

Social Entrepreneurship (SE)

Topic 9. Legal and Financial Frameworks for Social Business

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WHAT IS SOCIAL INNOVATION?

IN SEARCH OF AN APPROPRIATE DEFINITION

PRAGMATIC APPROACH

Social innovation as 'innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social.'¹

SYSTEMIC APPROACH

A 'complex process through which new products, processes or programmes are introduced, leading to a deep change in daily routines, resources' streams, power relations or values within the system affected by the innovation.'²

MANAGERIAL STANCE

Social innovation as a 'new solution to a social problem which is more effective, efficient, sustainable or fairer compared to existing solutions, and which generates value primarily for society instead of single individuals or organisations.'³

ECONOMIC APPROACH

Social innovation defined as 'conceptual, process or product change, organisational change and changes in financing, and new relationships with stakeholders and territories.'⁴

CRITICAL APPROACH

A process of 'empowerment and political mobilisation' targeting a bottom-up transformation of the functioning of a social system, in terms of stakeholders and in terms of distribution of material and immaterial resources.'⁵

SHORT APPROACH

We like keeping things simple, so for us, social innovation is '**innovation that is social both in its ends and its means.**'⁶

WHAT CAN YOU GAIN FROM SOCIAL INNOVATION?

THE BENEFITS

The main benefit:
the added value for society.

Besides that:

Financially

- Reduced costs
- Increased revenue
- Higher sales
- Increased margins
- Greater profit

Reputation

- Improved brand awareness
- Better image
- Larger audience
- Positive brand experience
- More recommendations
- Larger differential advantage

Customers

- Better relationship with customers
- More involvement of employees
- Increased customer satisfaction
- Better service experience

Partners

- Sustainable relationship with all players involved
- Increased satisfaction of shareholders

Chances for innovation

- New products / services
- New forms, models or systems of collaboration
- New business models
- Better processes

WHAT SOCIAL INNOVATION IS NOT

THE CONFUSION BEHIND SOCIAL INNOVATION

Social innovation is not a new concept and should not be considered similar to other definitions, such as social entrepreneurship, creativity or invention, improvement or change. 'As with innovation in technology or business, social innovation is distinct from 'improvement' or 'change' and from 'creativity' and 'invention'. These last two are both crucial to innovation but overlook the important stages of implementation and diffusion which make new ideas useful.'¹

SOCIAL ENTREPRENEURSHIP

'Whilst social innovation certainly occurs through social enterprise and social entrepreneurship it also happens in many other contexts. Conversely, although social entrepreneurship often involves innovation, only a small minority of social entrepreneurs create new models that can then be scaled up, and that process of scaling up often involves governments and larger businesses.'²

IMPROVEMENT / CHANGE

- Innovation requires change.
- Change is doing something different, while innovation is about getting better concurrently.
- Social innovation requires the implementation of a strategy, while change or improvement might not.

CREATIVITY / INVENTION

- Creativity is the ability to originate new ideas, while innovation is the transition of the mental state to the actual implementation of those ideas. Invention is a process referring
- to parthenogenesis
Inventions are mostly seen out of
- business or society, in universities and research institutes.

SOCIAL INNOVATION IS NOT 'NORMAL' INNOVATION

THE DIFFERENCES BETWEEN THE TWO

'SOCIAL INNOVATION PROJECTS ARE:

- 'Multidisciplinary and aimed at integrated solutions
- Focused on empowerment and working together
- Driven by demand
- Custom-made
- Approached in an open manner to allow the sharing of knowledge and intellectual property

'NORMAL' INNOVATION PROJECTS ARE:

- Focused on stand-alone solutions
- Determined from the top-down
- Driven by supply
- Mass-produced
- More closed and confidential in approach'¹

SOCIAL INNOVATION EXAMPLES (1/2)

SOCIAL INNOVATION IN PRACTICE

“The emerging field of social innovation is rich and varied – from new models of learning and eldercare to new ways to reduce waste, empower communities and transition to a low carbon economy – and there are many organisations and individuals engaged in the development and use of social innovation across Europe.”¹ Below, see some examples of social innovations that have made the world a better place thanks to their long-lasting social impact.²



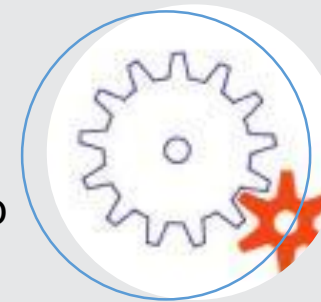
Open University

And other models of distance learning that transformed the way people engage and interact with education.



kiva

The world's first peer-to-peer micro-lending site allowing people to 'lend money via the Internet to low-income entrepreneurs and students in over 80 countries.'⁴ Its mission is to alleviate poverty.



