The Social Innovation Oxymoron: Old and Emergent

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Social Innovation is a rather established area of Innovation Studies.

We would be probably talking something very old and dusty but:

- **Blended value** is the new centrality;
- **Entrepreneurial structuration**;
- **Technology** matters.

This turns consolidated issues into emergent issues and opens up promising research paths.
One step back: Terminology and Definition Swamp

The concept of social innovation is still ambiguous and the state of the knowledge is rather fragmented.

(Cajaiba and Santana, 2014)
(Dawson and Daniel, 2010)
(Pol and Ville, 2009)
(The Young Foundation, 2012)

It still results in a disintegrated state of the field, which complicates the systematic accumulation of knowledge.

(van der Have and Rubalcaba, 2016)

Social Innovation is systematically overlooked by Innovation Studies literature.

(Edwards-Schachter, 2012)
Social Innovation (1986-2013)

Van der Have and Rubicalba (2016)
Social Innovation

(1986-2013)
• Community Psychology
• Creativity Research
• Social and Societal Challenges
• Local Development

The late first millenium decade turning point:
• The International Handbook on Social Innovation
  (Moulaert et al. 2013)
• The Young Foundation (2012) 'Social Innovation Overview
Picking the definition (and assembling part of those)

**New ideas** (products, services and models) that simultaneously meet social needs more effectively than alternatives and create **new social relationships or collaborations**. In other words, they are innovations that are both good for society and enhance society’s capacity

(Murray, R., Caulier-Grice, J., Mulgan, G., 2010)

Social innovation is innovation that is explicitly for the social and public good and is innovation inspired by the desire to meet **social needs which can be neglected by traditional forms of private market provision**. Social innovation can be developed by the private, public or third sectors or users and communities.
Social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing a new labour market integration processes, new competences, new jobs and new forms of participation. (OECD, Leed Programme 2010)

Social innovation refers to new ideas that resolve existing social, cultural, economic and environmental challenges for the benefit of people and planet. A true social innovation is system-changing –it permanently alters the perceptions, behaviours and structures that previously gave rise to these challenges. Even more simply, a social innovation is an idea that works for the public good. (Centre for Social Innovation, 2008)
What we are left with, at the end of the day.
Converging literatures

Quite interestingly, most of established areas are only partially contaminated by some of the hottest research trajectories that are animating the debate in management and industrial economics in very recent years and that landed uproariously in the established social innovation domain:

- Corporate Social Responsibility going “advanced”;
- Entrepreneurship going “social”.
The Evolution of Corporate Social Responsibility

- Philanthropy
  - Donations to worthy social causes

- Corporate Social Responsibility
  - Philanthropy
  - Good corporate citizenship
  - Compliance with community standards
  - Aligned with the business
  - Create and measure value not just giving

- Advanced CSR (Strategic)
  - Shared Value
  - Corporate Social Innovation
  - Alliances of Social Enterprises
Two defining characteristics of SE: the adoption of some form of commercial activity to generate revenue; and the pursuit of social goals (Laville and Nyssens 2001; Mair and Martì 2006; Peattie and Morley 2008; Peredo and McLean 2006).

A business 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 maximize profit for shareholders and owners’ (DTI 2002, p. 13).
Social Entrepreneurship/ventures

Squeezing in a lot of perspectives:

- Social enterprises as private, autonomous, entrepreneurial organizations providing goods or services with the goals of producing benefit for the society. They transform the maximization of profit and wealth creation in a mean by which the social entrepreneur satisfies unmet social needs, turning the social benefit into a real business idea. (Ribeiro-Soriano & Roig-Dobón, 2009; Ribeiro-Soriano & Urbano, 2010; Ribeiro-Soriano & Castrogiovanni, 2012; Roig-Dobón & Ribeiro-Soriano, 2009).

Hybridity and Blended Value Creation

- Blended Value creation means the creation of economic social and environmental value simultaneously. A Blended Value Proposition integrates the maximization of social, environmental, and economic value within a single firm (whether for-profit or nonprofit).
- The concept of blended value can be considered as a continuum useful for the conceptualization of the wide range of ways through which business can contribute to social development – comprising models which reflect different degrees of focus on economic and social return.

(Emerson, 2003)
(Nicholls, A. 2009)
The terminology swamp once again.

