



## Social enterprise as an example of social innovation

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Social innovation is a relatively new concept in knowledge-based development, and blurs traditional boundaries between institutional sectors, public and private, types of innovations, and their creators and users.

Taking a more comprehensive view of innovation processes, outcomes and actors creates new business opportunities, but requires new approaches and challenges traditionally technology-focused innovation policy frameworks. In the Innovation Union 2020, the European Commission considers social innovation an important field. It is about tapping into the ingenuity of charities, associations and social entrepreneurs to find new ways of meeting social needs that are not adequately met by the market, the public and civic sectors.

Better services and different solutions are needed to use resources more effectively and generate social value by enabling any citizen to become an active part of the innovation process, and a co-creator of innovation outcomes. Social entrepreneurship combines economic and social aspects of innovation, creating profit opportunities while generating social value. New solutions are not produced for the target groups from outside or above but with their active involvement, making such approaches both sustainable and adaptable.

The novelty of the social innovation concept and its cross-sectoral nature makes impact assessment and evaluation problematic, and complicates access to funding (both public and private). New financing and other support instruments need to be specifically tailored to the individual stages of the social innovation cycle. In the particular case of social enterprise, legislative changes are usually required to encourage up scaling and the capture of social value. International policy experience in social enterprise is quite extensive but varied, and it is important that any policy learning takes account of local specificities.

### Social innovation and its support

Definitions of social innovation are quite diverse, as is the scope of practical applications. In a broader sense, all innovations are socially relevant, emerging under social conditions in different contexts, and as such they have social effects (J. Hochgerner). More specifically, social innovation can be defined as new responses to pressing social demands, which affect the process of social interactions. The aim is to improve human wellbeing (J. Stiglitz). "Innovation" refers to the capacity to create and implement novel ideas that are proven to deliver value. "Social" refers to the kind of value that innovation is expected to deliver: a value that is less motivated by profit and more by issues such as quality of life, solidarity and well-being. Limited measurability of social value is a challenge that often hampers the "business case" for providing policy support for social innovation, and remains a subject of debate.

Three perspectives to analyse the expected social value or output from social innovation can be used,<sup>1</sup> linked to three approaches to social innovation itself: the social demand perspective, the societal challenges perspective, and the systemic changes perspective.

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<sup>1</sup> Bureau of European Policy Advisors, Empowering people, driving change: Social Innovation in the European Union, European Commission, Brussels, 2011.

From a social demand perspective, social innovation complements economic innovation values. According to this approach, social innovations are innovations that respond to social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society. Examples include the integration of disadvantaged groups (including unemployed youth, migrants, etc.), new ways of providing for unmet social, health and educational needs, care for children and the elderly or urban regeneration.

The societal challenge view sees social innovation as an opportunity for creating value, hence blurring the border with economic innovation. In fact, in this view, the economic side of the outcomes of solving societal challenges is highlighted and scrutinized, turning the identified challenges in to a new opportunity that stimulates innovation. Examples include reducing treatment-based healthcare costs through social innovations targeting lifestyle and physical activities of citizens (i.e. prevention).

From the systemic changes perspective, social innovation reshapes the society itself (and in fact changes the meaning of value per se). According to this view, social innovations contribute to the reform of society in the direction of a more participative arena, where empowerment and learning are both sources and outcomes of well-being. This approach is particularly useful for carrying out reforms of public policies and changes in relations between organisations and clients. Examples include lifelong learning initiatives and vocational training activities. In terms of support direction, three main means are used to stimulate development of social innovation: external actors facilitate development of social innovation (top-down approach); local actors develop the social innovation (bottom-up approach); external actors facilitate a local institutional capacity to be able to mobilize internal resources and develop social innovations (top-down initiatives to facilitate bottom-up activity). In terms of innovation process, the individual stages of the social innovation lifecycle (from the identification of the social need to the systemic change) require support measures that are adequately differentiated:

#### Stage of innovation cycle and support measures

Stage of innovation cycle	Support measure
Generation of new ideas from the bottom-up and mobilising citizens for employment creation and social inclusion.	Small grants to local employment initiatives, NGOs, or organisations championing disadvantaged groups in society.
Development, testing and validation of innovative approaches and practices.	Project support to stakeholders and public administrations with a view to mobilising and empowering them to embrace reforms.
Accumulation and consolidation of a body of good practice and success stories to be spread and transferred.	Service contracts to set up suitable repositories of knowledge/information and the creation of facilities for its dissemination.
Enabling social innovations and change by building bridges and exploiting synergies between unrelated systems, institutions or supporting actions.	Stimulating and facilitating the establishment of new forms of partnership between key stakeholders and governments.
Testing of hypotheses through experimentation.	Support of social experiments, in particular the methods and tools for sound evaluation, and for the scaling up of projects that have proven to be of value.
Raising awareness; building capacities and mobilising for change amongst governmental administrators and decision-makers.	Support of mutual learning platforms and networks, in particular peer-to-peer learning.
Supporting change in structures, organisations and institutional frameworks.	Top-down support to replicate, adapt and scale up tested innovations with a clear advantage over current practice.

