit (nonprofit organization) is the most promising with community based organizations. At present there is some experience in the creation and development of non-governmental organizations (NGOs) in the field of social entrepreneurship. The Republic of Azerbaijan has created a pilot model for urban and rural citizens' associations, human development and sustainable production of profits (Human Development and Sustainable Income Generation Public Union), which has been officially registered by the Ministry of Justice, the acting tax authority. These activities are carried out within the framework of national programs to combat poverty, to eliminate gender disparities and to improve social indicators of the population.

Successful implementation of these national programs in The Republic of Azerbaijan have led to a significant reduction of poverty in the country. In particular, data from international institutions indicates that the level of poverty in the country has decreased, which was one of the goals of the Millennium Development. The activities of NGOs, especially when educated by community based organizations, become particularly effective in meeting the challenges of sustainability when they work in conjunction with government agencies, other NGOs and the private sector. Statistics for the Republic of Azerbaijan have reflected a significant decrease in the poverty rate over the last 20 years, from 49 per cent to 5.7 per cent. It should be noted that such effective poverty reduction helped to improve the social indicators of the population as a whole, which is an important indicator of sustainable development (<http://www.stat.gov.az/menu>).

Presented a comparative analysis of results achieved in the Republic of Azerbaijan with the countries belonging to the group G 20. The analysis shows that the results achieved in the Republic of Azerbaijan are comparable, and in some cases exceed, the performance of a number of developed countries, including the members of the G20 and G7. The achievement of these results, as well as those achieved in poverty reduction, can be attributed to the use of innovative human potential management practices of sustainable development, including the mobilization of national programs falling under government, NGOs, and private sector entities. Using the latest production and management technologies, the mobilization for the purpose of local knowledge and renewable natural resources are factors contributing to progress in this area.

However, it should be noted that social entrepreneurship, promoted by public organizations, has not yet been fully developed for a variety of reasons. The primary reason is due to the weak development of the legal framework governing these activities. There are different views on the role of NGOs in solving the problems of sustainable income. According to Bill Strickland, director of the Manchester Craftsmen's Guild and recognized social entrepreneur, "NGOs have to admit that they do business, not just a business. There is a way to combine all the best in the non-profit charitable peace with all the world's best profitable organizations. This hybrid is a signal of the future for both sides - both profitable and unprofitable companies.

"Changes are needed in the NGO sector, due to recent changes in the world and in the activities of NGOs. The need for NGOs to change the nature of their work may affect the following changes (areas?):

- expansion of the social needs of society - both in magnitude and diversity;
- increase in the number of NGOs and, as a consequence, increased competition between them for the resources of the state and charities;
- reduction of the traditional forms of financing, making financing less reliable;
- parish business in the public sector and increasing competition between NGOs and businesses in meeting social needs;
- Raising the standards in financial and business practices of nonprofit organizations, as well as working to raise funds from donors.

According to some authors the key point of differentiation of NGOs and social entrepreneurship is the profitability of the business. They explain it this way: NGOs do not receive income from their activities and they cannot be regarded as business organizations because they are not economically

sustainable on their own. Thus, while both entities use innovation to further their goals, earned income is what differentiates an NGO from social entrepreneurship.

It is worth noting that all scientists point to innovation as a defining feature of social entrepreneurship. Joseph Schumpeter, the founder of the theory of innovation, defines innovation as "creative destruction." According to Schumpeter, innovation is always accompanied by the destruction of the old order, which makes way for the creation of a new system. This means that the successful operation of community based organizations on sustainable income relies primarily on the formation and development of human potential.

Activities in the Republic of Azerbaijan in the field of human development is an important factor that can contribute to the successful development of non-profit organizations, including social enterprises focused on gender inequality operating at NWO. Dynamics of changes in the human development index in the country shows promise for this approach. It should be noted that successful implementation of the goals of sustainable development, along with new knowledge and modern technology, requires social enterprises with NWO to have local knowledge. The combination of the latest technology and knowledge about the field gained over time is a key factor in ensuring sustainable economic development. Another important factor for increasing the contribution of social enterprises is the ability to mobilize renewable natural resources.

### Conclusion

In our opinion, the following social and entrepreneurial approaches should be practiced in Azerbaijan in order to ensure sustainable development of an innovative society:

Creative education is closely related to social entrepreneurship. Only education, and the development of business structures in this area will contribute to the growth of human potential in the country and eventually move the economy towards the principles of a "knowledge economy". The Centre for Social Engineering was created as part of this initiative and should be involved in the creation and implementation of social projects in the regions of older students. Development of microfinance and credit cooperatives. This example, along with educational projects, is an example of the benefits of social entrepreneurship, primarily due to the following reasons:

- Social entrepreneurship ensures the primacy of the social mission because it is a company designed to solve real social problems, and hence will help the sustainable development of the national economy;
- The existence of a sustainable commercial effect ensuring self-sufficiency and competitiveness of the enterprise;
- Innovation, combined with social and economic resources makes it possible to have a stable social mission, economic stability, and solutions for social problems.

Businesses that start out with a social mission and who are economically viable, may begin to de-emphasize their original mission over time. In addition, business projects are often not designed for social transformations related to the resolution of a particular social problem. Often they operate on the principle of "movement – all, the ultimate goal – nothing".

NGOs and small businesses - two natural organizational models for the start of social entrepreneurship. These two forms, more than other mechanisms of entrepreneurial activity, can be effectively used because of their limited scope and mobility of activities towards the development of human potential. Analysis of projects on social entrepreneurship among NGOs and small businesses shows disadvantages of each of the two organizational forms. NGOs often fail because of their commercial component. Traditional NGOs seek grants and donations to conduct their missions, and need to take care not to compromise their values or those they are seeking to help in favor of economic prosperity. Youth, a lack of professionalism, and inexperience in operating alongside other businesses are common problems that prevent NGOs from functioning effectively. Small businesses have the opposite flaw- they often start out with social purposes in mind, but then abandon them in favor of becoming a profitable business.

Organizations of persons with disabilities. There will be a selection process to choose the social entrepreneurs who have the most effective plans (combining social and economic objectives) to harness

the potential and abilities of persons with disabilities. Working to help those with disabilities gives organizations a clear social purpose and finding economic resources can be easier because there are many places to look. Therefore, the main problem with organizations of persons with disabilities is not a lack of economic resources or a strong mission, but figuring out how to include this group in the broader market and professional community - those not limited to people with disabilities. This requires a more serious and significant social transformation of society in Azerbaijan, which undoubtedly will occur.

And finally, it is important to note that the development of social entrepreneurship can contribute to the development of employment in Azerbaijan. At present, the number of households in the country comprise about 1,895,900 people- almost 2 million people or 20% of the population, which is an impressive figure. The potential of such a large number of people can impact the sustainable development of the economy. If people in these households, especially women of working age, were involved in social enterprises, it would be possible to significantly increase employment. For example, it would be possible to stimulate the organization of social enterprises in the fields of national cuisine, carpet weaving, manufacture dense wicker, bedding, etc. straw, reeds, and growing organic agricultural products. Given the fact that Azerbaijan has a rich tradition in these areas, it would be very effective in terms of the social policy of employment.

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