- Corporate Social Innovation
- Creative Capitalism
- Inclusive Business
- Shared Value
- Corporate Social Entrepreneurship
- Strategic Philanthropy (or corporate Philanthropy)
- Venture Philanthropy
- Philanthro-capitalism
- Social Enterprise
- Social Venture
- Corporate Citizenship
- Traditional Philanthropy
The New Social Venture

The New Social Venture is an emerging entity in social innovation literature and practice.

Pushing it a little beyond the limit, we may dare to consider such entity the converging product of advanced CSR and social entrepreneurship.

The new generation of Social Ventures is shaped by a set of different exogenous drivers, that we might synthetize in four basic categories: welfare withdrawal, societal challenges, technological opportunities, new market paradigms.
Sharing, circular, inclusive economy

NEW SOCIAL VENTURE

NEW ECONOMIC Paradigms

SOCIETAL CHALLENGES

TECHNICAL OPPORTUNITIES

WELFARE WITHDRAWAL
Such system of forces and opportunities makes social ventures structured and advanced in terms of:

- Managerial practices.
- Organizational structures.
- Business models and strategies.
- Financial instruments.
- Governance models.
- Operations and technology.
New Social Ventures

New Social Ventures are hybrid organizations, that will have to be regarded as the outcome of a twofold evolutionary process:

• originated both from the third sector, with social enterprises getting more and more structured in terms of business models, governance and resources,

• originated from the traditional for-profit sector, with corporations trying to adapt themselves to threats and opportunities generated by sustainability challenges
The New Social Venture

Mainstream for-profit company

Social Venture

Social Enterprise

Advanced CSR
Innovation Modes
Impact Finance
Impact Measurement
Sustainable operations
Multi-stakeholder governance
Reputational Risk Management

Scaling-up and growth
Technology-intensive scaling
Impact Finance
Impact Measurement
Multi-stakeholder governance
Technology Intensity and SocialTech

The basic idea is that the availability of relatively cheap technological opportunities, or even technological commodities, has played a very important role in generating the new economic paradigms that are the natural playing field of social ventures (sharing, circular, inclusive economy) and in enabling new social-business models in such forms of market.

More specifically, the literature has identified at least four reasons why technology is bound to play a crucial role:

• availability of commoditized technologies enabling new models of social intervention,
• increasing the capability of identifying emerging social needs
• decreasing transaction-cost through IT technology platforms,
• dematerialization of assets
Technology social venture (TSV)’s represent a unique genre of social venture which attempts to satisfy a social need through technological innovation in a financially sustainable manner.

The concept differs from social entrepreneurship on the basis of two factors:

- innovative use of technology;
- capacity of replication.

(Ismail et al., 2012), “Technology social venture : A new genre of social entrepreneurship ?
The Technology Social Venture

Despite the increasing popularity, there are only two distinctive features that we reasonably attribute to such entity:

- hybridity
- technology intensity

All the rest is an ongoing transformation process and the best we can do is to observe such transformation in order to infer the attributes that will characterize such organizational entity, which many scholars tend to consider not a lateral form of entrepreneurship but a brand new entrepreneurial genre.

Doherty (2014)
Ismail et al. (2012)
The (New) Technology Social Venture

Among many other things, the inherent characteristics of technology social ventures entail a **fundamental transformation**, i.e. from labour-intensive to capital intensity.

This latter observation opens up an important stream of literature that may well be considered an relevant part of new social innovation research, namely **social impact investing**.

It it may be easily regarded as the supply-side of growth processes of social enterprises or social ventures and as such, inner part of the social innovation literature.
The Tech Social Venture

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- technological (knowledge) intensity

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The Tech Social Venture and Social Impact Investing.

Among many other things, the inherent characteristics of technology social ventures entail a fundamental transformation, i.e. from labour-intensive to capital intensity.

This latter observation is the final step, only after verifying the actual consistence of this phenomenon the interest in social impact investing is legitimate.
The need for specialised finance.

