

2 Understanding Social Innovation

Mainly sociologists concur on the importance of social innovation for societal progress. Additionally, the introduction presented social innovation as a macro-economic driver. However, research on the value of social innovation in the business sphere is only in its beginnings. In order to introduce shared value as a socially innovative business strategy we hence, have to understand social innovation at first. To this intent, the current stand of social innovation research will be presented in the subsequent chapters.

2.1 The Conceptualization of Social Innovation

Although non-economic aspects of innovation have already been emphasised by Schumpeter, scientific debate on social innovation has only started recently (Moulaert et al., 2005: 1977). This first sub-chapter introduces social innovation and provides a deep understanding of its facets. Therefore, we first review existing social innovation literature. Then, we will derive a definition of social innovation that forms the basis of the subsequent empirical research and differentiates social innovation from other innovation types.

2.1.1 *Social Innovation in the Literature*

For gaining a theoretically well-grounded understanding of social innovation it is indispensable to not only screen management literature but also sociological literature, since much research on the topic has been conducted by sociologists. In order to retrieve a comprehensive set of articles, including both sociological and management literature, the search was conducted as a two-step process. At the first step, a keyword based search was conducted. Scientific databases were searched for the term “social innovation” and for the adjacent topical area of “sustainability innovation”, for a mutual reference was assumed. In the second step, we tried to determine relevant articles that were not included in the results of the keyword based search but were cited by scientists. Applying this method we obtained an ample set of literature on social inno-

vation that helped to understand the origins of this research area and to get profound insights into the research conducted so far.

The literature analysis found that although several scholars like Weber (Moulaert et al., 2005: 1969), Schumpeter (Moulaert et al., 2005: 1969), Ogburn (1957), and Zapf (1989) emphasized the importance of social innovation for many decades, social innovation is still a neglected topic in innovation literature compared to technical innovation (Gillwald, 2000: 1; Howaldt & Schwarz, 2010b: 49; Zapf, 1989: 177). The appreciation of social innovation as an important driver for addressing today's challenges, together with its intense practical and scientific discussion began only a few years ago.

At the beginning of the millennium, social innovation was still a field where scholars were striving to start research by finding a commonly accepted definition of social innovation that made it accessible to empirical research. Furthermore, the literature review uncovered that scholars do not yet share a coherent understanding of social innovation (Aderhold, 2005:15; Moulaert et al., 2005: 1976; Roth, 2009a: 233), but that a common consent is forming.

Besides this, academic publications focus on case studies on social entrepreneurship (Peredo and McLean, 2006). Further literature is mainly provided by institutions and does not fulfil scientific norms due to its hands on approach. Still, it offers valuable insights, for example, into the process of designing social innovations (European Union, 2010: 27f.; Mulgan et al., 2007: 11-13), by presenting examples of social innovation (Phills, Deiglmeier, & Miller, 2008: 40); or how it can be scaled up (Dees, Anderson, & Wei-skillern, 2004: 30). All this however, is not the focal concern of this paper. Instead, we focused on what social innovation is and how can it be institutionalised.

Within the researched academic literature, three different understandings of social innovation can be distinguished. The first strand focuses on non-technical innovations in an organizational context, the second strand regard social innovation to be connected to technological innovation and the third strand is taking up the notion of social innovation as new social practices.

The first strand of social innovation literature can be characterised as having a management focus. According to Moulaert et al. (2005: 1973) this notion was dominating the research of 'social innovation' in the 1990s. Within this line of discussion, social innovation refers to improvements in social capital in order to enhance organisational effectiveness (Moulaert et al., 2005: 1974). Thus, it encompasses organisational change in order to improve a company's competitiveness (Moulaert et al., 2005:

1973). Examples for this kind of social innovation are concepts like dynamic management, flexible organizations, development of skills and competences as well as networking between organisations (Pot & Vaas 2008: 468), or marketing innovations (Kesselring & Leitner, 2008: 9).

The second strand of social innovation literature considers social innovation as connected to technological innovation, reflecting the strong technology orientation of current innovation research (Howaldt & Schwarz 2010b: 51). This literature can be subdivided into having an external and an internal orientation. The external view is summarised by the term ‘adoption of technology’ and traces back to sociologist, Ogburn (1957). He differentiated between technical and social innovation whereby he understands technology as the driver of societal progress (Howaldt & Schwarz 2010b: 27). In his cultural lag theory, Ogburn (1957: 169) postulates that cultural development lags behind technological innovations. In order to hold the pace of technological innovation, adaption by social innovation is needed. Roth (2009a: 232) relativises this by proposing that every innovation has a social dimension that is essential for new products to lead to market success.

