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## **DEVELOPMENT OF ENTREPRENEURSHIP IN THE CONTEXT OF CIVILIZATIONAL DYNAMICS**

Recent years has witnessed a dramatic growth of different schools of entrepreneurship. In response to problems related to the environment, social development, and other co-occurring factors reported in the past few last years, the authors aimed to examine the roots of economic growth and large-scale structural transformations. We suggest that these transformations are based on civilizational theory. Accounting for the wealth of information in the sphere of civilizational development, the authors conducted research on the economic and social paradigms of entrepreneurial theory. Using the monographic method, the authors demonstrated that evolutionary institutional theory is the best way of crafting the foundation of civilization into the so-called “digital economy” in which the world is starting to live in.

**Keywords:** entrepreneurship, civilization theory, digital society.

### **1. INTRODUCTION**

Entrepreneurial activity, as one of the various spheres of life of society and humanity in general, is carried out within the framework of a certain economic structure, which does not remain unchanged and constantly undergoes transformation. Transformation processes require an assessment and understanding from the standpoint of logic of general historical development.

A deep historical and analytical look at the ongoing social and economic processes has always been relevant. For ongoing in the last five years transformations in Ukraine’s economy and society, it is especially relevant.

Today, on the threshold of a digital society, as never before, Ukraine needs the effective strategy that can build the competitive position in the world.

This, at first, will allow us to consolidate the opportunities not only to firmly defend our national interests, but also to adequately respond to global changes. Secondly, this is also important from the point of view of the “internal” problems of the national social and economic system, which requires tangible economic growth and large-scale structural transformations of its institutions in order to increase their efficiency.

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An analysis of the development of entrepreneurship, presented in such a context, implies special attention to identify the substantive side of the economic development of Ukraine, to disclosing the relationship of this process with the world wide, with the development strategy of other countries. Consideration of these issues in turn involves the analysis of various paradigms of scientific knowledge, representing the objective processes of the material world, as a reflection of the turning points of human history.

## **2. MATERIAL AND METHODS**

Research presented in this paper is an element of a research project aimed at solving the problems of rural entrepreneurship development in agro production complex of Poltava oblast of Ukraine, coordinated by Poltava State Agrarian Academy with the Agricultural development department of Poltava State Regional Administration. The dominant goal of our study is to develop the foundations of the theory of the formation and development of entrepreneurship in Ukraine (specifically, in one of its regions - the Poltava region) at the stages of major economic and social transformations. Under the non-standard conditions of such a transformation, generally accepted theoretical approaches and methods of economic policy have found their limitations and even created “transformational traps” that challenge the accepted dogmas of economic science and push for a deeper understanding of its foundations. It became clear that the models and methods based on the assumption of macroeconomic equilibrium cannot give the expected results if they are used to analyze non-equilibrium systems and transition states. Here, other, unconventional approaches are needed. The research is concentrated on grounded selection of a theory capable of claiming coverage of the problems of the transition period. It has its foundations in various fields of scientific knowledge: the evolutionary theory of C. Darwin; social theory of M. Weber; analysis of “creative destruction” by J. Schumpeter; the theory of economic and technological dynamics N. Kondratiev; a combination of modern theories of the firm and theories of information by R. Nelson, S. Winter; in modern concepts of institutionalism.

## **3. PROBLEM DISCUSSION**

The historical path of development of the Ukrainian economy and society in the context of civilizational development has an ambiguous assessment in world scientific thought and among domestic scientists. The very concept of “civilization”, as defined by S. Huntington, has a number of mandatory characteristics determined by the evolution of mankind from a tribe that has a certain language through the period of formation of a family of people with a kind of language, and then through the formation of an original cultural-historical type there humanity enjoy independence – towards civilization, the ethnographic elements of which comprise political system. “Civilization is a broader concept than science, art, religion, political, civic, environmental and social development taken separately, because civilization includes all this” (Huntington, Samuel, 1993).

The difference in the nature of the people that make up the distinctive cultural-historical types of the civilizations are determined by a number of specific features, in particular, ethnographic and mentality as peculiarities of the psychology of people; moral expressed in the generally accepted concepts of the main religions, as well as scientific and cultural values; historical, reflecting the evolution of the people in retrospect.

The dominant civilizational ideology, which is a generally accepted system of values, norms of behavior and attitudes towards the surrounding society, distinguishes, ultimately, one civilization from another.

It is quite obvious that there is a constant “competition” of civilizations in the world that have a certain niche in the world community with the aim of spreading their influence – in politics, economics, and the social sphere. At the same time, one of them has competitive advantages, which can stimulate economic development (Toft, Duffy, 2003).

