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INSTITUTIONAL PROBLEMS OF ENTREPRENEURSHIP ACTIVITY DEVELOPMENT IN A REGION

INSTITUTION MODEL DESCRIPTION

The concept of institution according to Greif will be the main conceptual constructor for the analysis of entrepreneurship activity on institutional basis [Greif, 2006, p. 8–21]. With a didactic aim it will be visually formalized in the shape of «institutional cross» that represents a compositional combination of the set «institution» with four subsets in form of fuzzy membership functions. The functions are paired. They constitute fuzzy logical lambda-membership functions and complement (contradict) each other by pairs (fig. 1).

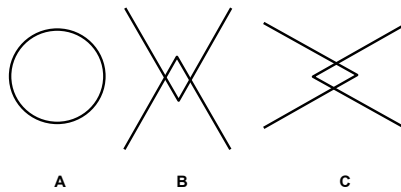


Figure 1. Basic components of concept-model «institutional cross»: A – Euler-Venn diagram, B and C – fuzzy logical membership functions (λ -type) that complement (contradict) each other by pairs

Source: own development

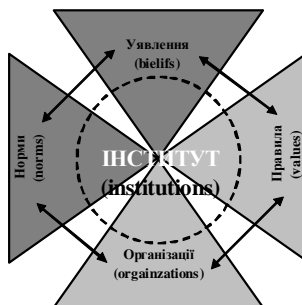


Figure 2. Structural-component scheme of institution by A. Greif

Source: developed on the basis of: [Greif, 2006, p. 8–21]

Having combined these components correspondingly and «filled» it with an institutional concept according to the interpretation of the institution notion, we will obtain the graphic model of «institutional cross» by Greif (fig. 2).

Given a basic model as the graphic interpretation of the essence of institution uses somewhat different structural scheme of institution than defined by D. North [Nort, 2000, p. 11–13], i. e. it includes the organization component.

Combined components constitute a syncretic unity and can be the instrument for evaluation of institutional processes and structural problems. The components «beliefs» and «norms» represent the informal side of the institution and components «values» and «organizations» constitute the formalizes side. This explains different colours on the figure. This visualized concept will serve as our basis for conducting conceptual institutional analysis of economic entrepreneurship phenomena in the region.

INTERPRETATION OF KEY TERMS

Before starting the analysis we should previously define key terms. Such interpretation requires answers to several questions that will be put in the spirit of institutionalism methodology. In particular: What is entrepreneurial spirit, what is entrepreneurship, what is enterprise and entrepreneurship activity? And also what is region in the context of entrepreneurship activity?

Entrepreneurial spirit is the inherent to the actors of economic activity peculiarity (feature) that directs their activity at the changes of the limits of economic activity in order to enjoy the obtainment or redistribution of profits and rents. Entrepreneurial spirit is the quality of activity that provides a gradual development and wealth increase. This activity stimulates market exchange and connects actors through the network of transactions or intercommunications. Entrepreneurship is the aggregated sphere of economic and other types of human activity (table 1), where the quality of actors' activity is implemented, which is defined by the term entrepreneurial spirit.

Enterprises or firms, or organizations are the forms of institutionalization (establishment) of entrepreneurship for obtainment of profits or other types of advantages equivalent to them that in the end can be converted into monetary-financial form.

According to this, entrepreneurship activity is the process of realization of entrepreneurial qualities of human activity that manifests in space planning and time structuring in order to change the terms of human existence.

Region is the entrepreneurship superfirm. It is the relict clot of entrepreneurship activity primarily in the sphere of governance and defense –

the domains, where the greatest potential of authority was always applied and is applied still (reg, rex – means the owner, in Ukrainian – volodar, so such administrative units as volost, voivodship, etc. generate from it). These relicts have remained as favourable foundation for building national states and were used as the cells for construction of national state organisms.

In the context of entrepreneurship activity development, the region can be regarded as the structure that performs a double function. In the first place, it is the place of entrepreneurship activity unfolding and the environment for its development. Secondly, it is the provider (distributor) of state authority in the system of a threefold regulation of economic activity that encompasses: state governance (regulation), public regulation and market self-regulation of economy. According to this, entrepreneurship develops on two basic principles: on profit basis (economy management) and plan performance basis (regulation).

