

## **Innovation and collective entrepreneurship.**

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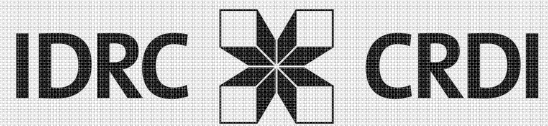


## **Working Paper Innovation and Collective Entrepreneurship**

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## **A Word from Margie Mendell**

President, Research Committee FIESS

A Research Committee of the FIESS, made of academics and representatives from Canadian and international organizations, was convened to prepare five working papers on the Forum's themes, one synthesis paper on the broad theme of FIESS and six case studies. These background documents are available thanks to the generous support of three major partners of FIESS: the International Development Research Center (IDRC), the International Labour Organisation (ILO), the Center for International Studies and Cooperation (CECI) and Human Resources and Skills Development Canada (HRSDC).

The objective of the working papers, written by experts on each of the five FIESS themes, is to provide an overview of the challenges and issues raised by each of the Forum's themes (territory and local development; innovation and collective entrepreneurship; solidarity finance; work and employment and food security and sovereignty) and the relations between government and civil society in several countries that are useful illustrations of collaborative approaches to policy formation. These papers document experiences in many parts of the world that have significant heuristic value; they are not presented as best practices or as models to replicate. They situate the discussions in different national contexts and introduce pertinent theoretical debates on the role of the social and solidarity economy today. As the social and solidarity economy continues to evolve, these papers are offered as a "work in progress". Their purpose is to stimulate debate and discussion among FIESS participants.

The case studies are not limited to a single experience within each country. They include a variety of initiatives (national, regional or municipal) and provide an overview of the current and potential partnerships between government and civil society. The case studies document a broad array of experiences in six countries on four continents where the social and solidarity economy has made significant progress (Canada, Brazil, Mali, Bolivia, Spain and South Africa). More specifically, they describe the processes underlying the co-construction of public policy that address one or more of the forum's themes. Each case study was co-authored by practitioners and local researchers and coordinated by the Research Committee, reflecting the commitment of the Forum to develop and nurture an ongoing dialogue between the different actors engaged in the social and solidarity economy and to create opportunities for collaboration.

As President of the Research Committee, I would like to thank all its members for their hard work and dedication. Finally, as you will notice, these papers have been written in several languages. They are available in their original language except for the Brazilian case study which was translated into Spanish. I hope these documents will inspire a rich and constructive dialogue among FIESS participants and contribute to the growth of social and solidarity initiatives throughout the world.

## **Présentation des activités de recherche**

### **Margie Mendell**

Présidente du comité scientifique du FIESS

Un comité scientifique du FIESS, incluant des chercheurs du milieu universitaire et des représentants d'organisations canadiennes et internationales, a été formé pour préparer des documents de travail portant sur les cinq thématiques du forum, une recherche transversale et six études de cas. Ce projet a pu voir le jour grâce à la volonté et au soutien de trois partenaires majeurs de l'événement, soit le Centre de recherche pour le développement international (CRDI), l'Organisation internationale du travail (OIT), le Centre d'étude et de coopération internationale (CECI) et Ressources humaines et Développement des compétences Canada (RHDCC).

L'objectif de ces documents de travail est de dresser un état des lieux synthétique des enjeux et des défis entourant chacun des cinq sous-thèmes du forum, (territoire et développement local, innovation sociale et entrepreneuriat collectif, finance et commerce solidaires, emploi et travail, sécurité et souveraineté alimentaires) et de faire le point sur l'état de la recherche sur ces questions tout en faisant ressortir les enjeux liés aux relations entre les pouvoirs publics et la société civile. Ces textes abordent les différentes problématiques de manière générale en incluant des exemples pertinents mettant en évidence les enjeux et les défis liés aux questions soulevées. Ces exemples sont davantage des illustrations que des modèles à reproduire. Pour réaliser ces travaux, le comité scientifique a invité plusieurs experts reconnus sur chacun de ces cinq thèmes à se pencher sur la pertinence des initiatives d'économie sociale et solidaire comme réponse aux grands défis rencontrés dans ces différents domaines.

Par ailleurs, ces documents n'ont pas la prétention d'imposer une vérité ou d'orienter les échanges qui auront lieu durant le forum, mais bien d'offrir une mise à jour aux participants et de nourrir les discussions et les débats. Ces recherches peuvent être considérées comme des travaux en cours (*work in progress*) qui devront être poursuivis par les participants. Enfin, ces documents permettent également de situer dans un contexte plus large les études de cas nationaux.

Les études de cas ne se limitent pas à une expérience par pays mais couvrent un ensemble d'initiatives (nationales, régionales ou municipales) et donne un aperçu des relations et des éventuels partenariats entre les pouvoirs publics et la société civile dans un pays donné. Plus précisément, les chercheurs ont étudié, en partenariat avec des praticiens, les dynamiques de co-construction de politiques publiques en faveur de l'économie sociale et solidaire et en lien avec un ou plusieurs des cinq thèmes du forum. Les études de cas offrent un large éventail d'expériences à travers l'étude de 6 pays sur quatre continents où l'économie sociale et solidaire a connu des avancées significatives (Canada, Brésil, Mali, Bolivie, Espagne et Afrique du Sud).

Chaque étude est le fruit d'une collaboration entre praticiens et chercheurs locaux coordonnée par le comité scientifique. En ce sens, ces travaux s'inscrivent naturellement dans ce forum voué à la construction d'un dialogue pérenne entre les différents acteurs de l'économie sociale et solidaire. En tant que présidente du comité scientifique, j'aimerais remercier tous ses membres pour leur travail assidu et leur dévouement. Enfin, comme vous pourrez le constater, ces travaux ont été réalisés en plusieurs langues. Ils sont disponibles dans leurs langues originales, sauf l'étude de cas sur le Brésil qui a été traduite en espagnol. J'espère que ces documents vont inspirer un dialogue riche et constructif entre les participants du FIESS et que, de ce dialogue, naîtront des initiatives concrètes en faveur de l'ESS.

## **Presentación de las actividades de investigación**

**Margie Mendell**

Presidenta del comité científico del FIESS

Un comité científico del FIESS, compuesto por investigadores universitarios y representantes de organizaciones canadienses e internacionales, fue formado para preparar documentos de trabajo sobre los cinco temas del foro, un estudio transversal y seis estudios de caso. Este proyecto ha sido posible gracias a la voluntad y el apoyo de tres de los socios principales del evento, que son el Centro de Investigaciones para el Desarrollo Internacional (IDRC), la Organización Internacional del Trabajo (OIT), el Centro de Estudios y de Cooperación Internacional (CECI) y Recursos humanos y Desarrollo de capacidad Canadá (RHDC).

El objetivo de estos documentos es proporcionar un resumen general de las cuestiones y desafíos de cada uno de los cinco sub-temas del foro (Territorio y desarrollo local, Innovación y emprendimiento colectivo, Finanzas y comercio solidarios, Empleo y trabajo, Seguridad y soberanía alimentarias) y ofrecer un estado de la situación de la investigación sobre estos temas, destacando además las cuestiones vinculadas con las relaciones entre los poderes públicos y la sociedad civil. Los textos tratan los temas de una manera general, mediante la inclusión de ejemplos relevantes que destaquen los asuntos y desafíos relacionados con las cuestiones planteadas. Estos ejemplos son ante todo planteados a modo ilustrativo, más que modelos a replicar. Para realizar estos trabajos, el comité científico ha invitado a varios expertos reconocidos en cada uno de estos cinco temas para examinar la pertinencia de las iniciativas de economía social como respuesta a los grandes desafíos en estas áreas.

Además, estos documentos no pretenden imponer una verdad o dirigir los intercambios que tendrán lugar durante el Foro, sino que representa un intento de proporcionar a los participantes una actualización sobre los temas y alimentar las discusiones y debates. Estas investigaciones pueden considerarse como un trabajo en progreso (*work in progress*) a perseguir por los participantes. Por último, estos documentos permiten también insertar los estudios de casos nacionales en un contexto más amplio.

