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## Innovation and Collective Entrepreneurship

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## INNOVATION AND COLLECTIVE ENTREPRENEURSHIP

*Roger Spear\**

**Introduction**

Innovation became important years ago when people became interested in the dynamic underlying economic development and growth. And innovation has been intimately intertwined with entrepreneurship. Joseph Schumpeter, writing in the early 20<sup>th</sup> C, 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, and 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, photo-voltaic cells) and gene technology changing medicine and pharmaceuticals.

But innovation does not arise just from technological change. This emerged more clearly when people became interested in changes to the service sector (transport, education, distribution, etc). Thus, 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 individualized learning to group learning; and research (albeit contested) on different learning styles, which has led to more flexible and varied teaching methods.

Innovation in work routines and management practices has improved productivity and efficiency. Classic examples are the many quality improvement programmes that Japanese manufacturers introduced, subsequently influencing manufacturing globally. Similarly new concepts like “Just in time production” have also dramatically changed the way services are operated, 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. And the philosophy of “New Public Management” has embraced private sector management practices and promoted them as best practices in the public sector.

**Innovation in the service sector**

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

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Of course technology has driven changes in the service sector too – particularly ICT technologies; for example, computers and the internet have revolutionized 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 competences. 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 important particularly in service innovation, because 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 eg quality improvement processes). However, in the service sector it often may be more difficult to measure the outcomes from an innovation since traditional economic measures are not so easily applied; i.e. the level of innovation may be underestimated, particularly as service innovation is typically incremental rather than radical/transformational, and is often concerned with quality improvements. However, until relatively recent huge investments in IT services, investment in innovation in the service sector has been historically lower than in the manufacturing sector.

There is some theoretical debate over the extent to which service and manufacturing innovations are separate and distinct (technical versus non-technical), or part of the spectrum with similar patterns of innovation. 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 frequent need to contextualise the innovation to 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**

Classic innovation theory differentiated between 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. Later theories developed network models of innovation where a complex web of stakeholders (including users) play different roles in an extended innovation process.

Thus there are simple models which see the entrepreneur as the innovator, and much more complex ones where networks are central. Nonetheless it is useful to differentiate between some of the key stages through which innovation needs to go.. Firstly, there is the creative stage where a need is identified and an idea generated to address it; secondly, the idea has to be developed into an innovation (product or service), which 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 where the innovation becomes more widely promoted and adopted. 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. As noted above, there may be sectoral differences (manufacture/services) in each of these stages.

The social and solidarity economy typically operates in specific areas of the service sector (welfare/social services, work integration, etc); it is worth mentioning some of the distinctive features of innovating in such contexts. Firstly the social problem or need may not be readily identifiable as a 'found object'; instead, stakeholders associated with a particular community may have a central role in specifying and conceptualising the precise nature of the problem that needs to be addressed. Secondly, the entrepreneurial process, which is often described in heroic individualistic terms, may often be more collective or organisational with a diversity of stakeholders involved in different roles. Thirdly, as indicated in the section on service innovation, contextualisation of the innovation to the specific localities for use with specific stakeholders is important if the innovation is to be adopted.; And finally the phase of diffusion can be particularly challenging: on one hand, there are issues about communities 'reinventing the wheel' .- i.e. spending considerable efforts creating an innovation to a local problem rather than adapting a similar innovation from elsewhere - and on the other hand, where an innovative solution for similar needs has been identified in different communities, attempts to replicate their innovation frequently encounter barriers and hindrances. These may be due either to a lack of entrepreneurship, or overly simplistic models for scaling and replication, or indeed, 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**

The idea of social innovation is as old as the hills, but the term has become increasingly used over the last 20 years. The following succinctly captures key elements:

*“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.”* Phillips, Deiglmeier & Miller (2008).

Social innovation has become important because 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 to policymakers facing severe budgetary constraints, but with increasing aspirations from its citizens for better quality public services and increases in well-being. Some policymakers undoubtedly see social innovation as one path to cost reduction; for others it offers a path to improvements in quality of welfare and public services; while for those in the social and solidarity economy and civil society it also offers a path towards addressing societal challenges (such as ageing, climate change, migration, etc.) and achieving a better society.