Entrepreneurship and entrepreneurial spirit manifest themselves as the activity not only in the sphere of economy of the region. Taking into account the importance of entrepreneurship activity in forming the Western manner of economy management, we can talk about the availability of its elements in other spheres of human activity as well that, simultaneously, they are the spheres of culture in broad interpretation of this term (table 1).

Table 1. Spheres of cultural-economic activity detached on the basis of analysis of Standard classification of economic activities in Ukraine

Culture	Spheres of culture	General types of activity	Type of activity	Nature
	Religion	Religious and charitable activity	Cultural-economic	
	Art	Artful and entertaining activity		
	Education	Educational and pedagogic activity		
	Science	Scientific and inventive (engineering, technical) activity		
	Defense	Defense activity and safety (rule of law) maintenance		
	Politics	Political and management activity		
	Economy	Economic and social activity		

Source: developed on the basis of [Natsional'nyy klasyfikator ..., 2011]

The table shows general aggregated kinds of human activity (economic, political, military, scientific, educational, art and religious) and their types (cultural-economic and economic-cultural [Maksymchuk, 2011, p. 37–35]. They differ by the activity manner and the institutions that stipulate them. The activity

analysis of enterprises allows regarding the institutions as stable forms and methods of entrepreneurship activity formed historically that define the directions of economic systems development in the regions of the country.

INSTITUTIONAL ANALYSIS OF ENTREPRENEURSHIP ACTIVITY

The research on the problem of regional entrepreneurship institutional development on the basis of the model of «institutional cross» by Greif enables detaching three or four large groups (sets) of problems according to the components of the model.

Primarily, these are the problems related to the component «beliefs» – regional society's world perception and picture of the entrepreneurship phenomena. This entrepreneurship image functions at the level of social awareness and the awareness of regional society. The attitude to entrepreneurship in public conscience defines the methods of activity and forms the entrepreneurial spirit demonstration in different spheres of economy.

In the system of Ukrainian regional societies, the idea of entrepreneurship as the symbol has somewhat a negative axiological burden. People see entrepreneurship and business as such phenomena that do not totally serve to social ideal. In the context of institutionalism, this phenomenon is the consequence of the effect of so called track, dependence on direction of previous development (path dependence). The direction of economic development of entrepreneurship in the regions of Ukraine was influenced by the fact that in the former Soviet Union entrepreneurial people could not run a business legally. This «vicious capitalistic phenomena» was fought against with the extensive system of methods. Therefore, entrepreneurial and economically talented people entered the system of state governance that expanded its influence at practically whole economy and policy. The Soviet Union as a grand economic-entrepreneurship corporation was governed mainly not on the basis of prices mechanism (market mechanism), but on the basis of command mechanisms (and later in the 1970s–80s by the administrative-command mechanism). In fact this was the entrepreneurship on the basis of a plan implementation and achievement of ideology-driven collective targets but not on the basis of profits and achievement of pragmatic individual targets. Moreover, this was the great business of a ruling party. Any entrepreneurial spirit in «unwanted» place was repressed. Due to this, such an activity stereotype that entrepreneurial spirit is «evil» (at official and semi-official level) was formed.

In order to understand this problem deeper, we should appeal to the concept of «administrative market». It was proposed for a critical analysis of planned economy by the group of researchers led by V. Naishul [Najshul', (http)] and

S. Kordonskyi [Kordonskij, ([http](#))] and corresponds to the models of the social choice school in Western economic thought (J. Buchanan, G. Tullock, K. Arrow, M. Olson) that studies economic analysis of political activity and examines «markets of governance» [*Vlast' kak tovar ...*, ([http](#))]. The administrative market is the quasi-market system that enabled exchange with official prohibition of commercialized exchange. In terms when equal, mutually beneficial market exchange didn't exist, the bargaining took place in the system of state governance.

Nowadays, the practice of administrative bargaining in Ukraine is preserved in strengthened comparison with a Western economic system form and functions as the relict of the administrative market. By its nature, it is the market of governance, although the phenomenon of governance currently stands on the periphery of economic research [Dement'ev, 2012, p. 186]. According to Neishul, previously the state addressed to «limits» and «funds», but now it addresses to «tax incentives» and other economic preferences.