Los estudios de casos no se limitan a una experiencia por país, sino que abarcan una serie de iniciativas (nacionales, regionales o municipales) y describen las relaciones y las posibles colaboraciones entre los poderes públicos y la sociedad civil en un país dado. En concreto, los investigadores estudiaron, en colaboración con los profesionales, las dinámicas de co-construcción de políticas públicas para la economía social y en relación con uno o más de los cinco temas del foro. Los estudios de casos ofrecen una amplia gama de experiencias a través del estudio de seis países en cuatro continentes, donde la economía social ha experimentado avances significativos (Canadá, Brasil, Mali, Bolivia, España y Sudáfrica).

Cada estudio es el resultado de una colaboración entre profesionales e investigadores locales coordinados por el comité científico. En este sentido, estos trabajos encajan adecuadamente en un foro dedicado a la construcción de un diálogo permanente entre los diferentes actores de la economía social y solidaria.

Como Presidenta del Comité Científico, quisiera agradecer a todos los miembros por su duro trabajo y dedicación. Finalmente, como usted habrá podido notar, estos trabajos se han realizado en varios idiomas. Todos están disponibles en su idioma original, a excepción del estudio de Brasil, que ha sido traducido al español. Espero que estos trabajos inspiren un diálogo rico y constructivo entre los participantes del FIESS y que de este diálogo puedan surgir iniciativas concretas para la ESS.

## **Abstract**

This paper examines different forms of innovation including social innovation, and why innovation and social innovation have become important themes in public policy in a context of the increasing and diverse demands on welfare regimes, and in an era of constrained budgets. It will review different perspectives on innovation and social innovation and the dynamic interaction through collective entrepreneurship in the the social and solidarity economy; bringing out process and outcome dimensions of innovation. And it will develop an understanding of the drivers and barriers to innovation, including the role of the institutional and policy framework. It will set this analysis within the context of public policy, demonstrating the role of public policy in enabling such innovations in the social and solidarity economy.

## **Résumé**

Ce document de travail a pour but d'examiner différentes formes d'innovation comme l'innovation sociale et pourquoi ces dernières se retrouvent au centre de nouvelles politiques publiques, dans un contexte où l'État providence est de plus en plus sollicité et où les restrictions budgétaires se multiplient. Il décrira différentes approches de l'innovation et l'innovation sociale ainsi que leurs interactions dynamiques au sein de l'entrepreneuriat collectif et de l'économie sociale et solidaire. Ce faisant, il soulignera les cheminements de l'innovation, du processus aux résultats. Ce document développera ainsi une compréhension des catalyseurs et détracteurs de l'innovation et en particulier du rôle des cadres politiques et institutionnels. Il basera son analyse sur les politiques publiques, en démontrant leur rôle facilitateur d'innovations en matière d'économie sociale et solidaire.

## **Resumen**

Este documento tiene como objetivo examinar las diferentes formas de innovación, como es el caso de la innovación social, y explicar por qué éstas se han convertido en temas clave de las nuevas políticas públicas, en un contexto en el que cada vez se busca más el estado de bienestar y en el que las restricciones presupuestarias se multiplican. En él se describen los diferentes enfoques sobre innovación e innovación social, así como sus interacciones dinámicas a través de los proyectos de emprendimiento colectivo y la economía social y solidaria. De este modo, se hace hincapié en el proceso y los resultados de la innovación. Este documento profundiza en la comprensión de los catalizadores y las barreras de la innovación, y en particular, del rol que desempeña el marco político e institucional al respecto. Este análisis se desarrolla en el contexto de las políticas públicas, demostrando su papel como facilitadoras de las innovaciones en el ámbito de la economía social.



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### 1. Introduction

Innovation became important years ago with the growing need to better understand the dynamic underlying economic development and growth and it has been primarily identified with entrepreneurship. Joseph Schumpeter, writing in the early 20<sup>th</sup> century, argued that innovation is central to economic development; he regarded entrepreneurs as innovators engaged in a process of creative destruction, destroying the old to create the new. Technological innovation has been central to this process. Today, examples abound in consumer electronics (vinyl records to CDs to MP3 files and iPods), new cleaner technologies for energy production and conservation (wind turbines, wave power, photovoltaic cells) and gene technology changing medicine and pharmaceuticals.

But innovation does not arise just from technological change. This became clearer when people became interested in changes in the service sector (transport, education, distribution, etc). For example, advances in learning theory have changed the way children, young people, and adults are educated – from learning by rote to more active learning, and from individualised learning to group learning; and research (albeit contested) on different learning styles (such as Kolb’s model that learning may be through Concrete Experience, Abstract Conceptualization, Reflective Observation, and Active Experimentation) has led to more flexible and varied teaching methods.

Changes to work routines and management practices are now recognised as part of the spectrum of areas where innovation takes place with the potential for improving productivity and efficiency. Classic examples are the many quality improvement programmes introduced by Japanese manufacturers, subsequently influencing manufacturing globally. The quality movement has also led also to huge changes in the way services are produced and delivered. Similarly new concepts such as “just in time production” have also dramatically changed the service provision, since supply chains operate here too. For better or for worse, new management practices in the private sector have often been regarded as key to improvements in other sectors. The philosophy of “New Public Management” has embraced private sector management practices and promoted them as best practices in the public sector – which raises the issue that innovation may be considered good or bad or have positive/negative unintended consequences.

#### **Innovation in the service sector**

Technological innovation is the most visible part of innovation in manufacturing and consumer products, and has been the most widely researched. But subsequent research in the service sector has revealed different, non-technical patterns of innovation which are now recognised as present in the manufacturing sector – including innovation in work routines, know-how, management practices, and the role of intermediary agencies.

Of course, technology has driven changes in the service sector too, particularly ICT technologies. For example, computers and the internet have revolutionised the way education is distributed, so that distance and self learning packages increase accessibility and flexibility of learning, at least for more developed countries where internet access is widespread. But for innovation to become fully functional and operational, human and social capital usually need to be developed in a complementary manner, so that staff and service users develop appropriate competencies. This goes further in some models of innovation, where users drive the innovation process or at least help co-create it, for example in sports where high performing snowboarders, skateboarders, etc., in collaboration with designers, drive technological and fashion innovations.

Innovation in the service sector has also revealed the importance of intermediary agencies in smoothing the path of innovation. This is because in “soft” innovation (management knowledge, know-how, work routines) knowledge needs to be adapted and embedded in human and social group work practices. Intermediary service organisations, generally referred to as “knowledge intensive business services” (KIBS) have been found to be especially important in service innovation, since they facilitate the contextualised development of innovation and its diffusion both internally within an organisation and more widely within a sector.

Innovation is typically differentiated as outcome (improvements to a product/service) vs process (in the way things are done, such as quality improvement processes). However, in the service sector, it may often be more difficult to measure the outcomes from an innovation since traditional economic measures are not so easily applied; that is, the level of innovation may be underestimated, particularly as service innovation is typically incremental rather than radical/transformational, and is more often concerned with quality improvements with the exception of relatively recent significant investments in IT services, the investment in innovation in the service sector has been historically lower than in manufacturing.

There is some theoretical debate over the extent to which service and manufacturing innovation are separate and distinct (technical versus non-technical), or whether, in fact, they are part of the spectrum where similar patterns of innovation can be found in each sector, but that some forms are more visible - i.e. technical innovation in the manufacturing, and non-technical in the service sector. However, research on non-technical innovation in the service sector has revealed a number of factors which make it particularly challenging: difficulties in measuring and specifying innovation, the importance of softer (organisational) dimensions of innovation, the need frequently to contextualise innovation in specific local conditions, which in turn often requires investment in human and social capital and the role played by external agents both in contextualising and diffusing innovation. In addition, while framing and reframing the way we think about a particular phenomenon or problem is important in all forms of innovation, rhetorical innovation involving new concepts and language (e.g. “carbon tax” or “congestion charging”) seems more significant in the service sector.