Repair Café

'Repair Cafés are free meeting places and they're all about repairing things (together). There are over 1.500 Repair Cafés worldwide.'³



Fair Trade

A social movement pioneered in the UK & USA with a mission to aid producers in developing countries achieve better trading conditions.



Grameen

Grameen Bank is a microfinance organisation that alongside BRAC is empowering poor people to end poverty and hunger.



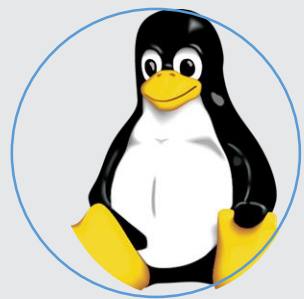
The Freebird Club

A peer-to-peer social travel and home stay platform designed specifically for people over 50. It addresses loneliness and financial stability.

SOCIAL INNOVATION EXAMPLES (2/2)

SOCIAL INNOVATION IN PRACTICE

Social innovations should not be perceived as isolated acts. Their potential is revealed when they are replicated and comprehended. Social innovations require a thorough understanding of a social issue in order to evaluate the situation and move to resolve it. Their unique features and strength lie in the creation of social reforms – not through discussions and reflections, but based on innovative approaches and attempts.



Linux Software

'And other open source methods such as Wikipedia and Ohmynews that are transforming many fields.'¹



Wikipedia

An Internet-based, free encyclopedia, written collaboratively by the people who use it. The largest and most notable general reference work on the Internet.



Clean Estonia in one day

'Three Estonians asked themselves: 'What if we clean the country in one day with all Estonians?' On one day in 2008 50,000 volunteers (4% of all Estonians) succeeded in cleaning the country. The cost was 45x lower than government doing the job.'³



Participate UK

Participate designs and creates dialogue for change and public sector reform. A multidisciplinary approach gathering insights & developing ideas.



Signly

An app that uses augmented reality to display pre-recorded sign language videos, which enables access to written content for deaf users.



The Climate Group

An NGO working internationally with businesses and sub-national governments to accelerate climate action.

A WORD ON

SOCIAL INNOVATION HISTORY (1/2)

‘Social activists were the youngest generation of the New Left/Labour who having tried changing government from within and somehow failed, joined forces with civil society activists, technopositivists and researchers to continue their enterprise to renew Western democracy from outside governments.’¹

THE BIRTH

1990s

Started between the 1990s and early 2000s as a movement of social activists and researchers in the UK, with America following.

GAINING MOMENTUM

1996

In the new millennium President Obama established The White House Office of Social Innovation and Civic Participation as he took office in 2009.

A WORD ON

SOCIAL INNOVATION HISTORY (2/2)

EUROPEAN RECOGNITION

2010

In 2010 the European Union launched its Europe 2020 strategy, with Social Innovation being defined in the Innovation Union Flagship Initiative (2010).

CHANGING FRONTIERS

2010s

'The inclusion of social innovation as an official EU policy triggered a cascade of regulatory and nonregulatory actions with notable impact on the promotion of the third sector and social economy.'¹

ESSENTIALITY OF SOCIAL INNOVATION

2018

Europe noted an impressive track record of successes. Yet, it faces existential challenges (shrinking population, an ageing society = further pressure on services and security systems. At the same time, globalisation, urbanisation, digitisation and migration raise the speed of change and unpredictability).

SOCIAL INNOVATION: GLOBAL OUTLOOK

MEASURING THE CAPACITY TO DELIVER SOCIAL INNOVATION

Policymakers, charities, non-governmental organisations, individuals with social concerns and entrepreneurs across the globe are resorting to social innovation initiatives to address existing and emerging societal challenges. The measurement of social innovation in a global outlook is performed by evaluating the capacity of a country to support and embrace social innovation practices. Measuring the capacity of social innovation is done by examining four pillars: Policy and institutional framework, financing, society and entrepreneurship.¹

UNITED STATES

Leader based on the rank it holds on the 4 pillars. 1st in entrepreneurship and 2nd in financing & policy and institutional framework.

