

# Chapter 5

## Social Innovation and Social Entrepreneurship

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### ABSTRACT

*This chapter introduces social innovation, social entrepreneurship, corporate social responsibility, corporate social entrepreneurship, and new product development and argues that social entrepreneurs can utilize from the customer development process when working on a novel solution to create social and economic value. Social entrepreneurs can team up with companies for creating sustainable solutions for the society. Companies can integrate corporate social entrepreneurship into their strategies. City administrations can support social enterprises. The conclusion briefly describes possible weaknesses, limitations, and challenges for social innovation and social entrepreneurship.*

### INTRODUCTION

In non-industrialized countries, basic needs of millions of people are far from being met, since these people cannot afford products and services to satisfy their needs. The World Bank (2003) maintains that,

*services to satisfy basic human needs, particularly those that contribute to health and education, are failing poor people in terms of access, quality, and affordability. The main reason for this failure appears to be the fact that public spending does not reach the poor and, if it does, service provision is often inefficient and of poor quality (Seelos & Mair, 2005).*

Social development is *Development that meets the needs of the present without compromising the ability of future generations to meet their own needs* (Grimm, Fox, Baines, & Albertson, 2013). To put the definition into use, United Nations defined a set of Millennium Development Goals (MDGs) based on September 2000 General Assembly Resolution. MDGs are 8 goals for development and poverty eradication. Human rights, health, education and environmental issues are among the goals. Market efficiency, coupled with the resources and management expertise of large multinational companies,

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are seen as crucial for achieving the goals. The European Commission (2002) also has requested more *direct corporate social responsibility (CSR) as a business contribution to sustainable development*. Social innovation is a multidisciplinary concept. It has an important role in reaching EU 2020 targets,

*that aim to raise the activity rate among 20 to 64-year olds to 75%, to decrease the level of early school leavers to 10% and increase level of tertiary education, to reduce the risk of people falling into poverty and to cut carbon emissions to 80% of 1990s levels.*

It is expected to offer solutions to society's critical challenges.

Social innovation is interdisciplinary and interconnected. It has a holistic understanding of social needs and by creating social values, it is in a better position to develop sustainable solutions to current societal challenges than free market solutions. Social innovation should be perceived as a collaborating agent between stakeholders, namely *state, private enterprise, free market, the charitable sector and individual citizens* that form the society (Grimm, Fox, Baines, & Albertson, 2013).

The purpose of this chapter is to analyze social entrepreneurship, social innovation, and the relationship between these concepts.

## **SOCIAL INNOVATION**

Social innovation has been defined by many researchers from different points of view. At present, there is no universally accepted single definition, and it is necessary to review some of the existing definitions to grasp the dimensions of the term.

Mulgan defined social innovations as *new ideas that work in meeting social goals* (Mulgan, 2007). Dawson and Daniel (2010) describe social innovation as *the process of collective idea generation, selection and implementation by people who participate collaboratively to meet social challenges*. Social goals may also serve other scientific, commercial, technical and organizational goals as well.

Social innovation is comprised of four fundamental elements: People, challenge, process and goal. The challenge is the starting point for problem solving or opportunity exploitation. The process is the way of tackling the challenge. The goal is to overcome the challenge to attain a better level of well-being (Dawson & Daniel, 2010).

Social Innovation is defined by the EU Commission as:

*...Innovations that are both social in their ends and in their means. Social Innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations (EU-Commission, 2012a).*

The European Business School (EBS) defined Social Innovations as *... new solutions that address societal challenges in a way that is contextual, targeted, and promotes common welfare* (European Business School (EBS) 2012).

Social Innovation is defined as the *...introduction of new business models and market-based mechanisms that deliver sustainable economic, environmental and social prosperity* by INSEAD Social Innovation Centre (INSEAD, 2012).

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