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 sectors.

It is also important to consider 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 ones not linked to profit and growth, but to social utility. This leads to alternative directions for technological development which give preference to social purposes of one kind or another – i.e. social innovation. One example is the Institute for OneWorld Health (<http://www.oneworldhealth.org/>), 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 innovative medicines in fields that are not financially attractive for mainstream pharmaceutical companies.

Finally a major theoretical perspective in the literature on nonprofits and cooperatives argues that their structures make them uniquely well adapted in addressing market and state failures. Thus social innovation drives the development of the social and solidarity economy. The most recent examples would be the development of microfinance, and fair trade. Note, however, that social and solidarity economy innovating so as to create a market may make that market more accessible to private sector business, which may not then operate in this new market with a social purpose.

## Conceptual Framework

There has been a huge growth in the development of the field of innovation studies since the second half of the last century. It is possible to differentiate between typologies of innovation: innovations to product/service versus innovation to process; and while most innovation is incremental, there is an increasing interest in radical/transformational innovation. In service innovation (and social innovation) it is also useful to differentiate between technical and non-technical innovation (work routines and organisational processes), and innovation in managerial practices. Much social economy innovation is incremental, but fairtrade and microfinance show that it can be transformational, too. Herein, however, lies the challenge. Social economy innovation also tends to be non-technical, since it operates more often in service areas, and is typically concerned with not only process improvements (such as quality), but also processes that are more fair and inclusive, which generate social capital and support the fabric of civil society.

*Schumpeterian perspective - Product/Service, Process, etc*

Schumpeter was concerned about the development of products within the framework of manufacturing supply and industry. Adapting Schumpeter to the more modern context, there are five ways that innovation could take place - through new combinations that lead to:

1. the creation of a new product/service (or new quality of the product/service);
2. the creation of a new process of production/service;
3. the opening of a new market (or new market relations);
4. the development of a new source of supply;
5. the development of a new organization of industry.

He argued that the development of a new organisation of industry would take place through the creative destruction of the previous structure of that industry. In relation to the social and solidarity economy the term “transformational” might be more appropriate for the kind of positive (healing) radical change in which that sector might engage.. Similarly, in relation to the “new process” type of innovation, the social and solidarity economy is particularly concerned with processes of democratic governance and participation for involving and empowering citizens.

[The EMES network](#) (Defourny, in Borzaga and Defourny, 2001) used this Schumpeterian framework to explain how the development of 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 (and increasingly individualised voucher systems) in welfare services; new forms of supply in the sense of a hybridisation of resources - redistributive, reciprocal (social capital, and market based (Laville and Nyssens in Borzaga and Defourny, 2001); and new organisation of an industry for example fairtrade, and work integration.

*Theories of entrepreneurship and social entrepreneurship*

Schumpeter regarded entrepreneurs as the drivers of innovation, and this perspective can be seen in the new wave of interest and experiences about social entrepreneurship (creating business with a social purpose). Undoubtedly this idea and practice has 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 economy initiatives. Although it includes the creation of new non-profits, it often focuses on the activities of third world NGOs, and includes any businesses with a social purpose (including private business CSR forms); and its focus on social innovation can mean that an enterprise dimension is not required. 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: see <http://www.philanthrocapitalism.net/> 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.

This US perspective may be contrasted with Canadian/Quebec approaches, and European approaches such as that of the [EMES European Research Network](#) which clearly place the development of new social enterprise within the third sector or social economy, and see social entrepreneurship as a new entrepreneurial dynamic (Borzaga & Defourny, 2001).

Like entrepreneurship, social entrepreneurship has been strongly linked to the “heroic” individualistic model particularly amongst US researchers and writers (e.g. Austin et al (2006)), and this is a theme in Europe particularly amongst early writers such as the UK’s Leadbeater (1997). But broader conceptualisations are developing which emphasise 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 processes frameworks (for opportunity recognition/construction, and deal-making) rather than focusing on the entrepreneur. Spear (2006) provides evidence from a number of cases that social entrepreneurship is often *collective and organized* 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, Spear and Hulgard (2009) have argued that collective action and social movements are important routes to social entrepreneurship, and the history of the development of the social economy clearly emphasises social movements as a major driving force underlying the creation of social economy organizations. Similarly, religious movements and religious institutions have played, and continue to play important roles in social entrepreneurship (Spear, 2010).