NORDIC COUNTRIES

'Nordic nations stand out for the depth of their civil societies. Iceland has the most robust civil society of any country.'²

UNITED KINGDOM

The UK ranks 2nd in global perspective and 1st among European countries on the ability to deliver social innovation.

CANADA

Holds the best financing environment and ranks 3rd in implementing and pioneering in social innovation.

SOUTH KOREA

Stands out in the Asia-Pacific region. Provides funding for social endeavours and supports social enterprises.

AFRICAN COUNTRIES

Social entrepreneurship is well established in many African countries. Kenya, Ghana, Nigeria and South Africa rank in the top 15 for entrepreneurship.

GLOBAL SOCIETAL TRENDS & CHALLENGES

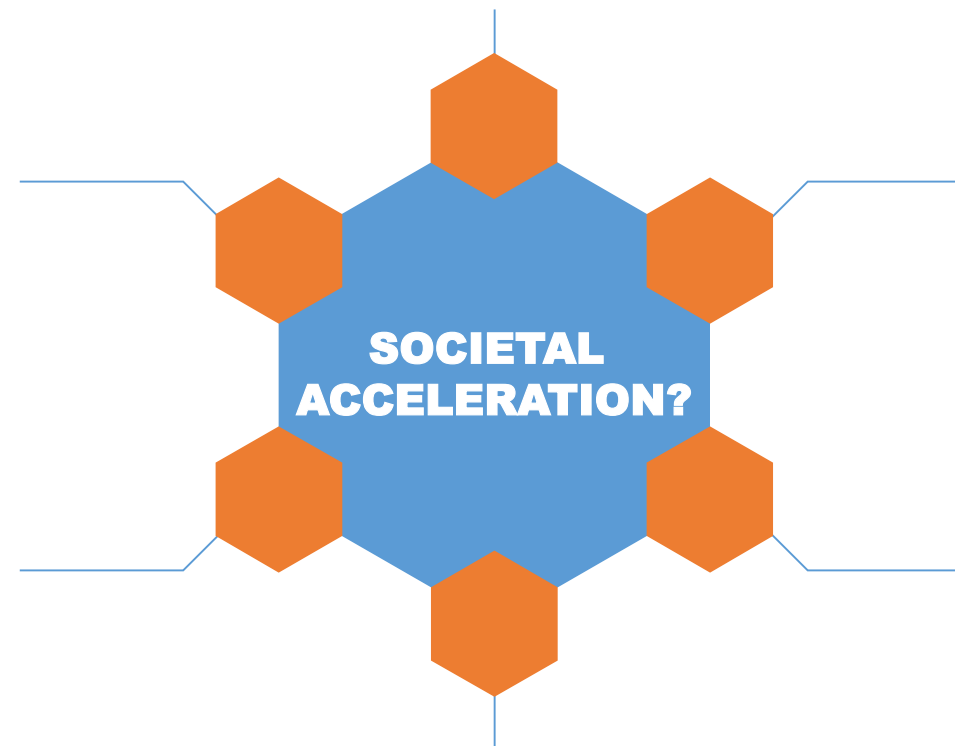
THE SOCIAL WORLD IN A NUTSHELL

Humanity is in a race against time to deliver the agenda's social goals until 2030.

SUSTAINABLE DEVELOPMENT GOALS¹

MULTI-POLARITY
The trend suggests that several emerging markets will outpace developed economies. India could potentially overtake the U.S. economy by 2050.³

TECHNOLOGICAL ACCELERATION
Technology is not just a trend but a means of transforming the way people interact, communicate, live and work. Societies invest in technology and innovation to tackle existing societal barriers.



UNEMPLOYMENT
People around the world still have no access to the necessary resources that would help them develop skills for employment.

CLIMATE ACTION
In 2017 the U.S. Administration announced its decision to pull out of the Paris Agreement on climate change.²

REFUGEES & MIGRATION
Moving towards sustainable development implies leaving no people behind. Societies and governments still seem to struggle with shaping the future of migration.

EUROPEAN SOCIETAL TRENDS & CHALLENGES

EUROPEAN OUTLOOK

Societies are shifting at an unknown pace and Europe's future has entered uncharted territory. The European Union appears to be unravelling, with the Brexit vote highlighting the fragility of the European project. Europe has managed to tackle several social and economic challenges that have long impacted its country members. Yet, there is a continuous need for long-lasting social innovations that could potentially address the major social trends and challenges currently seen across the European continent.