#### Social economy

The current economic, environmental and societal challenges such as financial crisis, climate change and social exclusion prove that a system-level reform is necessary in order to get back on track for smart, sustainable and

inclusive growth. There is a growing tendency among scholars and practitioners, rather than trying to locate the engine of the reform within one particular sector, to take multisectoral approaches such as social economy, allowing for the identification of multiple sources of change.

The Social Economy can be broken down into three sub-sectors; the community sector, the voluntary sector and the social enterprise sector:

- The community sector includes those organisations active on a local or community level, usually small, modestly funded and largely dependent on voluntary, rather than paid, effort. Examples include neighbourhood watch, small community associations, civic societies, small support groups, etc.
- The voluntary sector includes organisations that are: formal (they have a constitution); independent of government and self-governing; not-for-profit and operating with a meaningful degree of volunteer involvement. Examples include: housing associations, large charities, large community associations, national campaign organisations, etc.
- The social enterprise sector includes organisations which "are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners". Examples include cooperatives, building societies, development trusts and credit unions.

Within this context, the social economy perspective highlights social enterprises as playing a particularly innovative role. There are many examples of social enterprises in countries within the UNECE region worthy for consideration as best practices, to be exchanged and learned from. Examples include:

- FoodCycle: an organisation that supports young people to collect surplus food from restaurants and shops in their area. They then cook the food in empty kitchen space and serve it to those in need.
- Greenworks: refashions and redirects office furniture that would otherwise be sent to landfill, providing organisations including schools, charities and small businesses with discounted wares.
- Acorn Computer Recycling: takes redundant I.T. and electronics equipment, salvaging, reusing and selling what can be reused elsewhere or responsibly recycling that which cannot.

### Social innovation and enterprise

The emphasis on profitability is one difference between social innovation and social enterprise. Social innovation does not necessarily involve, although it does not preclude, a commercial interest. On the other hand, a social enterprise, while it may be specific in organizational form and mission (responding to social needs), blends business interests with social objectives, and is a profit-oriented venture marketing its own products and services.<sup>2</sup> However, it must be noted that there can be (slight) differences in perspective regarding social entrepreneurship on either side of the Atlantic.

For instance, while Americans now tend to stress the blurred boundaries among institutional and legal forms as well as the blended value creation (profits alongside social value) characterizing social entrepreneurship, Europeans instead emphasise the fact that social entrepreneurship most often takes place within the third sector (i.e. the private, not-for-profit sector).<sup>3</sup> European approaches follow a trajectory between two extremes, the first of which focuses largely on social values (oriented towards society and learning from experience, with a more active community role), and the second being closer to the business model (rooted in traditional theories of economic and technological innovations).<sup>4</sup>

<sup>2</sup> Westley, F. and Antadze, N., 2010, *Making a difference; Strategies for scaling social innovation for greater impact* [http://sig.uwaterloo.ca/sites/default/files/documents/MAKING\\_A\\_DIFFERENCE\\_SiG\\_Format.pdf](http://sig.uwaterloo.ca/sites/default/files/documents/MAKING_A_DIFFERENCE_SiG_Format.pdf)

<sup>3</sup> Defourny, J., and Nyssens, M., 2008, *Social enterprise in Europe: recent trends and developments* <http://www.emeraldinsight.com/journals.htm?articleid=1752745&show=abstract>

<sup>4</sup> Ilie, E. and Daring, R., 2011, *An analysis of social innovation discourses in Europe*, <http://edepot.wur.nl/197565>

In a more specific approach stressing the social demand dimension,<sup>5</sup> social enterprise activity largely falls in to two categories. The first is social service provision - such as childcare, elderly care, and care for the disabled. A good example is Connected Care in the UK, which recruits and trains local people to work as community researchers, who are more likely to have access to the local people in their area often missed by social services. The second category includes work integration or work insertion - integrating the long-term unemployed or disadvantaged and marginalised groups into the labour market. A famous example is The Big Issue, a street newspaper published in four continents, written by professional journalists and sold by homeless individuals, giving them the opportunity to earn a legitimate income.

In close connection with the field of social entrepreneurship and its support, social impact investment refers to investments made (in companies, organizations and funds) based on the practice of assessing not only the financial return on investment, but also the social and environmental impacts of the investment. Both investment capital and philanthropic capital are complementary and necessary components in the social impact investment market.

Social impact investing is now approaching the critical mass needed to sustain its own market. For example, the Social Stock Exchange, founded with initial financial support from the Rockefeller Foundation in 2008 as part of their programme to develop global impact investing infrastructure, is expected to be launched in 2013. It will seek to become the premier venue and access portal for social enterprises and socially oriented businesses seeking to raise risk capital, and for social impact investors hoping to find global businesses reflecting their values.<sup>6</sup>

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<sup>5</sup> Empowering people, driving change; social innovation in the European Union  
[http://ec.europa.eu/bepa/pdf/publications\\_pdf/social\\_innovation.pdf](http://ec.europa.eu/bepa/pdf/publications_pdf/social_innovation.pdf)

<sup>6</sup> For further information, please see <http://www.socialstockexchange.com/sse/>