### **Stages in the innovation process**

Traditionally it has been argued that there are two key dynamics in the innovation process:

- technology push (where developments in science and technology drive the process of innovation and change), and
- market pull (where entrepreneurs identify needs and innovate to fulfil them).

Subsequently, there has been recognition that there would usually need to be elements of both these dimensions for an innovation to emerge. Network models of innovation have gone further to include a complex web of stakeholders (including users), each playing different roles in an extended innovation process.

Thus there are simple models which consider the entrepreneur as the innovator and much more complex models where networks are central. Nonetheless, it is useful to differentiate between some of the key stages which innovation needs to go through.

- Firstly, there is the creative stage where a need is identified and an idea generated to address this need;
- Secondly, the idea has to be developed into an innovation (product or service). This may involve prototypes and piloting of early ideas;
- Thirdly, there is the phase of adoption where the innovation finds a sustainable position in the market or in a particular context; and,
- Fourthly, the phase of diffusion when the innovation becomes more widely promoted and adopted.

And clearly each of these stages can be broken down into more detailed sub-stages. Some researchers have adopted an extended life cycle model approach, particularly to consider appropriate support measures and financial investment strategies. And, as noted above, there may be sectoral differences (manufacturing/services) in each of these stages.

The social and solidarity economy operates in many sectors of the economy, including agriculture, manufacturing, utilities, and areas of the service sector (welfare/social services, work integration, etc). And while it is most commonly associated with addressing social problems, it is also seen as a key part of a plural economy. Moreover, the social and solidarity economy alternative is increasingly inspiring a growing number of people around the world who are designing and constructing social and solidarity economy enterprises in new sectors such as ICT, culture, sustainable environmental services, food security, etc. At the same time, such innovative processes to meet new and unmet needs for services, has captured the attention of governments that are increasingly unable to meet these needs, particularly when constrained by an old welfarist approach to service provision.

Where the social and solidarity economy is meant to solve a social problem or respond to a need, stakeholders associated with a particular community are best able to specify and help conceptualise the precise nature of the problem that needs to be addressed collectively. But scaling or replicating an innovative solution is more challenging. On the one hand, there are issues about communities 'reinventing the wheel', that is, spending considerable efforts developing an innovation to address a local problem, rather than adapting a similar innovation from elsewhere; on the other hand, where an innovative solution for similar needs has been identified in different communities, attempts to replicate innovation frequently encounter barriers and hindrances. This may either be due to a lack of entrepreneurship, or to overly simplistic models for scaling and replication, or, indeed, to failings in the development of appropriate institutional and policy contexts. However, evidence of a wide range of (social) innovations in the social and solidarity economy, which fail to get replicated, indicates that this is a centrally important issue to address.

## **Social innovation**

There is a rapidly growing interest in the concept and practice of social innovation amongst policymakers and practitioners. In 2009, Obama launched the Office of Social Innovation and Civic Participation (SICP) with a Social Innovation Fund for investing in the development and diffusion of results-oriented non-profit programs in the USA.

### **US Office of Social Innovation and Civic Participation**

This organisation is based in the White House, and is supported by a \$50 million Social Innovation Fund for investing in the development and diffusion of results-oriented non-profit programs in the USA; thus it has a clear bias towards scaling up effective organisations and programs. It aims to promote service and community leadership, invest in innovative community solutions and develop new models of public-private partnership. It has a strong focus on results and measuring performance and impact; it emphasises bottom-up approaches, and widening participation and a multi-sectoral approach, with shared responsibilities. Its priorities include developing better metrics, measurement and evaluation systems, broadening and supporting public service activities (including volunteering) and support the \$650 million “Investing in Innovation Fund at the Department of Education.

The recent G8 summit at the end of May 2011 in Deauville announced that ‘drawing on experiences across countries, we underline that a holistic approach to innovation and growth is needed, which would include both technological and non-technological innovation as well as innovation in social and public services’.

In Europe, the Social Innovation Europe Initiative was launched in March 2011. This is funded by the European Commission, and aims to create a “meeting place - virtual and real - for social innovators, entrepreneurs, non-profit organisations, policy makers and anyone else who is inspired by social innovation in Europe”.

([http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/social-inno-event\\_en.htm](http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/social-inno-event_en.htm))

There are also numerous initiatives supported by European Union including the Social Innovation eXchange (SIX). Part of the Framework 7 research programme has funding dedicated to this area. Globally, new centres, foundations, and programmes are emerging at local and national levels. (<http://www.socialinnovationexchange.org/>)

### **Social Innovation eXchange (SIX)**

SIX was initiated by the UK think tank, the Young Foundation, but is now a global partnership for information exchange. It describes itself as a global community for social innovation. It is cross sectoral and covers multiple fields with a global spread of activities. It has over 3000 individuals and organisations as members.

Its main fields of activities are: supporting the exchange of information, ideas, and best practices amongst its community members, developing resources (methods, skills, tools), organising events, and disseminating information on social innovation and enabling institutional support and public policy.

Many of these initiatives involve partnerships between government and the social and solidarity economy, but also frequently include the private sector.

### **What is social innovation?**

The idea of social innovation is not new, but the term has become increasingly used over the last 20 years. During this period there has been an increasing tendency to attach the word “social” to economic-based terms, such as social capital, social entrepreneurship, social

enterprise, social investment. But how is it different from conventional innovation? The term social seems to be used in a number of different ways (Phills, Deiglmeier & Miller (2008):

- for a social purpose
- within the social sector (or the social and solidarity economy)
- addressing social problems
- creating social value (increasing public benefit or reducing social costs)

While having a social purpose may be regarded as central to social innovation, many commentators place more emphasis on creating social value from socially innovative outcomes and/or socially innovative organisational processes. And increasing policy orientation promoting partnerships and mixed economies, means that many commentators on social innovation argue that it is not just the preserve of the social and solidarity economy; responsibility for addressing social problems is typically shared between the public sector and the social and solidarity economy.

### **Definitions**

The following definitions indicate that there is still considerable diversity in ways of conceptualising social innovation:

“A social innovation is an intervention initiated by social actors to respond to an inspiration, to provide for a need, to benefit from an opportunity to modify social relationships, to transform established patterns of behaviour, or to propose new cultural orientations.” (*Centre de recherche sur les innovations sociales* (CRISES/UQAM), 2003). This definition indicates a diversity of paths to social innovation and specifically mentions the role of social actors.

For the OECD, social innovation implies conceptual, process or product change, organisational change and changes in financing, and can deal with new relationships between stakeholders and territories:

“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 new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

Social innovations can therefore be seen as dealing with the welfare of individuals and communities, both as consumers and producers. The elements of this welfare are linked with their quality of life and activity. Wherever social innovations appear, they always bring about new references or processes.

Social innovation is distinct from economic innovation because it is not about introducing new types of production or exploiting new markets in themselves but is about satisfying new needs not provided for by the market (even if markets intervene later) or creating new, more satisfactory ways of insertion in terms of giving people a place and a role in production.”

The key distinction is that social innovation deals with improving the welfare of individuals and communities through employment, consumption and/or participation, its expressed purpose being to provide solutions for individual and community problems” (OECD LEED Forum on Social Innovations, [www.oecd.org/cfe/leed/forum/socialinnovations](http://www.oecd.org/cfe/leed/forum/socialinnovations), in Noya 2010).

This detailed definition is more specific about the various forms of social innovation, and usefully differentiates it from economic innovation.

Yet another definition provides a wide-ranging perspective on the institutional and structural dimensions of a social innovation (legislation, social movements, etc).

“A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.” (Phills, Deiglmeier & Miller, 2008).

The EMES research network takes a Schumpeterian approach: (EMES European Research Network on social enterprise - see [www.emes.net](http://www.emes.net)). According to EMES, social innovation can be seen “[...] as arising from a new kind of entrepreneurship focused on social goals, new products or new qualities of products, new methods of organization and/or production (often involving different partners and resources), new production factors such as atypical employment and involvement in governance, mixing voluntary and paid employment, as well as new market relations such as the changing welfare mix, or new legal forms such as the social co-operative in Italy which encourages entrepreneurial and commercial dynamics and formalising multi-stakeholding.” (Westall, 2007).