### **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 theoretical areas 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 highly significant 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 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 operation), and the idea of a “learning organisation” has attracted attention.

*Communities of Practice:* similarly how groups and networks of people develop and improve their practices in the same sectors or work areas has become an important area of research and developing practice. The concept of communities of practice was developed through the very influential work of Etienne Wenger (1999 & 2000). Wenger describes ‘communities of practice’ as “communities that share cultural practices reflecting collective learning”, for example a medieval guild, a group of nurses in a ward, a non-profit board, or a network of community developers in a particular area/region. Wenger (2000) is concerned not just with internal relations amongst a group or network of people, but also at the organisational level: he argues “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.

*Networks (clusters, etc):* 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 had 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 that also rests on local conditions. Thus, while it is important that a social enterprise is internally innovative, increasingly people are recognising that competitive advantage also derives from the environment of a social enterprise – particularly 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). For example, the economic map of most countries can be divided up by different business clusters. Quebec has twelve clusters, including biopharmaceutical, aerospace, and cultural industries clusters; 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 enterprises to innovate and function effectively. The context typically consists of linkages and complementarities such as: suppliers of goods and services, infrastructural supplies (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, advice, training and education providers, trade associations, information and research bodies, etc. One of the distinctive and important features of these clusters is that they mainly comprise small and medium enterprises in their supply chains and networks,; and thus, as an economic model, present an interesting challenge to large firms.

One paradox of clusters is that they comprise formally autonomous enterprises that compete within a market framework. A culture of high trust improves competitive relations by reducing their ‘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 solidarity relations. There has been a growing interest in social economy clusters, which are not just products or service-based, but which also provide a basis for learning and supporting the social dimensions of social economy processes such as participation, so that mutually supportive relationships between social economy organisations can be nurtured. Italian Consorzi, for example, 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 also stands out as an exemplary regional model of the social and solidarity economy.

The concept of “embeddedness” (of individuals/organisations in social relations/networks-Granovetter, 1985) is also important for social innovation, which typically arises from interactions within and between networks of relationships with individuals and local organizations in the community. These embedded relations help to shape social innovation and provide support through social capital. 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. (see Nyssens, 2006 – several chapters). Linked to this is an emerging field of research on *network entrepreneurship*; in this perspective there are both positive dimensions of networks which use social capital for information, expertise, and building trust, as well as negative dimensions of networks with effects such as exclusion, restraints on non-conforming activity, and rent-seeking activity within the network.

The key idea underlying open innovation is that in a world of widely distributed knowledge, companies cannot just rely on their own research, but should be open to knowledge transfers and acquisition from other organisations, individuals and networks. As Chesbrough, who introduced the term open innovation, stated: *“businesses at lower-cost and at higher-quality can develop ideas from the best sources by letting the company develop new ideas in collaboration with the*

*outside world.*” (Chesbrough, Vanhaverbeke, West 2006, p. 1). And this approach has been democratized through the work of Eric von Hippel who emphasises open innovation as user-centric democratized innovation (Hippel, 2005). Clearly these are essential principles underlying innovation in the social and solidarity economy; and this approach has been developed and elaborated by social economy actors through the concepts of proximity services and that of co-production, where service users and other community stakeholders play important roles in the delivery of public services.

At the network level of innovation, the open source movement has developed new approaches to innovation -- through various collaborations on 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. 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.

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 too, such as the nonprofit Institute for OneWorld Health. A related model is “crowdsourcing” where the public (crowd) is invited to address a problem -- usually for financial prizes or public recognition. Typically, organisations make a business from brokering this activity. Much such activity has been to address corporate problems, but there is increasing interest from non-profit organisations to address social issues. For example, the TB Alliance, a not-for-profit organization dedicated to the discovery and development of fast-acting and affordable drugs to treat tuberculosis, successfully used this approach to drastically reduce manufacturing costs.