DEMOGRAPHY

Europe is ageing and at the same time is becoming home to many immigrants from around the world. 'The ratio of retirees to workers in Europe will double to 54% by 2050 (IMF).'¹

POVERTY

1 in 6 Europeans lives below the poverty threshold. Poverty is high in certain groups of people facing social exclusion, e.g. Roma, immigrants, homeless.

ENVIRONMENT

'60% of European cities over-exploit their groundwater resources.'¹ Europe is investing in a low-carbon economy to fight climate change.

HEALTH & WELL-BEING

'The health divide across the EU Region is unacceptably large; and there are persistently large, and in some cases growing, health inequities within countries.'¹

COMMUNITY

'83% of European companies with 'diversity' policies see business benefits.'¹ The Internet can help socially excluded people integrate and boost their employability.

ETHICAL GOODS & SERVICES

'Shoppers spent €4.36 billion globally on Fairtrade products in 2010, up by 28% from €3.39 in 2009 (ILO).'¹

TYPES OF SOCIAL INNOVATION

CONTRASTING CHARACTERISTICS

The word 'innovation' comes with many names. In the modern era innovation is one of the most overused terms and can describe a process, phenomenon, strategy, product, idea or service that is new or breakthrough. The term social innovation is used to describe something that is new and has a cause. Social innovations attempt to fulfil a humanitarian purpose with new approaches and tools.

Incremental

Incremental social innovations are the ones that 'build on what went before.'¹

Radical

Radical social innovations provide 'entirely new models for thinking and doing.'¹



Disruptive

Innovations are perceived as disruptive when they can 'disrupt patterns of production, consumption and distribution.'¹

Generative

Innovations are understood as generative when they can 'generate further ideas and innovations.'¹

SOCIAL INNOVATION TRIAD

SOCIAL INNOVATION FLOW ACROSS SECTORS



Social innovations are seen across all sectors of societies and on a global basis. Societies can be divided into three sectors: civil society, private and public/state. Each one has its own distinct features and operating logic. 'Between each of the three ideal-type points lies a spectrum of hybrid institutions and organisations that represent sites for social innovation as a boundary-blurring activity. Thus, between the civil society sector and the private sector are social enterprises that combine business logics and models with social objectives and ownership structures.'¹

FEATURES OF SOCIAL INNOVATION

IN SEARCH OF COMMON POINTS

CROSS SECTORAL

'Social innovations can cut across and occur in all sectors. Social innovations frequently move between sectors as they develop – for example, many models of distance learning were pioneered by non-profit organisations and then adopted by business or social enterprise.'¹

GRASSROOTS & BOTTOM UP

'Social innovations are often bottom-up, grassroots, distributed and local. Here, the old model of centralised command and control that developed in the period of mass production has been replaced by distributed systems.'¹

OPEN & COLLABORATIVE

Social innovations often need several stakeholders to be implemented, which may come from fields of expertise. This collaboration 'entails large numbers of people working independently on collective projects without normal market structures and mechanisms.'¹

BETTER USE OF ASSETS & RESOURCES

'Social innovation often recognises, exploits and coordinates assets and resources which would otherwise be wasted, under-used or not used at all.'¹

MUTUALISM

'Mutualism is the notion that individual and collective well-being is obtainable only by mutual dependence.'¹
Yet, there is a new form of mutualism emerging, which enables networking and promotes mutual exchange in a great array of forms.

ASSETS & CAPABILITIES DEVELOPMENT

'Many social innovations explicitly aim to develop the capabilities of beneficiaries enabling them to meet their needs over the longer term. This capability approach highlights human agency and advocates participation.'¹

SOCIAL INNOVATION APPROACHES

KEY CHARACTERISTICS



'Open rather than closed when it comes to knowledge-sharing and the ownership of knowledge.'¹



'Multi-disciplinary and more integrated to problem solving than the single department or single profession solutions of the past.'¹



'Participative and empowering of citizens and users rather than 'top down' and expert-led.'¹



'Tailored rather than mass-produced, as most solutions have to be adapted to local circumstances and personalised to individuals.'¹



'Demand-led rather than supply-driven.'¹



Driven by integrity and purpose rather than by the power or personal interest of the social innovator.