Finally these definitions are not very specific about *who does the social innovation*. CRISES specifies social actors; EMES links it to (social) entrepreneurship. But in the literature there has been a predominance of individualistic approaches, rather than *collective* and *organised/sponsored innovation* which characterise innovations in the social and solidarity economy.

### **Why is social innovation important?**

It has become more and more apparent that economic growth has not only failed to address problems of poverty, disadvantage and social exclusion, but it also has brought with it new problems of inequality and declining social cohesion. The current economic crisis poses stark challenges for policymakers facing severe budgetary constraints and increasing demands from citizens for better quality public services and improved well-being. Some policymakers undoubtedly see social innovation as one path to cost reduction; for others, it offers a path to improvements in the quality of welfare and public services. For those in the social and solidarity economy and civil society, it also offers a path to address societal challenges such as ageing, climate change, migration, to name a few and create the conditions for a higher standard of living for all.

### **How does social innovation relate to the social and solidarity economy?**

There are a number of different ways in which innovation and social innovation relate to the social and solidarity economy:

- social innovations (technical, process or managerial) that make social and solidarity economy organizations function better and/or deliver better services;
- innovations in models for scaling up the social impact of social and solidarity economy organizations;
- innovations in the policy and institutional framework for the social and solidarity economy and for its relations with the state and private sector.

It is also important to note that although one might consider technological innovation as rather obliquely connected to the social and solidarity economy, a prominent perspective on innovation is that it is socially constructed, and thus there are alternative constructions, such as those not linked to profit and growth but to *social utility*. This leads to an alternative view where the social and solidarity economy generates technological development, but gives preference to social purposes of one kind or another. Some major examples are the Lucas plan developed in the 1970s in the UK, when a coalition of trade unionists faced with substantial redundancies at a large British company, Lucas Aerospace, led the development of an important social innovation, by transforming a corporate strategic plan into a socially beneficial weapons to ploughshares plan. This involved transforming a company engaged in substantial arms manufacturing to socially useful production, including medical equipment, alternative energy equipment and innovative transport systems. Although ultimately unsuccessful in resisting the layoffs, it led to a range of initiatives to continue this work. Its most most important achievement was to demonstrate how workers and unions can effectively contribute to the development of corporate strategy.

A more recent example of socially useful construction of technology is the Institute for OneWorld Health, a pharmaceutical non-profit organisation founded in 2000 in the US to develop affordable drugs and medicines for poor people globally. It operates through *multi-stakeholder partnerships* between researchers, hospitals, government and companies to identify, develop and produce such medicines. Thus it provides innovative medicines in markets that are not financially attractive for mainstream pharmaceutical companies.

#### **The Institute for OneWorld Health**

This is a non-profit pharmaceutical organisation founded in 2000 in the US to develop affordable drugs/vaccines and medicines for poor people globally for diseases (cholera, malaria, diarrhoea sicknesses, etc) in developing countries particularly for children - where pharmaceutical companies did not find it profitable to invest. It operates through multi-stakeholder partnerships between researchers, hospitals, government and companies to identify, develop and produce such medicines. Thus it develops innovative medicines in fields that are not financially attractive for mainstream pharmaceutical companies. (Since 2006 it has been largely funded by the Gates Foundation.)

Finally, a major theoretical perspective in the literature on nonprofits and cooperatives argues that their structures make them uniquely well adapted to address market and state failures. Thus social innovation drives the development of the social and solidarity economy. Some recent examples would be the development of microfinance and fair trade, among others. Paradoxically, as the social and solidarity economy innovates to create new markets, these markets also attract the private sector, which may not operate with a social purpose.

## **2. Conceptual Framework**

There has been a significant growth in the development of the field of innovation studies since the middle of the last century. This section will attempt to identify some of the main themes that are the most relevant for the social and solidarity economy. After considering different types of innovation, this section proceeds by looking at different levels (individual, organisational, network, territorial).

### **Typologies of innovation**

As noted above, it is possible to differentiate between innovations in products/services versus innovation in process, and while most innovation is incremental, there is an increasing

interest in radical/transformational innovation. In service innovation and, more generally in social innovation, it is useful to recognise that there may be both technical and non-technical innovation (work routines, organisational processes, and managerial practices). Much social economy innovation is incremental, but fair trade and microfinance show it can be transformational as well. Social economy innovation is typically concerned not only with process improvements such as quality, but also processes that are more fair and inclusive and which generate social capital and support the fabric of civil society.

Also, we are seeing differences in the way in which knowledge about innovation is produced: traditionally, knowledge production is characterised by the three stage traditional model where basic science informs applied science which, in turn, leads to technological development. But more recently, researchers have argued that a new form of knowledge production is emerging where a variety of practitioners collaborate on a *problem defined in a specific and localised context*. In this model, knowledge production is not so closely linked to universities and research institutes. It is also *socially distributed* in a web of strategic alliances and collaborative agreements supported through informal networks and good communication systems. This second model appears more typical of innovative knowledge production processes in the social and solidarity economy, where innovation takes place in practical contexts but with networked links to other social actors.

### **Entrepreneurship to social entrepreneurship**

Today, concepts such as social enterprise and social entrepreneurship have to be explained in the context of the social and solidarity economy. Additionally, there are institutional and cultural factors that determine how these new concepts are viewed in different countries in the north and in the south. The EMES network (Defourny, in Borzaga and Defourny, 2001) suggests that social enterprise in Europe could be considered a new form of entrepreneurship: new services through work integration social enterprise, childcare and proximity services; new processes in terms of adapted forms of volunteering, and atypical types of employment; new market relations such as new quasi-markets in welfare services (and increasingly individualised voucher systems); new forms of supply in the sense of a hybridisation of resources (Laville and Nyssens in Borzaga and Defourny, 2001) - redistributive, reciprocal (social capital) and market based and the development of new industries or sectors, such as fair trade, and work integration/training social enterprise.

#### *Theories of entrepreneurship and social entrepreneurship*

Joseph Schumpeter regarded entrepreneurs as the drivers of innovation and this perspective can be seen in the new wave of interest and experiences in social entrepreneurship (creating business with a social purpose). Undoubtedly this idea and practice have a very long history, but the recent wave has strong roots in the USA, where the term 'social entrepreneurship' has been applied more broadly than to the development of new social and solidarity economy initiatives. Although it includes the creation of new non-profits, social entrepreneurship often focuses on the activities of third world NGOs and includes any businesses with a social purpose (including private business committed to corporate social responsibility <CSR>). Its focus on social innovation can mean that an enterprise dimension is not required. Thus, for example, some argue that the originators of the nursing profession (Florence Nightingale), and of consumerism (Nader) were social entrepreneurs. Another key factor in this US perspective is the role of philanthropy, particularly venture philanthropy, where foundations develop a closer strategic partnership with the social entrepreneurs they fund. A parallel development is philanthro-capitalism which aims to improve the policy context (including



fiscal measures) for donations, volunteering, and support the development of socially driven foundations such as Gates Foundation. (<http://www.philanthrocapitalism.net/>)

This US perspective may be contrasted with Canadian/Quebec and European approaches such as that of the EMES European Research Network ([www.emes.net](http://www.emes.net)) which clearly place the development of new social enterprise within the third sector or social and solidarity economy and see social entrepreneurship as a new entrepreneurial dynamic. These different schools of social entrepreneurship have now moved onto the international stage and are influencing the development of social enterprise and social entrepreneurship globally.

Like entrepreneurship, social entrepreneurship has been strongly linked to the “heroic” individualistic model, particularly among US researchers and writers (e.g. Bornstein (2004), Dees (2002), and Austin et al (2006). It is also a theme in Europe, particularly among early writers like the UK’s Charles Leadbetter (1997). But broader conceptualisations are developing emphasizing collective models of social entrepreneurship. This change is partly because some authors such as Austin et al. (2006) and Mair and Marti (2005) make use of process frameworks (for opportunity recognition/construction, and deal-making) rather than focusing on the entrepreneur. In this sense, the field is following some historical trends in entrepreneurship studies, which initially also emphasised trait theories of entrepreneurs and then moved on to consider process (see Gartner, 1989).