A specificity of such development is strengthened by the negative affect that the entrepreneurs make to contribute to the image of entrepreneurship with the minus sign (here, obviously, we should differ small and large businesses), when they attend to the development of the oligarchic system of governance. We can ascertain that the negative self-supported institution of «anti-entrepreneurship» is formed. It acts against large business and takes significant share of the conscience of Ukrainian regional societies.

Entrepreneurship due to the mentioned objective and subjective reasons meets a considerable «complex of guilt» that is hard to be compensated by any advantages and demonstration of its social efficiency. The stereotype of antisocial function of entrepreneurship as a speculation or extortion is fixed in the mass conscience. This stereotype is supported by mass media and other communication channels.

The change of such ideas requires time and considerable efforts at different stages of regulation of economic and management activity and can occur due to implementation of methods and models of reflexive institutional entrepreneurship management [Lepa, 2012, p. 92–134]. This needs attraction of broader axiological values than direct economic profit or achievement of planned formal indices in the sphere of state or regional strategic governance.

The next group of problems is formed by the issues of organization or issues of realization of citizens' image of entrepreneurship activity (component «organizations»). Here, we should pay attention to the fact that according to the economic structures functioning model proposed by D. North, B. Weingast and J. Wallis entrepreneurship in Ukrainian realities develops in the economic system called the system of limited access. The main point of this approach lies in limitation of access by ruling elite to any organizational resource, including

entrepreneurship organizational resource. This limitation builds the system of rent composition used for further development of limitations system [Nort, 2011, p. 59–81]. Through this vicious circle of an organizational resource of citizens in the sphere of entrepreneurship, this activity is underused. Due to this, transformational efforts should be concentrated on the achievement of consensus of ruling elites in order to exceed the model of open access, where organizational resources of entrepreneurship can be achieved by as large quantity of entrepreneurial people in the regions as possible. And although the logics of open access according to the model of D. North is peculiar to few states, Ukrainian regions and state as a whole should aspire to this.

Now we proceed to examining the program of interaction of norms and rules (model components «norms» and «values»). The economic system of Ukrainian regions is characterized by somewhat a paradox situation, when the entrepreneurial spirit, which is obviously a positive feature, interlaced into the inappropriate network of social relations which forms too large administrative market. This mechanism develops by its inner logics. The important role in its support is played by the system of personified [Nort, 2011, p. 75] exchange and links on the basis of nepotism. Such a specific interaction system strengthens this market as far as in other forms, in particular in non-personified exchange, it practically cannot function. In fact it is building of relations not on the basis of professionalism and accomplishment of formal rules (component «values»), but loyalty and devotion and maintenance of informal norms (component «norms»). In any economic system, these components are important for conducting entrepreneurship activity. However, their interaction and, in particular, their balance and harmony are very important. Ukrainian reality is characterized by imbalance with the domination of informal practices that disharmonize entrepreneurship economic system of regions.

In order to correct situation persistent efforts on harmonization of all spheres of human vital activity are necessary, including religion that produces values systems and, thus, can program development of human societies influencing interpersonal transaction expenses, including in the sphere of entrepreneurship activity. For this such social institutional management should be implemented, which could strengthen positive influence effects (externalities) of every separate economic sphere on the whole economic system. The emphasis should be made rather on positive influences than on their harmonization. The methods and models of reflexive management of economic systems can be the theoretical and conceptual basis for scientific understanding of these processes [Lepa, 2012, p. 14–76]. The issue of social engineering in the context of positive images forming (social imagement) of nation-creation activity is developed by S. Vovkanych [Vovkanych, 2012, p. 29–49]. Developed by the sociohumanitarian

scientist approach enables implementation of axiological component to the methodology of economic activity, including entrepreneurship one.

It is hard to say unequivocally if the components of the institutional model (fig. 2) can be identified with the division to shadow (grey) and non-shadow (white) components adopted in economics. There is the imbalance of shade-light in entrepreneurship sphere of the region. The economic sphere of state and regions has an excessive shadow entrepreneurship component that encompasses practically all components presented in the Table 1. Regarding economics, the evaluations of shadow component fluctuate within the limits of «golden proportion», i.e. correlate as 60 to 40 to either side. This can also be explained by the action of track effect. Entrepreneurial people after the change of state conditions «forgot» to come out of the shade, where they acted as the «dealers» at administrative market of planned economy. It was usual, safe and comfortable for them. This formed such «game situation», when actors burdened with economic and political governance conducted coordinating activity in relation to economy in shade. In such a situation, it is important to form the system that will lightly remind them to come out of shade and make it advantageous but motivate them to do that consciously on forcedly voluntary basis. In general features, this is the system of public control over authorities, including over the state by society. In the context of regions, this is the system of citizens' influence on regional authorities.