SOURCES OF SOCIAL INNOVATION

SOCIAL INNOVATION AND THE INTERCONNECTION OF THE SECTORS

Social innovation was perceived as a methodology tool of the third sector and non-profit organisations. Yet, social innovation cuts across all sectors of societies and can be perceived on a worldwide spectrum. The diagram below shows that 'none of the four sectors is wholly concerned with social innovation. However, each of these parts of the four sectors are united by their focus on social goals and by the importance given to ethics, social inclusion, empowerment and solidarity.'¹

Private Market

'for example, ethical finance or corporate social responsibility, or new models of collaborative business'¹

Third Sector

'for example, Emmaus in Europe or Dialogue Social Enterprise which tackles issues of disability and marginalisation in Germany'¹

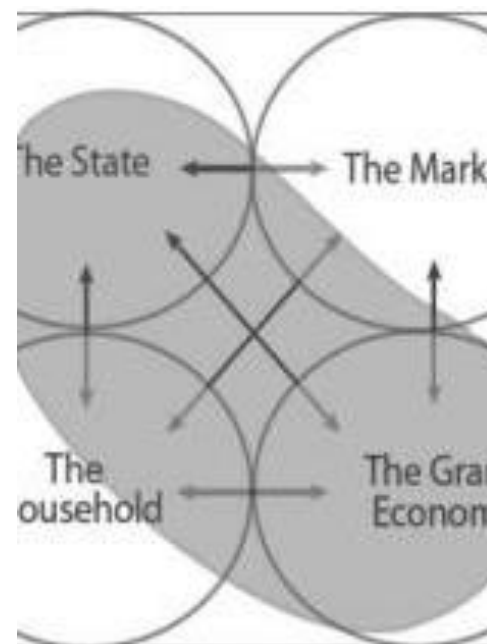


DIAGRAM: Social Innovation across the four sectors¹

Public Sector

For example, Sundhed, the Danish eHealth portal, which 'brings together health information and online health services in one place, with personalised features for citizens over the age of 15'¹

Grant Economy

for example, a venture philanthropy organisation named the One Foundation aspiring 'to improve the lives of disadvantaged children in Ireland and Vietnam by tackling issues of poverty and disadvantage, mental health, and integration of minorities. It provides a range of financial packages – from €40,000 upwards and the average grant is €1 million over 3 years'¹

THE PROCESS OF SOCIAL INNOVATION

SOCIAL INNOVATION SPIRAL

Social innovation includes six stages that move from idea generation to the creation of impact. Social innovations are not always sequential because 'some innovations jump straight into 'practice' or even 'scaling'.¹ Social innovations 'can also be thought of as overlapping spaces, with distinct cultures and skills. They provide a useful framework for thinking about the different kinds of support that innovators and innovations need in order to grow.'¹