The internal view looks at the question of ‘how innovations occur’. Since the process of innovation is a social one, new ways (Blättel-Mink, 1997: 20) and non-economic success factors (McElroy, 2002: 37f.) of finding technological innovation are considered a social innovation. Social innovation thus, acts as a residual category for the success of technical innovations. The focus of this line of literature on social innovation is to explore the concept as ‘precondition, by-product and compensatory consequence of technological changes’ (Howaldt & Schwarz, 2010b: 28, own translation) but is not regarded an independent concept.

The third strand of literature presents social innovation as an independent concept. Moreover, it follows a different understanding of ‘social’. Here ‘social’ is understood as social practice. Social innovation is detached from technological innovation and regarded an autonomous object of research. This understanding of social innovation forms the basis of this thesis. Therefore, this strand of literature will be detailed more thoroughly in the following chapters. We start with deriving a definition of social innovation.

2.1.2 *A Definition of Social Innovation*

Scholars have been striving hard to start research on this third strand of social innovation by finding a commonly accepted definition that makes the concept accessible to empirical research. However, up till now, researchers do not yet share a coherent understanding of social innovation (Aderhold, 2005:15; Moulaert et al. 2005: 1976; Roth, 2009a: 233).

The work of Zapf (1989: 177) can be considered the point of origin of the theoretical school introduced above. He defines social innovation as

new ways to reach aims, in particular new organizational forms, new regulations, new lifestyles, which alter the direction of social change and which solve problems better than former practices. They should be worth being imitated and institutionalized.

This forms the basis of later definitions of social innovation as social practice. The criticized void of Zapf's definition is its link to the non-sizable notion of social change, which allows only historical ex-post analysis of the phenomenon. The problem of identifying and measuring social innovation when being connected to social change brought Kesselring (2009: 149) to propose exchanging the connection to social change for the criterion of intentionality.

Moreover, social innovation is argued to benefit in an economic, social, ecological or political way and is thus considered a better solution to known problems. Thus, the criterion of relative newness must be considered for social innovation rather than absolute newness which is distinctive to technological innovation (Gillwald, 2000: 36-37; 42).

In contrast to technical innovation, market rationalities are in question for social innovation. Following that, another defining criterion must be found instead of market success. Konrad and Nill (2001: 6-7) propose to judge social innovation on independent social and ecological criteria. Gillwald (2000: 36-37) suggests to replace the criterion of market success by the degree of diffusion of a social innovation among its beneficiaries. This would also free social innovation from getting the notion of only being a temporary fashion.

Social innovation mostly entails the creation of institutions or new ways of interaction that cannot be traded on a market. Therefore, several authors focus on the relationship between people or institutions in order to achieve social goals (Buchegger & Ornetzeder, 2000; Conger, 2009; Marcy & Mumford, 2007). Examples of social innovations

are labour unions, supported employment, self-help groups, or fair-trade (Conger, 2009: 1 f.; Phills, Deiglmeier, & Miller, 2008: 40; Zapf, 1989:178).

Based on the existing concepts and definitions of social innovation Howaldt and Schwarz (2010a; 2010b) developed a well-grounded definition which brings the concept from its early abstract understanding by Zapf (1989: 177) to a sizable concept that allows for empirical analysis. Howaldt and Schwarz (2010b: 54-55) define social innovation as

[...] an intentional, result oriented new combination or new configuration of social practices. They come about by particular actors or actor constellations in defined spheres of activity or social contexts, with the aim, to better solve or satisfy problems or needs than it is possible on basis of established practices. It can be considered a social innovation in so far as it becomes socially accepted either in a market mediated way or 'non-, respectively without-profit' as well as by its broad diffusion into society or certain societal section. In doing so it is context dependently transformed and finally institutionalized as new social practice or becoming a routine.²

Thus, Howaldt and Schwarz (2010b) contribute to the foundations of social innovation research by discussing and combining prior definitions of social innovation in an encompassing one. This definition forms the basis for the understanding of social innovation in the further course of this thesis.