The EMES network emphasises this collective dimension of social entrepreneurship and there is evidence (Spear, 2006) from a number of cases that social entrepreneurship is often *collective and organised* rather than individualistic. Thus, where organizations develop social entrepreneurship, they sometimes *sponsor* a group of citizens to take ownership of the social enterprise. Taking this collective dimension to more of a network level, it is argued (Spear and Hulgard, 2009) that collective action and social movements are important routes to social entrepreneurship, and the history of the development of the social and solidarity economy clearly identifies social movements as a major driving force underlying the creation of social and solidarity economy organizations. Similarly, religious movements and religious institutions have played and continue to play important roles in social entrepreneurship (Spear, 2010).

It is clear that despite popular images and discourse about “heroic” individual social entrepreneurs/innovators, *this collective and social movement theme of social entrepreneurship and social innovation is central to the social and solidarity economy project*. These themes will be explored in more depth below.

### **Organisational level (innovation, learning and knowledge management)**

*Process innovation and service innovation* both rely to a substantial extent on improvements to work routines, organisational processes, and management. Thus, organisational learning and the developing field of knowledge management are particularly important for innovation and social innovation. The field of knowledge management is concerned with how knowledge develops, how it is articulated and transferred between individuals and groups, and how an organisation develops its knowledge base. Two forms of knowledge - tacit and explicit - are very useful in helping us think about the difficulties of social and organizational learning. In many situations, tacit knowledge (intuitions, personal skills and mental models that are specific to a particular context), complements and contextualises explicit knowledge (codified/articulated in clear language or written down). Explicit knowledge is easier to communicate and transfer to other contexts, but organisational learning depends on developing the tacit side of knowledge in a particular context, which is often a challenge.

In the social and solidarity economy and in the commercial economy, this has led to an interest in highly innovative organisations and best practices (covering both business and social dimensions of operations), and the idea of a “learning organisation” has attracted attention.

**Communities of Practice.** These refer to how groups and networks of people develop and improve their practices in the same sectors or work areas. The concept of communities of practice was developed through the very influential work of Etienne Wenger in which he describes ‘communities of practice’ as “communities that share cultural practices reflecting collective learning” such as a medieval guild, a group of nurses in a ward, a non-profit board, a network of community developers in a particular area/region. This does not only refer to internal relations between a group or network of people, but also to the organization itself. Wenger notes that “the success of organizations depends on their ability to design themselves as *social learning systems* and how they can effectively participate in broader learning systems within an industry, a region, or a consortium.”

This has led to an interest in how practitioners engaged in similar work activities at the group, organisational or network level, can develop their know-how collectively. Thus “communities of practice” is a concept or perspective that can help social and solidarity enterprises consider how they can enhance their collective learning process and expand their individual capacities.

**Network and clusters.** The well-known academic and business strategist, Michael Porter, has done much to promote the term ‘clusters’, (cf. ‘The Competitive Advantage of Nations’, 1990). In an era of globalisation, it seems almost paradoxical that competitive advantage often rests on local factors such as knowledge and relationships – since good global transportation and communication linkages provide easy access to capital and information and supplies. In the past, location has given advantages of lower input costs (such as labour, resources or energy), but currently, competition in many markets is far more dynamic and is often based on continual innovation. Thus, while it is important that a social and solidarity enterprise is internally innovative, increasingly people are recognising that competitive advantage also derives from local institutional factors and well developed relations with trading partners.

Clusters can be described as: “geographic concentrations of interconnected companies and institutions in a particular field” (Porter, 1990). For example, the economic map of most countries can be divided into different business clusters. In the USA, for example, Boston has biotechnology, software and computer networking clusters linked to the Massachusetts Institute of Technology (MIT); New York has financial services, advertising, and publishing clusters; Detroit has auto equipment and parts; Los Angeles has defence/aerospace and entertainment; Silicon Valley has microelectronics, biotechnology, and venture capital (linked to high-tech university departments); Minneapolis has cardiovascular equipment and services. In Canada, Quebec has 12 clusters, including biopharmaceutical, aerospace and cultural industries clusters. (Institute for Strategy and Competitiveness, Harvard Business School: <http://data.isc.hbs.edu/cp/index.jsp>). Northern Italy has clusters focusing on furniture, clothing, and leather goods with a strong design and fashion content, and so on.

The economic, social and institutional context of clusters creates a supportive environment and high trust relationships facilitate the capacity of networks of small and medium enterprise to innovate and function effectively. The context typically consists of linkages and complementarities such as: suppliers of goods and services, infrastructure (e.g. transport/communications), customers, manufacturers of complementary products, companies using similar skills, expertise, and technologies, as well as institutions such as universities,

standard setting bodies, counselling, training and education providers, trade associations, and information and research bodies, etc. One of the distinctive and important features of these clusters is that their supply chains and networks consist mostly of small and medium enterprises and thus, as an economic model, they present an interesting challenge to large firms. The defining concepts of linkages and complementarity lead to clusters based, for example, on sharing technologies or skill sets or marketing channels, which may cut across municipal and regional boundaries.

One paradox of clusters is that they comprise formally autonomous enterprises that compete within a market framework, including enterprises directly competing or those indirectly competing in a supply chain as well as those that collaborate in some respects for mutual advantage. The institutional context usually helps establish the trust necessary for this to take place as well as provide a supportive context for skill development and knowledge creation (universities, government research institutes), and so on. A culture of high trust also improves competitive relations by reducing 'transaction costs' and ensuring that a market contract is properly fulfilled.

*The social and solidarity economy should provide a context of high trust for a social economy cluster*, since these organisations share many values and principles which support solidaristic relations. There has been a growing interest in social and solidarity economy clusters, which are not just product or service based, but which also provide a basis for learning and mutual support. Italian Consorzi provide a formal structure for supporting cluster type dynamics, and in northern Italy cluster dynamics are also supported through higher level cooperative federal structures. The Mondragon co-operatives provide a worker cooperative industrial cluster, with supporting institutions such as a bank, a university, and research and development institute and other local institutions supporting the set of cooperatives. Quebec stands out as an exemplary regional model of the social and solidarity economy.

The concept of *embeddedness* (Granovetter, 1985, Polanyi, 2000) is also important for social innovation, which typically arises from interactions within and between networks of individuals and local organizations in the community. These embedded relations help to shape social innovation and provide support through social capital. And this proximity to the local community facilitates the recognition of unmet social needs and their articulation into entrepreneurial action. Thus, drawing on such support and building social capital are important themes in social entrepreneurship and social innovation. They are more present in social and solidarity enterprises that are rooted in local communities. The EMES network has made social capital a key theme in their work on developing social enterprise and it has conducted one of the few international comparative studies of social capital in social enterprises, analysing its importance both as a resource and its role in networking organisations through their multi-stakeholder governance structures (Nyssens, 2006).

The significance of context has been studied by a small group of researchers on conventional entrepreneurship and innovation who argue that a highly supportive culture of entrepreneurship can operate at the community or regional level. And the idea of *network entrepreneurship* fits well with the social and solidarity economy, since networks use social capital for information, expertise, and building trust to support entrepreneurship.

The key idea underlying open innovation is that in a world of widely distributed knowledge, enterprises cannot rely on their own research, but should be open to knowledge transfers and acquisition from other organizations, individuals and networks. A more democratised approach emphasises the key role of the users who benefit from innovation. Clearly, these are essential principles underlying innovation in the social and solidarity economy. Such an

approach has been developed and elaborated by social and solidarity economy actors through the concepts of proximity services and coproduction where service users and other community stakeholders play important roles in the delivery of public services.