### **Territorial level**

The cluster dynamics model often extends beyond the network to the level of the territory. Similarly the territory level blurs into the network level. A major international research project funded by the European commission (Katarsis, and including researchers from the well-know Quebec inter-university research centre: CRISES (le Centre de recherche sur les innovations sociales)<sup>1</sup> developed a local/territorial approach which researched social innovation through processes where the needs of disadvantaged and socially excluded people are articulated through collective social action (and social movements) and thereby addressed to varying degrees. They also explored the role of artistic and cultural action in developing an enabling cultural environment for this process. These researchers constructed a broad perspective on social innovation as part of the 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 of resources and power to the disadvantaged.

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<sup>1</sup> Moulaert et al, 2009..

CRISES see: <http://www.crisis.uqam.ca/>

“Integrated Area Development (IAD)” is socially innovative in at least two senses. *First of all*, from a sociological perspective, IAD involves innovation in the relations between individuals as well as within and among groups. 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 ...) are factors of innovation 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 (Garcia, 2006; LeGalès, 2002).” (, Isabel Andre et al, 2009, p. 63).

Some of these territorial-level researchers develop more contextualised approaches to social innovation, noting the tensions and conflicts and conservatism that social change needs to address, and discussing elements of an enabling role for state bureaucracies and local/regional government systems. The Katarsis research found that bottom-up action on its own was insufficient, since it needed to be *linked* with different forms of institutional support (policy and institutional context will be discussed in more depth in the next section). Thus these studies have developed an important theme of collective entrepreneurship/innovation at the territorial level.

### **Institutional and policy perspectives**

This section examines how the institutional and policy context can act as drivers, enablers or barriers of innovation. Chambon and Devevey’s (1982) early work conceptualised a broad approach to social innovation which examines its dynamic within crisis and recovery patterns of societal change, where collective initiatives support the identification and satisfaction of social need, whilst the state plays sometimes a hindering, and sometimes an enabling role. Other researchers, including the Katarsis researchers also noted the importance of an enabling context for social innovation; Katarsis argued this involves democratisation and decentralisation of local state bureaucracies and governance systems, to facilitate empowerment of are 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, potentially compromising the interests of established stakeholders which are already institutionalized. 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.

There is a need for theories, therefore, which address these issues: Institutional theory is an important basis for contextualising social innovation. For example, Mair and Marti (2006) argue that the theoretical challenge for institutional theory is to explain how contexts support or inhibit innovation and change from taking place; and much as others have argued for the marginal status of entrepreneurs, they suggest that (lower) levels of embeddedness may be relevant for facilitating entrepreneurial action. Similarly, a focus on institutional theory facilitates an exploration of the ways in which innovative collective action in civil society to create social

enterprise can initially address the conservatism, conflict and resistance in institutional structures, and similarly, over a period of time, overcome isomorphic pressures (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 social entrepreneurship and support the emerging social enterprise sector.

A central theme in the reshaping of the institutional context to allow social innovation to emerge and diffuse, is the idea that stakeholders in the innovation process should be strongly linked to the systems of governance in a particular sector. The idea of co-governance is seen as important, so that social and solidarity economy innovators can, in partnership with government and other social actors, help guide the development of the innovation. Clearly it is important that co-governance is institutionalized to maximize the potential innovative impact of the social and solidarity economy. Similarly if the innovation is to be diffused and institutionalized, engagement with the governance system is required. 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 character 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 the knotty social issues, it is important that they have 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 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!

Thus the social and solidarity economy has succeeded, as Paton and Spear argue when discussing the sector or industry level of civil society activity (2010, p19): “it is often at the industry level that a gradual reconstruction of regulations, commissioning policies and funding regimes has enabled them 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.

### **Inventory of Knowledge**

This section cannot be comprehensive, but attempts to bring out some interesting innovations, and trends in different sectors.

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

There is a huge amount of interest in social investment because of the rapidly increasing sums in ethical investment funds (and interest in using a proportion of pension funds for social purposes) and because supporting the development of financial resources and financial instruments is fundamental to a thriving social and solidarity economy. (See Mendell and Nogales, 2008; and Nicholls, 2010). La Fiducie de la Chantier de l'économie sociale was initially financed by the Canadian government and by trade union funds; it has invested about Can\$20m in more than 60 social enterprise. Italy has set up a bank for social enterprise - Banca Prossima- as a division within a commercial bank. Kiva is a non-profit organization for people to invest in projects for the alleviation of poverty. Kiva uses the internet, and manages the investment risk by working with 133 micro-finance partners.