2.1.3 Differentiation of Social Innovation from other Innovation Concepts

This chapter aims at enhancing the understanding of social innovation by distinguishing it from other concepts of innovation. It furthermore, highlights several particularities of social innovation. Innovations are central success factors for companies. According to Clausen and Loew (2009: 32) innovations are based on changes in products, markets, society and the competitive environment. In order to succeed in the market, companies have to harness these challenges and participate in the innovation process that grants them pioneer advantages over their competitors (Trott, 2010: 4).

² Definition translated by JS. Original wording: „Eine soziale Innovation ist eine von bestimmten Akteuren bzw. Akteurskonstellationen ausgehende intentionale, zielgerichtete Neukombination bzw. Neukonfiguration sozialer Praktiken in bestimmten Handlungsfeldern bzw. sozialen Kontexten, mit dem Ziel, Probleme oder Bedürfnisse besser zu lösen bzw. zu befriedigen, als dies auf der Grundlage etablierter Praktiken möglich ist. Es handelt sich dann und insoweit um eine soziale Innovation, wenn sie - marktvermittelt oder "non- bzw. without-profit" sozial akzeptiert wird und breit in die Gesellschaft bzw. bestimmte gesellschaftliche Teilbereiche diffundiert, dabei kontextabhängig transformiert und schließlich als neue soziale Praktik institutionalisiert bzw. zur Routine wird.“

Myers and Marquis (1969) define innovation as

[...] not a single action but a total process of interrelated sub processes. It is not just the conception of a new idea, nor the invention of a new device, nor the development of a new market. The process is all these things acting in an integrated fashion. (Myers & Marquis 1969, cited by Trott, 2010: 14).

Innovations are classified into several types. These vary amongst authors (Fichter, 2005: 98-100; Konrad & Nill, 2001: 23; Tidd & Bessant, 2010: 10f.; Trott, 2010: 16f.). The typology provided by Fichter (2005: 98-100) enumerates product innovation, process innovation, organizational innovation, service innovation, system innovation, sustainability innovation and institutional innovation. To this picture, Konrad and Nill (2001: 23) add social innovation as another central generic innovation type. Each of these innovation types determines an individual line of research.

Innovations are generally distinguished into radical and incremental, as well as into basic and follow-up innovation. These can be applied to every type of innovation presented above. Incremental innovations describe the continuous improvement of earlier innovations. Follow-up innovations are those that are linked to a prior, mostly radical basic innovation. A radical innovation is detached from existing products or technologies. Its acceptance entails changes in dominant cognitive frameworks (Abernathy 1978, 68-81). In analogy, social innovation can also be differentiated into these categories. Radical social innovation in particular must come along with new values and evaluation criteria. This is essential to positively affect its adoption and to avoid resistances in the implementation phase (Rammert, 2010: 38f.). The characteristic of values as a 'driving force' (Harrison, Bourque, & Széll, 2009: 11) of social innovation is moreover, highlighted by most scholars of this discipline (Gillwald, 2000: 7f.; Howaldt & Schwarz 2010a: 90-91; Kesselring & Leitner, 2008: 28; Kesselring, 2009:151; Lindhult, 2008: 43f.).

The constitutional criterion of market success for innovation, however, can only be applied to products, services and in part to process inventions because they aim at achieving financial success in the market. For the other types of innovation enumerated above, this criterion does not apply, since they cannot be introduced to a market. In the absence of a market for new processes, organizational structures or social benefits, the diffusion criterion becomes more important in this regard.

Schumpeter (1993: 100) introduced the differentiation into invention, innovation and diffusion. Invention is understood as the novelty itself, whereas innovation requires the

diffusion of the invention in the market. Following Schumpeter's understanding of innovation and Howaldt and Schwarz (2010b: 54-55), who define social innovation by its market mediated or 'non-profit' triggered broad diffusion, we suggest that one should speak of social invention prior to a social innovation's adoption by several agents.

As for innovations, which centre on social and environmental dimensions, scholars emphasize the increasingly complex nature of innovations (Clausen & Loew, 2009: 33; Konrad & Nill, 2001: 23). This is due to the need for taking into consideration more complex initial situations with regard to technological, environmental and societal framework conditions. This encompasses also anticipating possible negative effects of innovation endeavours (Fichter & Arnold, 2003: 39). Besides this, Lindhult (2008: 43f.) points out the stronger process orientation of social innovation respective to technological innovation.