And still at the network level of innovation, the *open source movement* has developed new approaches to innovation -- through the open source collaboration model and similar ideas informed by 'the wisdom of crowds'. The open source model came to prominence with the development of the Linux computer operating system by volunteer computer programmers motivated partly by opposition to the power of Microsoft. They developed a very efficient and effective computer operating system, which is freely available to users. In contrast to protecting intellectual property rights, their approach is to open the source computer code to the public, thereby giving its users free access and developing a new production model, where people with sufficient expertise, volunteer their time to continue to develop the system. Wikipedia is based on a similar principle. This has also led to the concept of free licenses for the use of intellectual property - known as Creative Commons' licenses - developed by Creative Commons, a non-profit organization based in California.

As one might expect, there are many social and solidarity economy organisations involved in these kinds of initiatives, but they often involve private and public sector organisations as well. A related model is "crowd sourcing" where the public (crowd) is invited to address a problem -- usually for financial prizes or public recognition. Typically, organisations act as a business by brokering this activity. Much of the activity addresses corporate problems, but there is increasing interest from non-profit organisations to apply such an approach to address social issues.

An example of this approach was used by the TB Alliance:

#### **TB Alliance Works to Eradicate One of the World's Deadliest Diseases**

"The TB Alliance is a not-for-profit organization dedicated to the discovery and development of fast-acting and affordable drugs to treat tuberculosis. In late 2007, the Alliance posted a Challenge seeking a theoretical solution to simplify the manufacturing process of a current drug compound in order to improve its efficiency and cost-effectiveness. By doing so, the drug could become more widely available, thereby slowing the spread of TB, which is responsible for one death every 20 seconds. The solution came from two Solvers; one was a scientist with a very personal stake in finding a cure. As a child, his mother fell victim to TB, and at 14, he was forced to become the breadwinner for his family. His contribution to developing a cost-effective process will benefit millions suffering from TB especially in developing and underdeveloped countries." From Innocentive website:

<http://www.innocentive.com/about-innocentive/innovation-solutions-of-note>

#### **Territorial level approach to social exclusion**

The cluster dynamics model often extends beyond the network to the level of the territory. That said, territory can blur into the network. A major international research project funded by the European Commission (Katarsis including researchers from CRISES in Quebec)<sup>1</sup> developed a local/territorial approach to identify social innovation processes where the needs of disadvantaged and socially excluded people are articulated through collective social action

<sup>1</sup> There are many references for the Katarsis Project including Deliverable 4, WP4 Social Innovation (Integration Exercise) (2009) by Isabel Andre, JK Gibson-Graham, Jean Hillier, Juan Luis Klein, Frank Moulaert, Chiara Torgaghi, and Serena Vicari. And similarly for CRISES, see: <http://www.crisis.uqam.ca/>

(and social movements) and met to varying degrees. They also explored the role of artistic and cultural action in developing an enabling cultural environment for this process. This was based on a broad perspective on social innovation as part of a process of development at the community/territory level. In this process, social innovation involves both collective action and complementary changes in systems of governance, giving access to resources and power to the disadvantaged.

*Integrated Area Development* is socially innovative in at least two senses. First of all, “the organization of groups and communities, the building of communication channels between privileged and disfavoured citizens within urban society, the creation of a people’s democracy at the local level (neighbourhood, small communities, groups of homeless or long term unemployed...) represent innovations in social relations. Governance relations are a part of the social relations of integrated area development; without transformation of institutions and practices of governance, it becomes more or less impossible to overcome the fractures caused by different disintegration factors within communities and their local territories.” (P63, Andre, Isabel et al, 2009). A more contextualised approach to social innovation takes into account the tensions and conflicts and conservatism that social change must address as well as the need to establish institutional barriers imposed by government at all levels. It is clear that bottom-up action on its own is insufficient; it must be *linked with different forms of institutional support*. These studies have developed an important theme of collective entrepreneurship/innovation at the territorial level (cf Moulaert, 2009).

### **Institutional and policy perspectives**

This section examines how the institutional and policy context can act as drivers, enablers or barriers of innovation. It is useful to develop a broad historical approach to social innovation which examines its dynamic within crisis and recovery patterns of societal change, where collective initiatives identify social and economic needs, whilst the state may play either a hindering or an enabling role. An enabling context is essential for social innovation; this involves both *democratisation* and *decentralisation* of state bureaucracies, especially at the local level to facilitate empowerment of local stakeholders.

But as noted earlier, the challenges of innovation and social change may be considerable – there are often barriers to change because change involves winners and losers. As well, change can potentially compromise already institutionalised interests of established stakeholders. And there is often conservatism within networks, resulting in opposition and resistance. Thus innovation is typically not just a matter of creativity, implementation, scaling up and diffusion; it frequently involves struggles to change the institutional context in which the social innovation is embedded. This is why theorists research innovation during times of crisis and recovery and why they examine innovation at the margins, since innovation very often operates across boundaries of organizations and networks and institutions.

Thus, there is a clear need to *contextualise social innovation*, to explain how contexts support or inhibit innovation and change from taking place. Can innovative collective action in civil society promoting the social and solidarity economy address the conservatism, conflict and resistance in institutional structures, and, similarly, overcome isomorphic pressures over a period of time (for example to become more like conventional business) ? This would typically involve *reshaping the institutional context* through an understanding of institutional entrepreneurship and institutional change so that public policies are appropriately constructed to enable the social and solidarity economy and its enterprises and organizations to emerge, develop and grow.

A central theme in the reshaping of the institutional context to allow social innovation to emerge and diffuse, is the idea that all stakeholders in the innovation process be represented in the systems of governance in a particular sector. *Co-governance* with social and solidarity economy innovators in partnership with government and other social actors, is important to guide the process of innovation. A classic example is the development of Italian social co-operatives, whose pioneers initially used existing legal structures and policy frameworks, but as this innovation diffused and grew, its leaders from emerging federal bodies negotiated complementary institutional frameworks, including specific legal structures and appropriate policy frameworks.

In order to accommodate both the cross cutting network dimension of social innovation and the multi functional nature of the social and solidarity economy, operating as it does across a variety of government policy areas (employment training, housing, welfare services, etc.) to address complex social issues, it is important that it has access to governance systems which cut across traditional governmental policy silos. And since there is often a symbiotic relationship between the state and the social and solidarity economy that can foster and support social innovation, it is particularly important for such co-governance systems to ensure that the state neither over-exploits the capacity of the social and solidarity economy for social innovation, nor ‘ crowds it out ‘ by taking over its best ideas!

In this context, intermediary bodies must have the legitimacy to play key roles as institutional entrepreneurs (innovating the policy contexts), as facilitators of social and solidarity enterprise development and as diffusers and scalars of innovation, since social innovation has to overcome the classic twin traps of “not-invented here” and “re-inventing the wheel”. And all the while establishing distinctive competitive positions in a plural economy and challenging often hostile state policy.

This leads to a more nuanced argument for developing an industry level framework for sustaining an innovative and successful social and solidarity economy:

“It is often at the industry level that a gradual reconstruction of regulations, commissioning policies and funding regimes has enabled <associations> to consolidate and expand – thereby introducing new practices, setting new standards, integrating divergent interests and improving the functioning of markets. It appears that by influencing the evolution of an industry, civil society associations can, and quite often do, generate diffuse and long-lasting social benefits. (Paton and Spear, 2010, p19)

### 3. Inventory of Knowledge

This section cannot be comprehensive, but provides illustrations of some interesting innovations and comment on trends. It is loosely based on a two-dimensional typology of innovation at different levels (local community and regional/national levels), and in different sectors such as *finance, education, housing fair trade, local/regional development, employment, agro-food, and tourism*.

#### **Finance**

Like its predecessor credit unions, *microfinance* is one of the most developed and diffused innovations which the social and solidarity economy can claim credit for. The Grameen Bank pioneered the development of the sector, which continues to expand, albeit with more realistic expectations about what it can achieve with regard to reducing poverty.

