Practising Social Innovation: The role of social enterprises

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Summary

Social innovation has been practiced for decades, however relatively little is known. According to Mulgan (2006), Social innovation refers to the innovative activities motivated by a social need and objective, predominantly diffused through organisations whose primary purposes are social. Social enterprises are entrepreneurial organisations existing for two purposes; social and economic value creation. In a constantly changing environment social enterprises need to utilise dynamic capabilities in their pursuit of social innovation in order to meet the 'double bottom line'. This paper presents a comprehensive review of literature surrounding social innovation, social entrepreneurship and the role of social enterprises, and the findings of a pilot study of social innovation in social enterprises, which sought to determine the extent to which social enterprises in the UK practice social innovation.

Keywords: social innovation, social enterprises, dynamic capabilities

Introduction

Social innovation is not a new concept and has been practiced for decades. In nineteenth and twentieth century Britain, civil society pioneered new models of childcare, housing, community development and social care. Governments in Britain have also led social innovations which saw the development of health and schooling systems as well innovative financial services like credit unions.

Social innovation is not just a civil activity. 'Social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organisations whose primary purposes are social' (Mulgan, 2006: 146). There is a remarkable dearth of serious analysis of how social innovation is done and in a recent survey of the field (Murray *et al*., 2009) few academic studies, widely shared concepts, thorough histories, comparative research or quantitative analysis could be identified in the extant literature (Murray *et al*., 2009). Relative to the vast amount of research into innovation in business and science, little is known about social innovation. Some of the insights gained into business innovation are relevant in the social field, but there are also important differences. Literature on public innovation is also relevant but explains inadequately how ideas move across sectoral boundaries. We argue that the lack of knowledge impedes the many institutions interested in this field, including innovators themselves, foundations and governments.

Social enterprise (SE) has no agreed upon definition, many descriptions of SE build from a premise of frame-breaking and innovation in the social sector (Emerson and Twersky, 1996; Leadbeater, 1997; Grenier, 2002). Most are influenced by a business approach to their activity and are focused on outcomes for a particular community or group of stakeholders. Emerson and Twersky (1996) describe SEs as being concerned with the 'double bottom line' and being financially and socially motivated to perform. For the purposes of this study, SEs are defined as entrepreneurial organisations that operate for two main purposes: first, for economic purposes, creating surplus revenue for sustainability - in order to remain functional, and second, to create social value (Alter, 2007). SEs are non-profit making private organisations that serve a social value creation purpose, addressing a societal need that is yet to be fulfilled or that is currently inadequately met, in addition to creating economic value whereby any surplus made is for the sustainability of the enterprise as opposed to profits for the dividends to shareholders. SEs combine market mechanisms and strategies to create both social and economic value, thus resulting in total value creation (Alter, 2007). This brings SEs away from the end of the spectrum where conventional for-profit organisations are categorised and their existence is to create purely economic value, towards creating social value.

Due to the constant changing nature of SEs' exogenous environment as social needs and regulations alter with the evolving society, SEs are dependent on a diverse range of different actors to achieve their social mission, many employees may not be engaged through traditional contractual relationships. Many work voluntarily or are from specific backgrounds such as those with disabilities or young offenders, thus human and financial resources may be subject to flux and flow. The capabilities of SEs need to be dynamic, in order to adapt to and satisfy environmental and societal movements. As private funding and government subsidies became increasingly scarce, SEs were initially thought of as new structures, a strategic solution to financial

difficulties and also addressing the increasing need for funding non-profit organisations (Wood, 2010). Not just as a financial response to capital famine, (Dees, 2008) SEs in the wider sense, enterprises related to economic and social programs, are being recognised as playing a central role in social innovation (Dees and Anderson, 2006).

In order to make a social impact, SEs often pursue social innovation (Goldstein *et al*., 2010). As Nicholls (2006: 13) has recently indicated, there are two main features characterising social entrepreneurship, 'a prime strategic focus on social impact and an innovative approach to achieving its mission'. The crucial importance of social innovation is also found in the characterisations of social entrepreneurship on the part of three of the leading foundations supporting projects throughout the world: the Skoll Foundation (skollfoundation.org) and Ashoka (ashoka.org, n.d.). For example, the Ashoka state social entrepreneurship are embodied in 'social entrepreneurs (who) are individuals with innovative solutions to society's most pressing social problems. Social entrepreneurs act as change agents for society, seizing opportunities others miss and improving systems, inventing new approaches, and creating solutions to change society for the better.' (http://www.ashoka.org/social_entrepreneur) There can be no doubt that to achieve their missions, SEs must continually challenge the current social 'stable equilibriums' (Hazy et al., in press) throughout the world that are impeding social innovation (Martin and Osberg, 2007).

The paper will present the findings of a pilot study of social innovation in SEs, which sought to determine the extent to which SEs in the UK practice social innovation. To gain an initial insight into the practice of social innovation in social enterprises, we employed a quantitative approach, delivering a questionnaire to approximately 500 SEs operating in the UK in the period of April 2011 until March 2012. Since this research seeks to engage the views of a wide range of SEs, the use of a questionnaire was deemed most appropriate. Although a case study approach may have also captured the varying views of different types of SEs, it would not have been possible to engage with such a large population of organisations. In addition, careful sampling would have had to be used to ensure sufficient representation of the different types of SEs and this would still not necessarily lead to findings that could be generalisable (Easterby-Smith *et al*, 2002). Questionnaire methodology was also appropriate as it supported a quick initial analysis of social innovation in SEs and questionnaires are an acknowledged tool for capturing opinions (Easterby-Smith *et al*., 2002).

The questionnaire design builds on a 'connected difference' theory of social innovation (Mulgan et al., 2007), which emphasises three key dimensions of most important social innovations:

- they are usually new **combinations** or hybrids of existing elements, rather than being wholly new in themselves
- putting them into practice involves **cutting across** organisational, sectoral or disciplinary boundaries
- they leave behind **compelling new social relationships** between previously separate individuals
- and groups which matter greatly to the people involved, contribute to the diffusion and embedding of the innovation, and fuel a cumulative dynamic whereby each innovation opens up the possibility of further innovations.

Building on this theory, the research questions that inform this study are:

1. Does engagement in social innovation require a social enterprise to have a broad set of relationships?
2. What might be the nature of these relationships be before the social innovation is developed? What is the nature of these relationships after the social innovation has taken place?
3. Does social innovation require the development of dynamic capabilities that harness existing relationships?
4. Does social innovation result in the development of new dynamic capabilities that make further new combinations or hybrids easier to form?
5. What role does co-collaboration have in social innovation?

Having presented a comprehensive review of relevant literature, the paper will present the findings of surveys outlined above. Drawing on these findings, the paper will go on to discuss the practice of social innovation in SEs, focusing on the capabilities required to support the process of social innovation. The paper will conclude by outlining future areas of research.

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