Demand-side
- Withdrawal of welfare policies
- New technology-intensive solutions to social problems;
- Re-engineering social intervention models for prevention;
- Need for innovative financial solutions: pay for results;

Supply side
- Generating and seizing new investment opportunities;
- Sourcing new capitals: mobilize capital that would not be mobilized through traditional philanthropic schemes;
- Reputational issues and impact-washing
Motivation for specialized finance

Organizations with a social purpose usually:

- Are smaller;
- Involved more risk and this risk is difficult to assess;
- Take longer to scale;
- Operate with untested business models that require substantial support beyond capital.

than conventional businesses.
The term social impact finance is referred to a resource allocation strategy in which capital is intentionally used to finance projects that generate a blended value.

- The purposeful allocation of financial resources to initiatives that can deliver measurable societal impact (social and environmental) alongside financial return.

- Provision of finance to organisations with the explicit expectation of social returns that are clearly defined a priori, are not an incidental side effect of a commercial deal and a financial return of at least a repayment of capital is expected.
The “Blended Value” mantra

Source: Wilson, K. E. (2014)
Impact finance in the continuum

**Philanthropic Activities (Programs, 5%)**
- Grants
- Venture Philanthropy
- Impact Investing (Impact First)
  - Program-Related Investing

**Investment Management (Assets/Endowment, 95%)**
- Impact Investing (Financial First)
  - Responsible Investing
  - Traditional Investing
  - Mission-Related Investing

**Impact Objectives**
- Proactive, measurable impact
- Values-alignment, no harm
  - Negative return
  - Below-market return
  - Market return

**Financial Objectives**

Philanthropy - which expects no financial returns ≠
- Intentional and proactive impact
- Financial return
- Measurable impact

Socially responsible investment (SRI) – where negative screening investment are avoided but positive impact are not always targeted.
A glance to instruments

- Debt
  - Microfinance/Microcredit
  - Specialized Lending/Social Banking

- Equity
  - Venture Philanthropy
  - Social Impact Funds
    - Equity crowdfunding
    - Social/Community shares
  - Corporate Impact Venturing
    - Lending crowdfunding
    - Pay for Success/Social Impact Bond
  - Social Impact Investing
    - Mutual Lending
    - Peer to Peer Lending
    - Charity Bonds
    - Social/Charity Bond

- Lending
crowdfunding

- Social Finance

POLITECNICO MILANO 1863
We should not repeat the mistakes made with high-tech entrepreneurship: sophisticating the financial instruments before taking care of nurturing a sufficiently consistent capital demand-side;
Social Entrepreneurship is a consistent phenomenon but the candidates to receiving capital for growth are still very few; the strategic and policy issue is to help potentially scalable ventures to reach a sort of mezzanine layer (in terms of managerial structuration, robustness of business model and governance) where the can be eligible to receive financial support for social impact specialized instruments.
The important efforts: capacity building, investment readiness acceleration and scaling up
Mezzanine layer
Business model archetypes

IMPACT FINANCE

SOCIAL VENTURE
Why to bet on new Social Innovation/entrepreneurship as a new industrial policy option?

- Bring fresh genuine individual motivations to the cause of entrepreneurship;
- A new opportunity to foster early growth through innovation procurement: social (civic) procurement;
- A new generation of inclusive innovation policies able to stitch up the laceration between society and innovation.

A new form of technology-transfer ensuring social accountability of research.
A real option for industrial policy?

Anecdotal reflection: in any kind of EU-funded call/competition/prize in the field of social innovation, there is a systematic over-representation of proposals from countries where de-industrialization and unemployment hit harder. Social innovation is perceived as an alternative option: policy maker should come to terms with this.
A real option for knowledge-based growth?

Scientific knowledge exploitation and tech transfer: the value of research has been traditionally conveyed to society through the intermediation of the industrial system, which has taken care of exploiting knowledge, translating it into economic value and (partially) giving it back to society.

But what if the industry (or a knowledge-intensive industry) is no longer there in certain areas of Europe? No real option for knowledge-based growth.

The alternative is to think of (Tech)Social Innovation and entrepreneurship as a way to convey the value of knowledge directly to society in the absence of a consistent industrial option.

Ultimately this is a good reason to address specific policies to foster a new generation of (Tech)Social Ventures.
Urgent issues

Capacity Building, Acceleration, Investment readiness, and “mezzanine business models”;
Non linear, demand-side policies and ecosystem building;
Metrics and measurement infrastructures;
Integrate impact finance and public finance;
After advocacy, demonstrate.