History has proved that civilization is not transmitted from one cultural-historical type to another, but only affects each other. Moreover, the forms and nature of the impact can be very diverse. A.J. Toynbee, for example, is considering several ways of spreading civilization (Toynbee, 2001).

The simplest way was colonization. There have been plenty of such examples in the history of mankind. However, in pure form, nobody succeeded in realization of this method (Australia, Latin America, Africa, Indochina, etc.) even with the help of weaponry. The majority of cultural and historical types inhabiting the colonized lands preserved their ethno-historical features.

Another way of spreading civilization involves “instilling” the markets of a new society in the cultural environment of the people, an example of which is the spread of American pop culture around the world, including in the post-Soviet countries.

The best way to spread civilization is based on information exchange while maintaining originality, social structure and political independence from each other. Such a path of development and transformation of civilization allows to adopt the advantages of science and technology, absorb the ethno historical and cultural experience of other civilizations, adapting it taking into account their national traditions and features, at the lowest cost to the community economy and social environment.

However, truly to be told, it should be noted that the economic history of Ukraine knew not only examples of blind imitation of the other cultures, but also demonstrated an effective strategy of reformation based on self-sufficiency and ensuring the rapid transition of the national economy to the zone of the “accelerated development”. An example of this is the market transformation of the post-Soviet time (1990–1998) period, the period of the post-Kuchma decade of the “new economic policy” (1998–2004) and the impressive pace of economic development of the war period after 2014. The dynamics of the reforms and transformations carried out in Ukraine in historical retrospective do not seem to be a set of accidents, fluctuations, unrelated events, but a peculiar and holistic path of development of the country's economic mechanism, subordinate to the logic of civilizational development.

Ukraine has an examples of the rapid civilizational growth in the the beginning of the XX century. During the period of the interformational transition, the “weak link” in the system of the world economy fully took upon itself the full force of the bifurcation explosion that ended with the demolition of the Russian Empire. This could probably have been continued, but further communist occupation in 1924 didn't gave a chance for the development of Ukrainian society.

After a merely century journey, the country needed now the reconstruction of the economic mechanism (and, most likely, the political structure of power), taking into account the growing trends of the post-industrial world. But “softly”, as always, we didn't succeed; again there was a radical breaking and dismantling of the entire socio-economic system. Transformations of the 90s of the XX century reveal that the “pure socialism” was changes

to “wild capitalism”. But the result of these reforms inevitably showed that this process damaged rather than reconstructed the Ukrainian economic system.

It seems that the world order and its development will be more sustainable if it is based on a civilized variety of economic types. So today there is no longer “pure capitalism”, in developed countries its coordinates have long shifted towards the socialization and environmental awareness of the civilization.

Thus, there is not just a reconciliation of the two former antipodes, but a global process of restructuring the entire world economy in the new, multidimensional coordinates of post-industrial civilizations. And Ukraine, choosing its development path in the 21st century, must take these trends into account in order to synthesize, based on its historical experience and the positive results of other national economies, the new face of civilization. Moreover, many unique properties of Ukrainian society can become competitive advantages and ensure the achievement of strategic goals – a breakthrough of a new quality in long-term economic evolution.

Moreover, Ukraine is not the only country that has a historical trend of transition from the delayed type through the accumulation of potential to the advanced type of development. As modern examples, demonstrating the possibility of such transformations, are the impressive achievements of the so-called “new” industrial countries – the “tigers” of Southeast Asia (Zhao, Huang, 2011).

There are other features in the Ukrainian socio-economic mentality, similar to other countries, for example, community relations. It is these relationships, as well as the historically established originality and the importance of social factors in the strategy of economic development, that make China very similar to Ukraine. But on this, however, all the analogies between our countries, unfortunately, is ended.

The positive historical experience of Ukraine, which was characterized by a variety of economic relations, manifested in the structural diversity and interaction of different forms of ownership and forms of management, suggests that this is one of the acceptable ways of further economic development of our country (Yerokhin, 2002).

However, the current changes in Ukrainian society cannot be evaluated only in the national aspect. They are closely related to parallel processes in the surrounding world, therefore, the analysis of the socio-economic processes of world civilizational development directly correlates with today's Ukrainian reality.

The objective process of transnationalization, the growing needs of the country for the international exchange of goods, technologies, services, information, for the free movement of people, as well as the urgent need for joining forces to counter global threats (terrorism, military operations etc.) will inevitably push global community to interact. The interaction of civilizations can become its mechanisms, not only through the rapprochement and integration of national economies and economic structures, but also various cultures, lifestyles and worldviews.

At the same time, where is still lack of the accepted and recognized by everybody scenario for the interaction of fourth-generation civilizations in the 21st century, which is characterized by globalization trends of world society, the integration of world thought, intelligence, science and production. Discussions on this topic are currently very active, both abroad and in the Ukrainian scientific community.