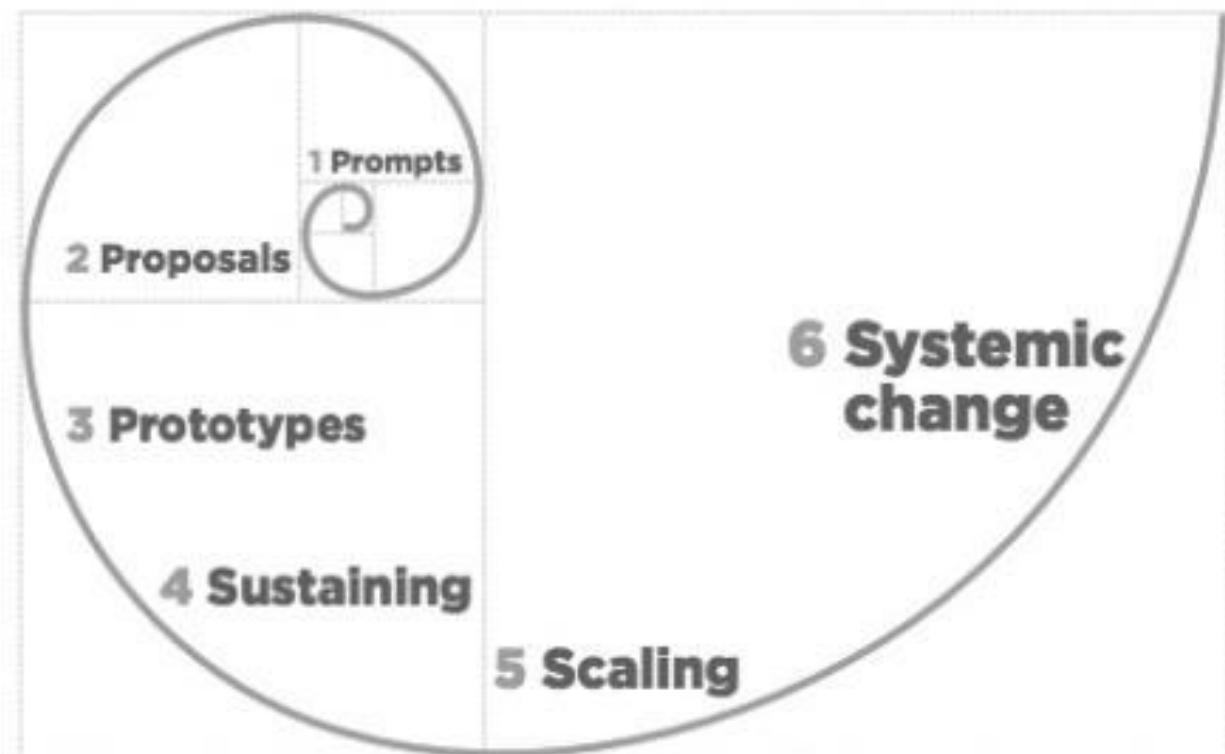


DIAGRAM: The Process of Social Innovation¹

1/6 DEFINE THE SOCIAL CHALLENGE

STAGE ONE: PROMPTS, INSPIRATIONS AND DIAGNOSES



'In this stage we include all the factors which highlight the need for innovation – such as crisis, public spending cuts, poor performance, strategy – as well as the inspirations which spark it, from creative imagination to new evidence. This stage involves diagnosing the problem and framing the question in such a way that the root causes of the problem, not just its symptoms, will be tackled. Framing the right question is halfway to finding the right solution. This means going beyond symptoms to identifying the causes of a particular problem.'¹



2/6 GENERATE IDEAS AND PROPOSALS

STAGE TWO: PROPOSALS AND IDEAS

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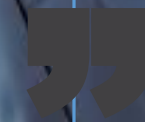
'This is the stage of idea generation. This can involve formal methods – such as design or creativity methods to widen the menu of options available. Many of the methods help to draw in insights and experiences from a wide range of sources.'¹

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STAGE THREE: PROTOTYPING AND PILOTS



'This is where ideas get tested in practice. This can be done through simply trying things out, or through more formal pilots, prototypes and randomised controlled trials. The process of refining and testing ideas is particularly important in the social economy because it's through iteration, and trial and error, that coalitions gather strength (for example, linking users to professionals) and conflicts are resolved (including battles with entrenched interests). It's also through these processes that measures of success come to be agreed upon.'¹



4/6 KEEP YOUR INNOVATION ALIVE

STAGE FOUR: SUSTAINING



'This is when the idea becomes everyday practice. It involves sharpening ideas (and often streamlining them), and identifying income streams to ensure the long term financial sustainability of the firm, social enterprise or charity, that will carry the innovation forward. In the public sector this means identifying budgets, teams and other resources such as legislation.'¹





5/6 SCALE

STAGE FIVE: SCALING AND DIFFUSION



'At this stage there are a range of strategies for growing and spreading an innovation – from organisational growth, through licensing and franchising to federations and looser diffusion. Emulation and inspiration also play a critical role in spreading an idea or practice. Demand matters as much as supply: how market demand, or demand from commissioners and policymakers is mobilised to spread a successful new model. This process is often referred to as 'scaling', and in some cases the word is appropriate, as the innovation is generalised within an organisation or the organisation itself expands.'¹



6/6 CREATE SYSTEMIC CHANGE

STAGE SIX: SYSTEMIC CHANGE



'This is the ultimate goal of social innovation. Systemic change usually involves the interaction of many elements: social movements, business models, laws and regulations, data and infrastructures, and entirely new ways of thinking and doing. Systemic change generally involves new frameworks or architectures made up of many smaller innovations. Social innovations commonly come up against the barriers and hostility of an old order. Pioneers may sidestep these barriers, but the extent to which they can grow will often depend on the creation of new conditions to make the innovations economically viable. These conditions include new technologies, supply chains, institutional forms, skills, and regulatory and fiscal frameworks.'¹



What do we measure?:

