Innovation and social enterprises: Motivation, processes and new challenges

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Social enterprise (SE) and third sector organisations (TSOs) more broadly are often regarded as entities with a high innovative capacity. However, little is known about how they are innovative, how this differs from the public and private sectors, how it can be encouraged and the challenges that social enterprises are facing regarding innovation. This paper presents results from ongoing work of the UK’s Third Sector Research Centre on the perceptions of social enterprises. These are presented in the context of changing relations with the public sector, with reduced funding in some areas and increases in others as more services are moved from the public sector.

The papers show that the allegedly high innovative capacity of SE is also uncritically related to another set of positive claims commonly associated to SEs including concepts such as efficiency, competitiveness and sustainability. All these factors contribute to fuel a trend observed within policy-making and practitioner circles which has contributed to transform the SE entity into a potent policy construct which has widely been embraced across the political spectrum, government departments and different scales of governance (see HM Treasury, 2002; OTS, 2006; Leadbeater 2007).

There is however a great deal of confusion and lack of evidence as to what innovation actually means in the SE context and third sector more generally, how innovation ‘in practice’ occurs and takes place and what are the main factors/forces that lead to innovation in the SE context. ‘Social innovation’ is an imprecise term subject to different (although overlapping) interpretations. These include the social processes of innovation, such as those involving open source methods and techniques and how innovation/technology can be made more responsive to the needs of particular users and user communities (e.g. von Hippel, 2004).

Innovation that is motivated by a ‘for benefit’ rather than ‘for profit’ ethos therefore contributes to the strengthening of significant social relations, community cohesion, empowerment, and the employability (skills, creativity) of disadvantaged groups in particular (refs). Other perspectives include those relating to the role of ‘alternative’ and ‘appropriate’ technologies. Innovation that is more socially driven can also be considered in relation to the development of a new, more ethical economy and alternatives ways of organising social and economic processes (Arvidsson, 2009; Arvidsson & Peitersen, 2008) and promoting greater social and environmental sustainability and the development of a low carbon economy (e.g. Schaper, 2002; Korunka et al, 2003; Tilley & Young, 2009).

There is also little if any evidence to confirm whether SE are as innovative as they generally are portrayed to be especially in the boosterist literature (Haugh, 2006; Westall, 2007). In effect, there is little if any independent empirical research which unequivocally contributes to support such a claim. This lack of evidence is particularly relevant to assess innovation or innovative capacity in the frame of the delivery of public services not only because of the opportunity cost of and cost-effectiveness of public funds invested in subcontracting services but also because, in some cases, the only difference between services which were traditionally provided by public organisations and those currently provided by SEs (e.g. following their privatisation) is the legal figure of the delivering organisation. This paper thus moves thus away from the view that portrays SEs as innovative, vis-à-vis traditional non-profit/third sector or private sector organisations, for the sole reason that they ‘trade’ in order to achieve their social goals or trade to benefit the community respectively.
This paper aims to fill these gaps in the literature and sheds lights on the alleged innovative attitude and capacity of SEs. The paper will draw upon different literatures on SE, third sector organisations and theories of learning and innovation, especially those informed by Neo-Schumpeterian thinking and organisational theory. It explores different aspects of 'the process of innovation' which includes initial processes of learning and unlearning, creativeness, knowledge generation and subsequently (although not necessarily in a sequence) the validation of innovative actions within the market place or innovation – the latter may result in a new product or service or in new forms of producing an existing product or services. Hence this paper sustains a wider notion of innovation as a process which comprises different (although non-discreet) stages.

1. To examine the types of innovation and distinctiveness of innovation in SEs and TSOs (e.g. what is essentially 'social' in this context), how it is distinctive (e.g. from mainstream innovation in conventional firms),

2. To understand how learning, creativity and innovation occur and take place within SEs and TSOs, and the actors involved in the innovative process (internal factors).

3. To identify and understand the main motivations and external factors/forces which lead to processes of learning, creativity and innovation e.g. pull and push factors. Special consideration will be given to changing economic and policy environments, notably the current economic downturn and government policies and regulations.

4. To examine whether SEs and TSOs innovate in a way that could lead them to play more alternative/transformative roles and not only to fill gaps left by market or state failure.

5. To identify the current and past role of policy and public funded support for learning, creativeness and innovation by SE and TSOs