There is growing interest in *social investment* because of the rapidly increasing sums in ethical investment funds (and interest in using a proportion of pension and other mutual funds



for social purposes) and because supporting the development of financial resources and financial instruments is fundamental to a thriving social and solidarity economy. Equisol is a French investment fund based on a public partnership with large financial social economy organisations (Macif, Credit Coop, Credit Mutuel) for financing social enterprise in Ile de France. La Fiducie de la Chantier de l'économie sociale in Quebec was initially financed by both the federal and provincial government and labour solidarity (trade union) funds. From its establishment in 2007, it has invested approximately CAN\$ 21.87m. in more than 70 social enterprises, but has leveraged about eight times this amount. And the UK's social investment bank, now called the Big Society Bank, is being innovatively established through dormant bank accounts, with substantial additional funds from large private sector banks. Lottery money is also a well-established source of funds for investing in the social economy.

### **UK's Big Society Bank**

Originally part of New Labour's plans to innovatively establish a social investment bank, by making use of dormant bank accounts, the renamed "Big Society Capital" was officially launched at the end of July 2011, with £400m. from dormant bank accounts (where financial assets have remained unused for 15 years) and an additional £200m. from UK's "Big Four" banks - Lloyds, Barclays, HSBC and Royal Bank of Scotland. The aim is to assist disadvantaged youths to find employment and to fund social enterprise. It will operate by investing in financial intermediaries, which, in turn, will invest in social enterprise. It is awaiting EU approval for this innovative use of dormant funds.

There is a substantial amount of innovation, both in terms of new financial institutions and financial instruments. Thus for example, Italy has established a bank for social enterprise - Banca Prossima – a division within a commercial bank that provides loans to social enterprises. There are a growing number of social venture philanthropy funds which aim both to invest in innovative social enterprise and to build closer more strategic partnerships with them. As the FIESS has a background paper on finance, only a few examples are noted here in the context of innovations in this sector.

**Kiva** and similar organisations (e.g. MyC4 in Denmark) are considered to have great potential. Kiva is a non-profit organization for people to invest in projects to alleviate poverty. Kiva makes extensive use of the internet, and they manage investment risk by working with 133 micro-finance partners in the field to filter loan applications. There are also 450 volunteers in 60 different countries and individuals may lend as little as \$25 for projects. Almost 600,000 Kiva lenders have made loans of \$219 million and its 98.75% repayment rate is similar to most microfinance institutions.

**Investment instruments: Social Impact Bonds** are innovative financial instruments being developed by the UK based Young Foundation and Social Finance. The objective is to link financial investment to social outcomes. This involves investments by socially motivated commercial investors in social programmes and projects. Government plays a central role by agreeing to make payments to investors based on the extent to which social outcomes are achieved. For example, projects to get disadvantaged people back into work with such funding is contingent on the success of finding employment. (<http://www.youngfoundation.org/social-innovation/tips/social-impact-bonds-and-social-value>)

**Investment instruments: Patient capital** -- and similar instruments are designed to create equity-type finance so that social and solidarity enterprises may have access to long term

capital. In Quebec, repayment of capital to the Fiducie is not due until 15 years after the investment has been made.

### **Housing**

Social innovation to address homelessness has been notable - homeless newspapers are everywhere, and there are fundraising initiatives linked to homeless football competitions and sports activities which support their social and work integration.

Many countries have seen the growth of community housing over approximately the last 30 years, partly as a response to the decline in available public housing and shifts in public policy. This has led to some improvements for tenants and householders and, in some cases, it has resulted in substantial improvements. For example, in Quebec, crises amongst traditional providers (private and public) and the role of social economy intermediaries and citizen householders, has led not only to a large number of cooperatives and non-profit housing organisations (albeit slightly fewer than the government HLMs), but also to positive changes to the institutional arrangements for managing housing in Quebec (Bouchard, 2006).

Non-profit housing associations and housing cooperatives have not only innovated to become more environmentally friendly and energy efficient, but they have also added services such as childcare and work integration to provide important support for disadvantaged and excluded individuals and communities. In some cases, work integration has involved partnerships with housing maintenance contractors so that local people are employed and develop skills in the industry.

### **Fair trade**

This is a major example of transformative social innovation. It demonstrates the power of ethical consumption in the market. But its beginnings were outside conventional retail markets with volunteers selling locally in places of employment and alternative retailers selling to the local communities. In the UK, the largest retail consumer co-operative was a pioneer, but only after a major crisis made it reconsider its approach to its suppliers in poorer developing countries. Fair trade has continued to innovate and the fair trade marque now provides a model for social/ethical products and services in other sectors. An example is the development of a social enterprise marque in the UK. Branding is a key innovation in gaining increased access to markets for social and solidarity enterprises.

#### **A social enterprise certification system**

The social enterprise mark is a certification system that operates like an ethical brand for customers to confirm that a social enterprise really operates as such and lives up to its social purposes. In other words, it should be able to demonstrate that it is properly governed; at least 50% of profits are invested for social benefit; it derives more than 50% of its income from trading; that its social/environmental objectives are being achieved and that if it ceases trading, its assets would be distributed for social purposes. The social enterprise mark is administered by the Social Enterprise Mark Company which is a joint venture between the Social Enterprise Coalition and RISE (a member based regional support structure for South West England). This is a recent initiative and there are currently more than 400 Mark holders in the UK.



## **Local/Regional development**

At the regional level, there are outstanding examples of structures providing strategic leadership and coordinating the social and solidarity economy through co-governance systems with government and other actors. These include the CRESS (Chambre Regionale de l'Economie Sociale et Solidaire) across regions in France and the Chantier de l'économie sociale in Quebec that has helped establish that province as an exemplary regional model of the social economy.

There have also been a number of initiatives at local/regional level to directly sponsor social innovation.<sup>2</sup> For example, in Spain there are plans for a social innovation park in Bilbao which will develop into a social innovation Silicon Valley, with initial funding coming from the Spanish local and national governments.

(<http://denokinngorkaespiou.blogspot.com/2010/01/new-social-silicon-valley.html>).

## **Agro-food and tourism**

In many countries cooperatives are very strong in the agricultural sector, and although they have sometimes been rather conservative compared to some cooperative sectors, recently, there has been a great deal of innovation linked to food, rural development and local tourism.

There are also some elements of the fair trade model in the local food movement. And from recycling and composting through to ecological/organic products and services, the social and solidarity economy has been a driving force, sometimes innovatively using the internet to bring together producers in depressed rural areas and better off urban consumers. An interesting example is a lottery funded portal for food cooperatives in the UK (<http://www.sustainweb.org/foodcoops/>). In Greece, agro-tourism cooperatives have helped local farmers develop a new source of income, bring new skills into the household, and help regenerate rural economies.

### **Slow Food**

The slow food movement began in Italy in 1986 initially in opposition to the opening of McDonald's in a historic area of Rome. Today, it has developed more generally to oppose big business domination of retail food and to promote the value of good local/regional, organic, traditional food. It operates through a non-profit organisation with over 100,000 members in over 130 countries. It operates through a very decentralised structure to promote local farmers and artisanal food producers committed to quality through events (feasts and fairs), education, promotion, and lobbying. Slow Food now has a foundation to support biodiversity - Fondazione Slow Food per la Biodiversità, which, for the last five years, has produced social reports on its own performance.

## **Employment**

Work integration social enterprise has become one of the major innovations of the social and solidarity economy (Nyssens, 2006); it has been widely adopted in many countries, and the model has been applied in all sectors. Indeed, there is a real risk that the development of social enterprise in some countries will be limited to this activity alone. There have been innovations both in terms of work integration for a diversity of users (as in the Italian social co-operative model), as well as specialisation for different types of disadvantaged people

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<sup>2</sup> NB. Institutions that support social innovation in Canada can be viewed on a map: <http://mapalist.com/Public/pm.aspx?mapid=114446>

(such as female groups, youth and people with learning disabilities). Government policy has been adapted to this new work/training model; government contracts for this kind of activity have become commonplace and poverty traps have been addressed through, “working poor” fiscal measures. Indeed, the model is now being extended for the work integration of people with disabilities (see for example the UK coalition governments current policy based on the Freud Report).