Thus, transformation of the administrative market is the basic task in terms of entrepreneurship development in Ukrainian regions. This market can be «overcome» from outside by something more powerful than itself on the basis of external governance. This is a real equivalent to Ukraine's integration with the European Union, when one bureaucracy system is changed for another – «more conscious». In this context the alternative EU or EEA (European Economic Area) seems like the choice of alternatives between one and other types of administrative market (EU) and its one and the same type (EEA). This is not the dilemma of choice: to be in the system of administrative market or not. It is not possible to be in the system of the administrative market at all. This is the choice between the alternatives of oligarchic and democratic governance, between the types of administrative markets, between the methods of competitiveness and levels of monopoly at them.

RESULTS AND CONCLUSIONS

On the basis of conducted institutional analysis we can detach several basic directions of entrepreneurship activity changes in the region. To begin with,

entrepreneurship by itself cannot be examined in the vacuum, but in the system of environment and different spheres of vital activity (table 1). If the administrative market is the «exchange office» where the rents are exchanged, the entrepreneurship is the method to generate rents in different components of a creative sphere (culture). This is the way to the structure economic-cultural reality in order to gain profits (rent, including administrative). This is what constructive destruction of the limits of entrepreneurship activity is directed at the display in forming its new types and methods. In short, it can be defined as an introduction of the model of innovative development into the organization of entrepreneurship.

In the context of the conducted analysis we can affirm that propaganda of sound entrepreneurial spirit in mass media, development of axiological values of conducting business, forming economic and entrepreneurship behaviour codes, creation of moral and ethic regulating components in the system of national awareness and collective conciseness of regional societies are very important. Taking into account the context of historical spiritual-cultural evolution, we can agree with the thesis by M. Melnyk about forming value orientations of conducting business and forming business environment in Ukraine on Christian moral basis [Mel'nyk, 2011, p. 425–444].

The positive image of entrepreneurship is the positive attitude to activity and initiative as a counter-thesis to paternalism. The change of views system arises gradually, requires time and methodological enclosure of resources in order to achieve the results. It is obvious that time comprises the change of several generations (one generation – 25 years). So it will take about fifty years for Ukraine to possibly join the «club without limited access». However, this assertion may put a big question mark. Only a small group of countries, near two dozens according to D. North, enjoys such a club benefit as unlimited access [Nort, 2011, p. 33]. The question is whether the system with limited or open access can access the countries with open access? The practice of Ukrainian global relations development shows that currently this club looks like the system with limited access.

Ukrainian regional societies must bear their institutional cross in the sphere of entrepreneurship development (this is stipulated by the track principle or path dependence). It is impossible to completely get rid of this burden but the terms of bearing can be changed. Entrepreneurship is favourable in relevant place and entrepreneurial spirit is advantageous in necessary amount and structure (the balance between the structures that act on the basis of profitability and adherence to rules, plan realization). The excessive amount of entrepreneurship on the administrative market deteriorates institutional conditions of entrepreneurship development.

In this work, we have examined only several aspects of entrepreneurship activity in the region. The set of institutional problems does not end here. The choice of the analyzed aspects is stipulated by the desire to preserve institutional canvas of the analysis on the basis of an approach to interpretation of institution by A. Greif and the concept of the system with limited /open access by D. North and co-authors.

Realizing the transformational efforts in the sphere of improving entrepreneurship activity in the region we should remember that there are nominal and realistic sides of the action. Therefore, we shouldn't excessively aspire to build the ideal economic world that exists only «above». The attempts to build such a world that Ukraine underwent during almost all the 20th century and the consequences of these efforts are undergoing now and to the need for a conceptual vision of entrepreneurship on the basis of economic realism and choice of an evolution way of transitions on the basis of public consensus (contract).

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