It can be concluded, that the basic characteristics presented above, apply to all types of innovation. Still, most research on innovation is conducted with a predominant focus on technology. However, other types of innovation increasingly enter into the focus of research. Affecting several dimensions, such as business, society, environment, and technology, their interactions between various context variables have been experiencing broader attention. Furthermore their lack of an innovative artefact comparable to technological innovation limits the applicability of the market criterion, putting a stronger emphasis on the condition of diffusion.

2.2 Diffusion of Social Innovation

An important aspect of the definition of social innovation is its diffusion. Before that not having taken place one basically may not yet term a new practice a social innovation, but a social invention as has been argued in analogy of Schumpeter (1993: 100). To get an ample understanding of the diffusion of a social innovation we are going to present the current status of diffusion research in social innovation literature. After that, we are going to add insights by presenting the research of systemic innovation literature.

2.2.1 *Diffusion in Social Innovation Literature*

This section focuses on the diffusion of social innovation based on social innovation literature.³ According to the definition we previously accepted, social innovation should be emulated and adapted to divergent environmental conditions in order to disseminate and institutionalize in a broad degree. This can take a long time because new social practices have to stand up to deeply rooted routines. Lock-in into the existing system, therefore, is the main barrier to the diffusion of social innovation. Especially in the business sector, social innovation is considered to deteriorate performance in the short run. The habitual way of doing or thinking about something materializes over time into basic assumptions, values and norms and become psychological as well as practical barriers to change (European Union, 2010: 23-26). As long as an established system works quite well, people have high stakes in stability. This is due to sunken investments of money and time, so that the benefits of continuity outweigh the risks of change. Businesses and governmental networks additionally hold back social innovation because they tend to overlook the deficiencies in current practices (European Union, 2010: 23-26). Thus, incremental social innovations tend to diffuse more easily since they face less opposition than radical innovations of social practices. To overcome this lock-in situation, Conger (2009: 20) proposes that social innovation should:

1. have a relative advantage over present methods;
2. be compatible to existing values, past experiences, and needs of the receivers; complex or simple to understand and use;
3. be able to try and experiment with on a limited basis;
4. have visible results.

This last aspect is also highlighted by Rammert (2010). According to him, a social invention should not only be perceived as a new and better practice than the existing ones, but also be communicated as such. He requests that social inventions should be embedded in institutional contexts (Rammert, 2010: 34-38).

For an effective diffusion of social innovation, pull and push factors are equally needed. A pull impact, or effective demand, comes from organizations or consumers perceiving a societal need and having the capacity to address it, for instance as multi-actor groups. Enacting laws that create a demand for a certain social innovation is important

³ A more extensive discussion of diffusion of innovation with regard to its historical development and current status of research can be found by Rogers (2002) or Tidd & Bessant (2010).

for scaling it up (Murray et al., 2010: 13). A push or effective supply impact comes from innovative ideas, and their demonstrated feasibility and communication (European Union, 2010: 30-31). Furthermore, a social innovation establishes a new practice that is dependent on social preconditions which are not met at the time when social innovation exits the invention phase. Thus, the conditions that are necessary to make the innovation a success can be developed and changed, for example by attitude adjustments of consumers' mentality (Aderhold, 2009: 187).

In order to get out of existing routines and to guarantee the dispersion of social innovation, several scholars emphasize the special importance of inter-sectorial alliances between flexible (small) business and big institutions, be them political players, social movements, or academic actors (Braun-Thürmann & John, 2010: 65; Kristof, 2010: 75). Mulgan et al. (2007: 4-5) term these cooperations bees and trees that have to be cross-pollinated (Mulgan et al, 2007: 4-5; Kanter, 1999: 127). When it comes to social innovation on the one hand, everybody becomes an agent, be it as provider or user (Gillwald, 2000: 25). On the other hand, the achievement of one single creative entrepreneur, in the sense of Schumpeter, loses its significance (Kristof, 2010: 75). In fact intra- and inter-sectorial networks gain in importance (Hanke & Stark, 2009: 512).

2.2.2 Diffusion in Systemic Innovation Literature

Since social innovation research is still in its infancy, especially with regard to its contribution to management science, it appears worthwhile to closer consider adjacent fields of research and to analyse them for their scientific contribution on social innovation. Older definitions of social innovation relate the concept to change. According to definitions like the ones by Zapf (1989: 177) or Gillwald (2000: 14) the final goal and distinguishing characteristic of social innovation was its leading to social change. Although, we decided to base our study on the slightly different and more precise definition of Howaldt and Schwarz (2010b), it appears fruitful to have a look on the literature of systemic innovation non-withstanding. This research sector provides valuable insights into solving lock-in situations and the diffusion of radical technological innovations.