Entrepreneurial Activity

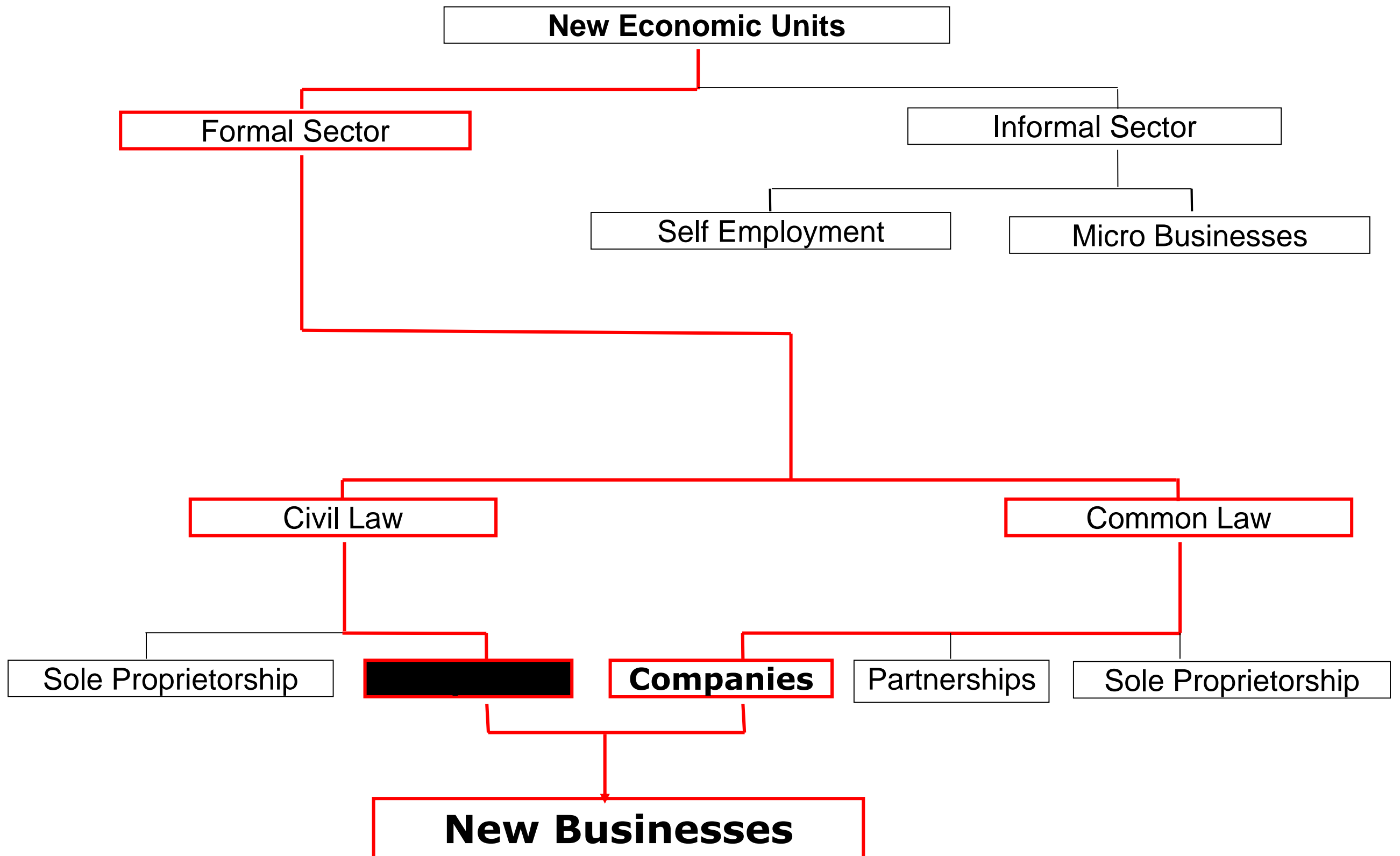
The activities of an individual or a group of individuals aimed at initiating economic activities in the formal sector under a legal form of business.

How do we measure?

Unit: Business

Any economic unit of the **formal sector** incorporated as a **legal entity** and **registered in a public registry**, which is capable, in its own right, of incurring liabilities and of **engaging in economic activities** and transactions with other entities.

Where do we count?