The ongoing civilizational qualitative changes are indicated in the scientific literature in different ways: “post-mature economy” (W. Rostov), “post-civilization” (C. Boulding), “technotronic society” (Z. Brzezinski), “post-economic society” (A. Winner), “super-

industrial society” (A. Toffler); various approaches to their periodization and research coexist, many of them are sometimes contradictory. This circumstance at the same time simplifies and complicates our task. It is important for us that most economists see in the most important trends of the global process a common basis and character for different countries.

A very popular definition of modern economic space is its characterization as a “post-industrial”, “digital” society and “entrepreneurial economy”.

The founder of the concept of post-industrial civilization D. Bell already in the early 70's pointed to the defining features of the emerging new social system. If in the pre-industrial era the main production resource and the limiting factor was land, in the industrial – capital (machine technology), then at the post-industrial stage, knowledge, intelligence (information) becomes such a resource (Gerasymchuk, 2016). The development goal is not the quantity of goods produced, but their quality. Human activity is increasingly acquiring a different dimension, to a large extent – intellectual. Physical work is increasingly giving the way to the mental labor, and routine work functions are replaced by creative, intellectual ones. The most important sources of structural changes according to D. Bell are changes in human-nature relations, a sharp increase in the share of the environmental aspect in the economy services, the development of new intelligent technologies and theoretical knowledge.

In economic theory, production costs have traditionally been considered the most important factor determining the cost estimates of benefits from production (Gerasymchuk, Kondratiuk, Vikarchuk, 2009). In accordance with this, economists analyzed the correlation and interaction of production factors that determined the level of its development and the economy as a whole. However, an unbiased assessment of the current realities leads to the discovery of not only a new combination of basic economic resources (land, labor and capital), but also an understanding of the fact that they all lose their former leading status (Shejko, Kolodiy, 2018).

The most important factor in production has always been labor, but nowadays occur enormous qualitative shift in it. The most important change is the reduction of the workforce in the mining and manufacturing industries, which is largely offset by the growth in employment in the services sector.

The true evidence of the degree to which “industry is separated from labor” (according to P. Drucker) is, on the one hand, the multidirectional dynamics of company profits and the wages of most of their employees, and on the other, the downward trend in the income of low-skilled personnel and the same steady upward trend in the well-being of highly educated and qualified personnel. This can only be explained by the fact that today people are not reducing to an subject of activity reduced to abstract labor to a greater extent, but acting as a carrier of unique abilities and knowledge, the process of applying which can hardly be called a labor in the traditional understanding of this term.

In understanding the factor “capital”, no less radical changes occur. First of all, in the conditions of the information revolution, those production factors that could previously be monopolized are increasingly available to every individual who is able to provide them with adequate use, which opens up scope for private individual activity. On the other hand, the productive qualities of the people themselves receive a capitalistic characterization, as a result of which the tendency toward the separation of capital and direct production activity is replaced by the opposite.

The history of the development of forms of production shows that the fact that during the entire human history the world of economy was controlled by two main resources – land and capital – was not as accidental as the fact that labor never controlled it. Neither land nor physical capital had the reproducible nature that labor had. Both land and physical capital were finite and always limited, while living labor at all times was abundant and was the most affordable economic resource. That is why today the subjects of physical labor were on the side of the main direction of development.

Just as in its time capital replaced land as a resource that attracted the greatest demand with limited supply, today knowledge and skills, being a rare production resource and adopting a specific form of human capital in a market economy, replace physical capital, and limited knowledge is the case of limitation and rarity of a completely different order than that of all other known resources.

Information and knowledge, understood not just as a substance embodied in the means of production or technology, but as a direct productive force, become the most important resource of modern economy. The knowledge-producing and informational products of the industry, according to the traditional hierarchy, are classified as additional sectors of the economy, in fact, become the primary sector that supplies the entire economy with the most important resource of modern production. Characteristic in this respect is the statement of Serhei Ierokhin: “Although we continue to think that we live in an industrial society, we have actually switched to an economy based on the creation and distribution of information” (Yerokhin, 2002).

In order to focus on the production of knowledge and information, it is necessary for the consumers themselves to participate in the production process, providing initial information on the preferred order execution to the manufacturer. A mass, standardized economy dispersed across medium and small enterprises, flexibly responding to consumer requests, individualized production.