Transitions are characterized as multi-actor processes, involving business, governments, civil society, and the households. Transitions drag on over a long timeframe—at least 25 years. They comprise changes on the supply side, for example technology or industry structures as well as on the demand side, like user preferences, or cultural

meanings. Furthermore, they involve changes in the elements and structure of socio-technical systems (Geels, Boelie, & Green, 2004: 4-6).

The main focus of this research is on transition paths, which means the emergence and diffusion of a new socio-technical system. The principal contribution of systemic innovation to social innovation research is to enhance the understanding of diffusion of social innovation as well as the barriers to it. Within systemic innovation research, two core concepts can be identified: transition management and strategic niche management. The latter will be presented in more detail.

Strategic niche management 'builds on and leverages the dynamic forces of market competition' (Schot & Geels, 2008: 542), in order to overcome lock-in situations for social and sustainability innovations or radical innovation that mismatch existing infrastructure, user practices or regulations (Nill & Kemp, 2009: 675). Innovations that are expected to be valuable in achieving certain goals are nurtured at first in technological, and later in market niches by governments and businesses until the time is ripe for their wider acceptance (Schot & Geels, 2008: 539). These so called proto-markets are used to explore potential alignments of technology, user demands and sustainability issues for mostly radical innovations (Nill & Kemp, 2009: 675). Ultimately the innovations, that were protected in market niches might replace or transform an entire regime (Schot & Geels, 2008: 539).

Those niches are subject to niche internal processes. Research identified three processes as critical to successful niche development (Kemp, Shot, & Hoogma, 1998; Schot & Geels, 2008). First, the articulation of expectations and visions in order to direct learning processes, attract attention, and legitimize the protection of the innovation. Second, is the building up of social networks. These bring together the stakeholders that are relevant for the innovation and thus, facilitate interaction, provide resources like money and expertise and help to build-up the critical mass to scale up the innovation. Third, learning processes at multiple dimensions. Learning processes should not be limited to first-order learning, that is, the gathering of facts and data, but should comprehend also second order learning, which is directed at changing cognitive frames and assumptions (Schot & Geels, 2008: 540-541).

However, research found that these niche innovations (micro level) hardly ever really lead to regime transformations without linking up with external processes on the meso- and meta level (Rip & Kemp, 1998). This led to the development of the multi-level perspective on transitions (Geels, 2002: 1263), which is depicted in Figure 1.

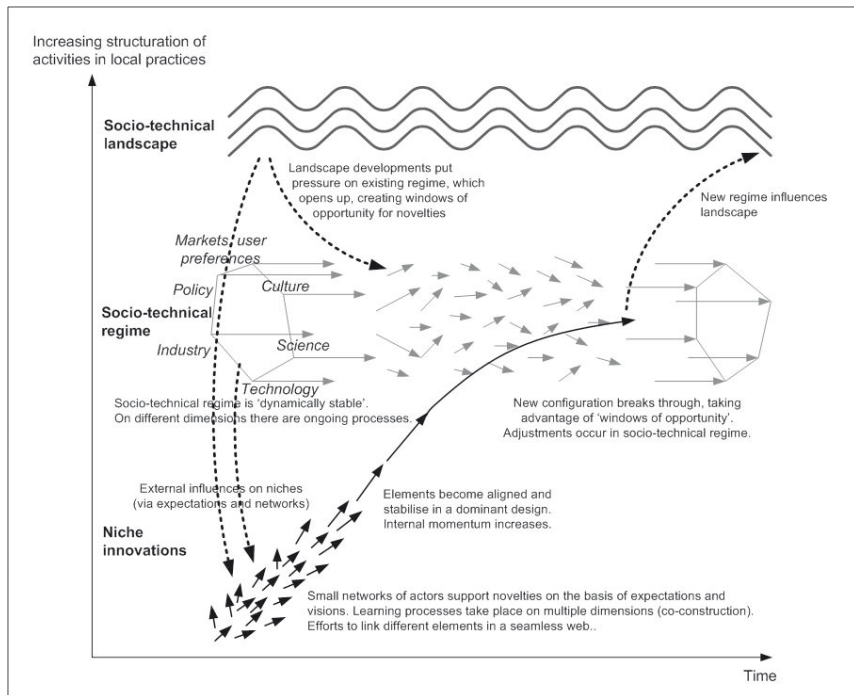


Figure 1: The multi-level perspective on transitions. Source: Geels & Schott (2007: 401), adapted from Geels (2002: 1263).