Finally, social venture philanthropy funds aim both to invest in innovative social enterprise and build closer more strategic partnerships with them: e.g. the Gates Foundation which aims to address healthcare issues and reduce poverty globally, with US\$37 billion as endowed assets.

*Investment instruments: Social Impact Bonds* are innovative financial instruments being developed by the UK-based Young Foundation and Social Finance. The aim is to link financial investment to social outcomes. This involves commercial investors making an investment in social programmes and projects, where the government contracts to make payments based on the extent to which social outcomes are achieved. Patient capital -- and similar instruments are designed to mimic flexibility of equity finance: one model is administered by “la Fiducie” of the Chantier de l'économie sociale in Quebec.

*Housing* - Social innovation around 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 growth of community housing over the last 30 years – e.g. in Quebec the social economy intermediaries mobilised by citizen householders, has led both to large numbers of cooperatives and non-profit housing organisations, and positive changes to the institutional arrangements for managing housing in Quebec (Bouchard, 2006).

*Fair-trade* – is a transformative social innovation led by the social economy, demonstrating the power of ethical consumption in the market. Fair trade has continued to innovate, and the fair trade marque now provides a model for social/ethical products and services in other sectors. – e.g. a social enterprise marque in the UK.

*Local/Regional development* - the social and solidarity economy has developed innovative co-governance systems with government e.g. CRESS (Chambre Regionale de l'Economie Sociale et Solidaire) in France.

*Agro-food and tourism* - there has been a lot of innovation linked to food, rural development and local agro-tourism, with some elements of the fair trade model in the local food movement. 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.

*Employment* - Work integration social enterprise has become one of the major innovations from the social and solidarity economy, especially the Italian social co-operatives (Nyssens, 2006), widely adopted elsewhere.

*Education* for social entrepreneurship and social innovation also appears to be an interesting new development. There are a growing number of initiatives including the U.K.'s School for Social Entrepreneurs.

*Policy innovation* - Key policy themes of innovation that overcome barriers and enable innovative collective entrepreneurship, in relation to the social and solidarity economy, include:

1. recognition of the SSE as equal partners in the policy arena
2. recognising the distinctive contribution of SSE to policy themes
3. helping to build capacity of the SSE and its leadership structures
4. opening and facilitating access to procurement markets
5. building co-governance systems with the SSE for policy development
6. building cross-sectoral systems and policies to overcome government departmental silo functioning

### **Challenges and Issues**

These are internal to the SSE - such as promoting learning and scaling, developing social entrepreneurship; and external - where institutions and policy frameworks play important roles.

*Barriers/drivers for innovation* - internally the barriers are conservatism, a lack of culture of innovation and learning, and the lack of incentives, policy measures and institutional support; one of the great drivers of innovation specific to the social economy, is the collective action of and leadership of individuals, groups, and agents of change. Conservatism is likely to be addressed through developing linkages, including between the old and new parts of the social and solidarity economy.

There is also a need to address problems of adoption and scaling - because good social innovations are frequently not replicated, possibly because of a "not-invented-here syndrome".



Intermediary bodies play a crucial role in helping to foster a culture of entrepreneurship and innovation, and developing effective scaling strategies such as social franchising.

*Crowding out* - The problem of social innovations being taken up and developed by the state and private sectors can lead to a crowding out of the social economy; and in the case of the private sector creaming and cherry picking undermines the competitive position of the social and solidarity economy. Measurement systems need developing which efficiently and effectively, with lower transaction costs, can be used by social enterprise to demonstrate their added value.

Future themes of innovation have been speculated on (Paton and Spear, 2010). These include further developments of the ethical consumption model, innovations in regulatory and certification systems (marques like fair trade, etc), the development of new markets (cf carbon trading) and peer trading systems, new green/ethical industries, and new initiatives in citizen democracy, such as Porto Alegre-inspired participatory budgeting.

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