(<http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/freud-report/>)

Education for social entrepreneurship and social innovation also appears to be an interesting new development. There are a growing number of initiatives including the Ashoka-U (university network) and the U.K.'s School for Social Entrepreneurs (founded by one of the UK's most well-known social innovators Michael Young), which had its government funding doubled after the recent economic crisis due to its employment creation potential. There are also a growing number of social enterprise/innovation incubators, such as the UK's CAN (<http://www.can-online.org.uk/> and the international HUB --<http://the-hub.net/>)

### **Policy innovation**

Finally this subsection identifies some themes of good policy that overcome barriers and enable innovative collective entrepreneurship. The preconditions for establishing good policy innovation in relation to the social and solidarity economy are as follows:

- recognition of the social and solidarity economy as an equal partner in the policy arena;
- recognising the distinctive contribution of social and solidarity economy to policy themes;
- helping to build capacity of the social and solidarity economy and its leadership structures;
- opening and facilitating access to procurement markets;
- building co-governance systems with the social and solidarity economy for policy development;
- building cross sectoral systems and policies to overcome government departmental silo functioning

Innovations can be identified in each of the above areas, some of which have already been noted in earlier sections. Researchers have played an important role in developing an understanding and recognition of the distinctive contribution of the social and solidarity economy. A notable example has been the Canadian Social Economy Hub co-directed by Rupert Downing and Ian MacPherson, with regional/provincial nodes across the country.

(<http://www.socialeconomyhub.ca/>)

#### **The Canadian Social Economy Hub**

The CSEHub co-directed by Rupert Downing and Ian MacPherson brought together a collaborative action research partnership between six regional/provincial nodes or research centres across Canada (Québec, Atlantic, Southern Ontario, Prairies and Northern Ontario, BC and Alberta and the North), and community partners and wider social economy practitioners.

It carried out research to analyse and develop the social economy tradition within Canada and supported a partnership research methodology on the social economy within universities. This outstanding example of a national applied research partnership was supported by a five-year Social Sciences and Humanities Research Council grant. It brought together 300 researchers working on 200 projects on food security, social enterprise, poverty reduction, policy, to name a few of the research areas. (<http://www.socialeconomyhub.ca/>)

Capacity building is also an important area for innovation, particularly as the social and solidarity economy has an increased potential role in public service delivery. The UK's voluntary sector Compact, which has existed for more than 10 years, is a prominent example. Capacity building programmes have functioned with the support of innovative financial bodies and development assistance. As an example of "best practices", the Compact has recognised the importance to also build the capacity of intermediary bodies.

#### **The UK Compact between Government and the Voluntary and Community Sector**

The "compact" was a fundamental basis for developing good relations between the government and the third sector in England. The essential features of "the Compact" was a broad outline agreement to develop good relations with the third sector; it resulted in a wide variety of supportive policies to increase the capacity of the third sector, whilst preserving its distinctive values and practices. The Compact was initially introduced in 1998. It set out the framework for how the government and the sector would work together for mutual benefit. It is also established codes of good practice to improve performance in the following areas:

- funding and procurement
- consultation and policy appraisal
- ethnic minority voluntary and community organisations
- volunteering
- community groups

Thus the Compact and the codes of good practices were central to establishing a shared understanding and vision for joint development of the relationship. It has functioned at different government levels to reflect the diversity of the organisations in the voluntary and community sector. At the local level, Local Compacts, shaped by the National Compact and Codes of Practice, inform partnerships between voluntary and community sector organisations and public sector bodies at the local level. National policy for developing Local Compacts applies to all local authority areas in England. Evaluation of the effectiveness of the Compact is regularly reviewed, and since 2007, an independent Commission for the Compact oversees its operation.

#### **4. Challenges and Issues**

There are primarily two types of challenges and issues – those internal to the social and solidarity economy such as promoting learning and scaling and developing social entrepreneurship, and those external to the social and solidarity economy, where institutions and policy frameworks play important roles.

**Barriers/drivers for innovation.** Internally, the barriers are conservatism (both at the organisational and the sectoral level), the absence of a culture of innovation and learning and the lack of incentives, policy measures and institutional support. One of the great *drivers* of innovation which is specific to the social and solidarity economy is the collective action of individuals, groups, and agents of change (social movements in its most pressing form). Leadership in social and solidarity economy organisations and their individual organisations plays a central role in developing initiatives to create innovative products, processes and systems. Collective action is at the root of this process.

**Conservatism** ( including within the social and solidarity economy). This is likely to be addressed through developing linkages, including between the old and new social and

solidarity economy. Government also has an important part to play in developing a culture for innovation and entrepreneurship and incorporating this into funding and procurement programmes. Furthermore, using the diversity of multi-stakeholder structures in social and solidarity economy organisations and in co-governance systems, can help break down traditional conservative thinking and practice.

There is a need to address problems of **adoption and scaling** to overcome the sense that good social innovations are frequently not replicated and that there may sometimes be a “not invented here syndrome”. Both in terms of perspectives/approaches and evidence in the social and solidarity economy, it is clear that intermediary bodies play a crucial role in helping to foster a culture of entrepreneurship and innovation and in supporting the development and replication and diffusion of effective innovations. This includes assessing the potential of innovations and supporting their development through incubators and piloting and developing effective scaling strategies such as social franchising and negotiation with government for diffusion and adoption programs, etc.

### **Social Franchising**

Social franchising or "social replication" refers to a great variety of replication strategies, and it may not be relevant to every type of social enterprise business model. Examples include a large scale model in Flanders, De Kringwinkel, which employ 3800 people; the School for Social Entrepreneurs which operates on several sites in the UK as well as in Australia and a well-known social franchise of social enterprises hotels in Italy, Le Mat, which employs disadvantaged workers.

**Le Mat:** More than twenty years ago, five women, who were members of a social co-operative, established Hotel Tritone in Trieste at a time when the Italian government policy favoured de-institutionalising people with mental illnesses. It went on to develop a hotel franchise, Le Mat, supported through the EU EQUAL programme, together with 24 partners. Currently, Le Mat consortium comprises 10 social co-operatives and other organisations.

European initiatives are supported by the European Social Franchising Network (ESFN) which aims to develop the concept and practice of social franchising. There are currently over 50 social franchises in Europe, and they employ about 10,000 people.

**Crowding out** – If social innovation is undertaken and developed by the state and private sectors, this can lead to a crowding out of the social and solidarity economy. In the case of the private sector’s creaming and cherry picking, this undermines the competitive position of the social and solidarity economy, which places much greater emphasis on risk solidarity (where the risks of high and low needs are effectively pooled thereby reinforcing community solidarity).

Linked to this issue is the ongoing need to develop **measurement and evaluation systems** to demonstrate the added value of the social and solidarity economy to wealth generation, equity and the promotion of sustainable livelihoods (cf Mook, Quarter, Richmond, 2006).

Future themes for innovation include further developments of the ethical consumption model; innovations in regulatory and certification systems (marques such as fair trade, etc); the development of new markets (for example, carbon trading) and peer trading systems; new green/ethical industries; new initiatives in citizen democracy, such as Porto Alegre-inspired participatory budgeting, and the development of greater flexibility in benefit regimes (e.g. flexicurity), since sympathetic reform of benefits systems can also make a large difference to both the functioning of social and solidarity economy organisations and also to those who

who wish to get back into the workforce (Paton and Spear, 2010). The French RSA system (revenu de solidarité active) seems to provide some innovations to incrementally reward people as they return to work. (<http://vosdroits.service-public.fr/F502.xhtml>)

## Summary

This paper has examined innovation and social innovation in relation to the social and solidarity economy. It has explored different approaches to innovation, different typologies, and different perspectives. It has described current trends and themes in innovation and social innovation relevant to the social and solidarity economy. Finally, it has discussed issues and challenges that the social and solidarity economy needs to address. In this way, the paper is contributing to a wider discussion on innovation in the social and solidarity economy and how public policy must support its innovative capacity to contribute to wealth creation while meeting larger societal objectives.

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