

## Chapter 88

# Understanding Social Innovation in the Context of Social Enterprises

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### ABSTRACT

*In this chapter, it is possible to verify how social enterprises work on social innovations, as well as practices adopted by them to generate social innovation (SI). The SI is one of the ways of creating social value via solutions that enhance sustainable social welfare, and it is predominantly disseminated by organizations with a social mission like social enterprise. To verify how social enterprises work on social innovations, as well as practices adopted by them to generate social innovation, an exploratory study was developed. For primary data collection the technique of in-depth interviews with semi-structured script was adopted. The SI has the community as an active participant in the process, with successful innovation, in many cases, dependent on the collective capacity of people. The use of this technique for managing the processes of creative generation shows that companies organize themselves to manage the SI. Likewise, benchmarking was used in all three cases, supporting the theory that social innovation is not merely the fruit of originality, but also new applications for existing knowledge.*

### INTRODUCTION

Discussions concerning innovation are mandatory in both the academic and business communities due to its direct association with competitiveness. In this sense, innovation leads the company to a privileged position in the market, and increases profitability. In an expanded view of the benefits arising from the practice of innovation, lies the discussion about social innovation. Under this perspective, innovation is one of the ways of creating social value via solutions that enhance sustainable social welfare.

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## ***Understanding Social Innovation in the Context of Social Enterprises***

According to Borzaga and Bodini (2012), since the early 2000s, the theme has earned higher prominence, along with the creation of several specialized research institutions such as: the Center for Social Innovation at the School of Business at Stanford in the United States (2000), the Centre for Social Innovation in Canada (2004), the Social Innovation Exchange fostered by the Young Foundation in London (2005), the Social Innovation in Japan (2005), and the Netherlands Centre for Social Innovation (2006). However, studies on social innovation are scarce and consequently, there is no consolidated body of knowledge in the field (Bignetti, 2011).

According to Mulgan (2006), Social Innovation (SI) is predominantly disseminated by organizations with a social mission. On the other hand, the Social Enterprise (SE), created in the 1990s, was designed to be a hybrid organization with a social mission, accomplished, however, by economic efficiency model, seeking both economic and social goals. As in SI, the starting point for the creation of a social enterprise refers to a social concern.

Borzaga and Bodini (2012) present five reasons that justify the higher incidence of social innovation in social enterprise:

1. Institutional mission coalescing with social welfare;
2. Limited profit distribution, which stimulates local community engagement towards the business, as well as generates capital for research investment;
3. An assorted array of actions, including sales revenues, subsidies and governmental aid, and retained earnings;
4. Governance structure (multi-stakeholder) that attracts volunteers and ensures strong goal alignment of both the organization and the community; and
5. The ability not only to innovate, but also to replicate and scale the innovation.

Therefore, we chose to use the social enterprise as the analysis unit for studying social innovation.

### **Learning Objectives**

- Understanding the concept of social innovation and social enterprise.
- Identifying the differences between innovation and social enterprise and innovation and Traditional Business.
- Verifying how social enterprises engage in social innovation.
- Identifying practices that generate social innovation in social enterprises.
- Understanding two realities: the European, which displays a more mature and widespread social entrepreneurship, in contrast to the Brazilian scenario, cradle of emerging social enterprises; an environment that demands further study.

### **SOCIAL INNOVATION**

Social innovation is an initiative that aims at the generation of human welfare and, therefore, significantly impacts social performance (Pol & Ville, 2009). The seminal work on the topic dates back to 1970, entitled “Introducing Social Innovation” by James Taylor. Therein, the author describes the experience

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