Information source

The business Registries

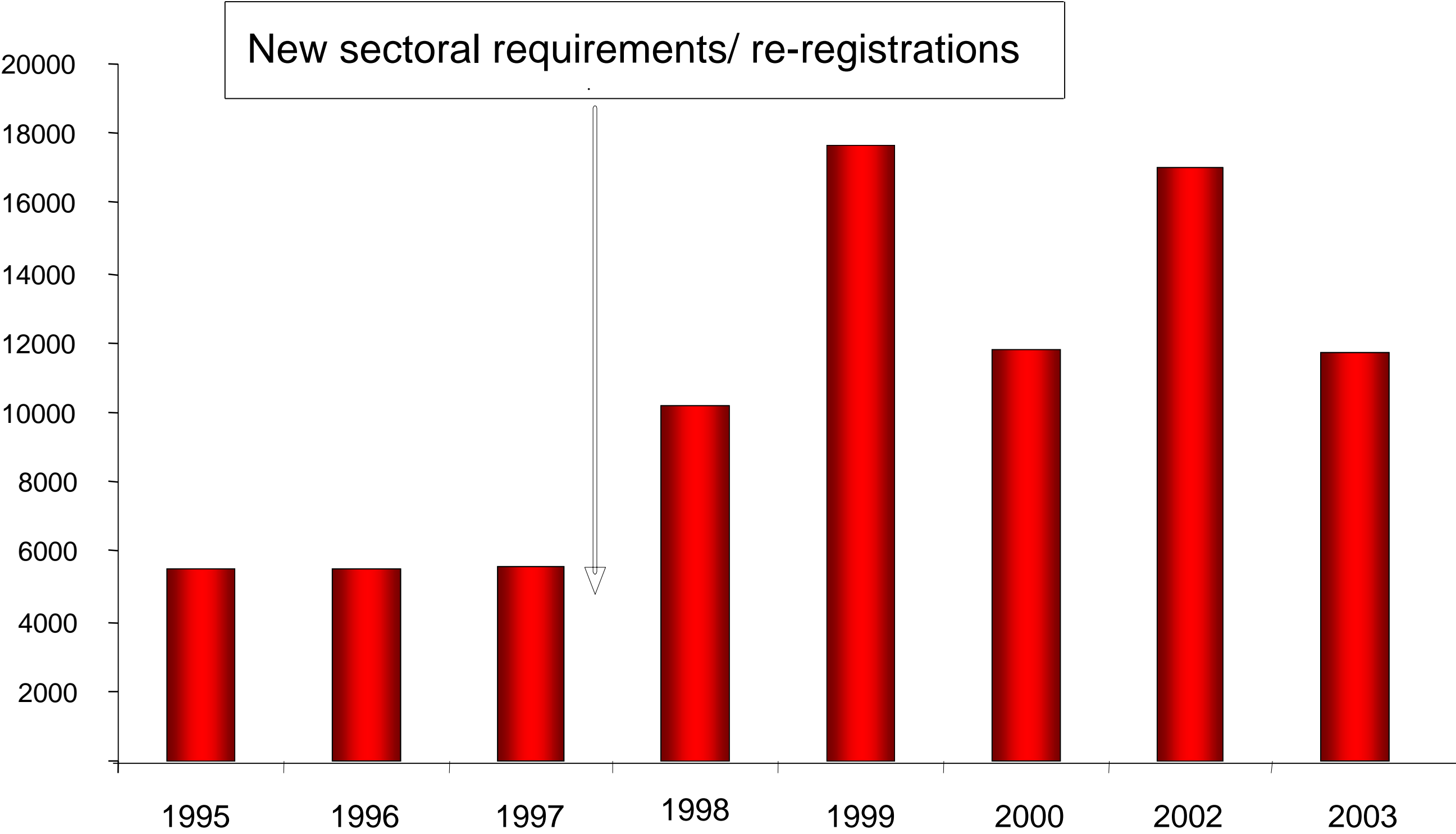
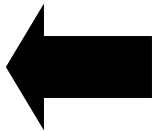
Reasons:

- It's the first step to enter the formal sector
- They tend to be the source of information for other government agencies

Challenges:

- Differences in registration and annual filing requirements; identification of exited firms; [re-registrations](#); paper based registries and decentralized registry systems.

Reforms that Affect Business Statistics: The Algerian Case



Survey Structure

- Panel A: Total and new registrations recorded:
 - Total firms
 - New firms
 - Year-end 2000-05
- Panel B: Number of corporations, by sector and size:
 - By sector: Manufacturing, Services, Financial, Wholesale & Retail Trade
- Panel C: The Role of Corporate Registries:

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