A number of economists cite entrepreneurial ability as another factor in production. The uniqueness of the importance of entrepreneurship lies in the fact that thanks to it other economic resources come into interaction – land, labor, capital, knowledge. The initiative, risk and skill of entrepreneurs, coupled with the market mechanism, allow to stimulate economic growth with maximum efficiency (Arefieva, 2006). As the experience of many countries with market economies shows, their economic achievements, including the growth rate of investments and innovations, directly depend on the realization of entrepreneurial potential. Moreover, in countries with high entrepreneurial potential, an important role is played by small and medium business, which is a breeding ground for entrepreneurship, a kind of “forge” of entrepreneurial personnel (Ganushchak, 2016).

The substantiation of the hypothesis about the determining role of entrepreneurial labor in modern society is presented in the works of Peter Drucker, John Naisbitt, Alvin and Heidi Toffler, Friedrich Hayek, and many others. Despite the difference in approaches and emphasis, all researchers talk about the regular nature of structural shifts in the direction of the dominant trends of entrepreneurship.

The theory of innovative economics and the entrepreneurial society of P. Drucker, set forth in the works “Innovation and Entrepreneurship” (1985) and “Post-capitalist society” (1993), conceptualized the situation in the United States after the main economic and the social upheavals caused by the computer revolution, and established the foundations of the

dominance of a new technological mode of production. An innovative or entrepreneurial economy, for which the intellectualization of labor has become the determinant of its development, and targeted production costs and the dissemination of knowledge as the basis of the investment strategy, has acquired tangible contours and demonstrates fundamental differences from the production economy, which is typical for the 20th century as a whole.

The large-scale transformation of the economic infrastructure, which was the result of a shift in management in favor of innovative management solutions for all vectors of business agents, led to the active expansion of small and medium-sized businesses, which ensured not only a significant increase in jobs while they were removed from the main production of industrial corporations-giants, but also updated the feasibility of redistributing financial flows in favor of less capital-intensive innovative production.

At the same time, the vector of economic restructuring is directed towards the sphere of information production, where intellectual labor has become its main subject and product, and intellectual property is the main form of ownership.

#### 4. CONCLUSIONS

The innovative economy has brought to life new, meta-economic approaches to assess the interaction of macro- and microeconomic structures due to the influence of “non-economic” factors – demography, ecology, psychological features of society, new knowledge reflecting new features of entrepreneurial society. The new “information society” or “society of knowledge” is characterized by the presence of a number of specific features that were previously not even characteristic of industrially developed democracies, such as, for example, social innovations, transforming in a new way relations within society, property stratification into the basis of differences in the level of intellectual potential, social and civic activism (for example, Greenpeace, anti-globalist protest marches etc.).

The emerging new society in the conditions of the information revolution, the so-called “third wave” society, concerns the simultaneous development of a person as a producer and as a consumer as a result of the development of intelligent technologies and the possibilities of de-concentration of mass intellectual work, the development of domestic work of specialists associated with the collective electronic communication systems revive the small business. The reasons for all these changes are rooted in a fundamentally new type of technology, in a giant acceleration of the pace of change, in a high level of innovation and in the supremacy of the highest quality.

Thus, the current change in the priorities of social development, the predominance of the personal component in the formation of the economic basis and social wealth, the increasing role and share of non-material, intellectually-creative, mental forms in the concept of a civilizational, staged approach – new challenges of the 21st century predetermine the methodology of analysis and study of economic systems, including the subject of our study – entrepreneurship.

For the period of the formation of industrial society, where material production and the seller’s market were dominant, the use of the classical (added value, including in the interpretation of Marx) paradigm was characteristic, which was crusted by the present stage

of economic evolution. The transition to mature capitalism (late industrialism) and the consumerism led to the emergence and adoption of a marginal, useful paradigm, which was developed in neoclassicism, later Keynesianism and neoclassical synthesis.

The above paradigms in economic theory are opposed by the social paradigm, which is based on the ideas of the founders of a historical school and the current socio-institutional direction. The views of representatives of the institutional direction act as an alternative to hedonism, rationalism in classical theory, focusing on the need to consider the human personality in the economy, in contrast to the human factor.

A theory capable of claiming coverage of the problems of the transition period is evolutionary institutional economics. Most economists belonging to different schools and directions agree on the current trends in the development of world civilization, noting the leading role of the information component of economics and, therefore, do not deny its essential category – diversity. This means recognition of the multi-variance of socio-economic development and, accordingly, the alternative of the future, which implies the possibility of developing not uniform, universal for all, but variant models of eco-economics, recognition of the multiplicity of civilizations and the ways of their evolution, the need for linear progress and the likelihood of cyclical development, in general the multiplicity of its possible trajectories, and, therefore, methodological pluralism in the study of socio-economic processes.

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DOI: 10.7862/rz.2020.hss.8

*The text was submitted to the editorial office: November 2019.*

*The text was accepted for publication: March 2020.*