Radical innovations emerge on the micro-level in proto-markets. The meso-level is the socio-technical regime which is formed by shared and deeply rooted cognitive routines in society as well as in laws, norms and other rules. The macro-level consists of the socio-technical landscape, which is the setting beyond the influence of niche and regime agents, for instance macro-economics, deep cultural patterns, or macro-political developments (Schot & Geels, 2008: 545). Transitions come about by processes between the three levels, whereby strategic action is important to create the linkages between niche and regime to foster the transition. Socio-technological transitions bring about change in the following sequence:

- 1) niche innovations build-up momentum through their internal processes;
- 2) changes at the landscape level create pressure on the regime by executing shocks;

- 3) destabilization of the regime creates windows of opportunity for scaling up niche innovations (Schot & Geels, 2008: 545).

This detailed model of transitions and their influencing factors offers an explanation of the institutionalization processes of new technical innovation. We argue that it also provides insights into the diffusion of social innovation. It explains furthermore how the diffusion of social innovation can be actively influenced, since it integrates the dynamic interplay of diverse actors on several levels that influence system stability or dynamics respectively. However, in the case of social innovation one cannot speak of socio-technical regimes but rather from the regime level per se. This draws into consideration its multi-dimensional character. Although social innovation lacks an artefact that can be marketed as is the case for radical technological innovations, we contend that a social innovation has to be equally accepted by regime actors. In their only two month old paper Witkamp, Raven and Royakkers (2011) argue for the applicability of strategic niche management to explain a possible diffusion of social entrepreneurship. Although, both argumentations appear alike, the empirical study by Witkamp, Raven and Royakkers (2011) focuses on the niche regime interactions between social entrepreneurship, societal, and business values. Thus, their findings complement our approach that focuses on the niche internal processes of fair and organic fashion.

2.3 Critical Review of Social Innovation

The thesis introduced social innovation as new social practices that better solve existing challenges and that have to find broad acceptance. It was argued that social inventions are located at the interface between different societal domains. Especially, the intersection with companies is considered to lead to effective social innovations (Kesseling & Leitner 2008: 7). With respect to the aforementioned changes in the framework conditions of value creation, we introduced social innovation as a new innovation dimension that could encounter current developments within the business environment. We posit that social innovation thus, can lead to economic success. For the characteristics of social innovation presented above, a socially innovative business strategy must combine new configurations of business activities and their diffusion into prevalent management practices. These configurations must intentionally aim at better solving certain problems or needs as is brought forth by the currently prevailing business practices. Besides this, we highlighted the special role of values as a driving

force of social innovation. In the case of a socially innovative business strategy, the diffusion will come along in a market mediated way, by proving its profitability.

Lock-in into the current system was identified as main barrier to the diffusion of social innovation. We added to the insights of the social innovation literature the more profound understanding of systemic innovation research to overcome lock-in situations. It can be summarized that the different scholars researching on the diffusion of social innovation and the multi-level perspective on transitions consider the same elements critical to the institutionalization of inventions. Both lines highlight the central role of values and cognitive frames and intra- or inter-sectorial alliances to a successful establishment of an innovation. However, the multi-level perspective on transitions offers a coherent model on how to overcome lock-in situations. This is the reason for us to suggest a formalization of the insights into the diffusion of social innovation in this model.

Although social entrepreneurship is considered a major social innovation in business administration due to its high problem-solving potential of societal needs (Peredo & McLean, 2006: 59; Witkamp, Raven and Royakkers, 2011: 668), we posit that this socially innovative business model will probably not be incorporated as a dominating business regime due to the lacking profit argument and thus absent market mediation. Instead, we introduce the shared value concept by Porter and Kramer (2011) as a social innovation in management in the following chapter.



<http://www.springer.com/978-3-658-05460-1>

Social Innovation for Business Success

Shared Value in the Apparel Industry

Schmitt, J.

2014, XI, 99 p. 6 illus., Softcover

ISBN: 978-3-658-05460-1