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## WHAT IS SOCIAL IN SOCIAL INNOVATION?

### 社会创新中的“社会”是什么？

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#### ABSTRACT

*The idea of social as a modifier to innovation which is more generally used in a business or technology context is explored to uncover the motivations of actors who innovate. The rationality of the homo economicus model is challenged by evidence that the motivations behind social innovation integrate rationality with values and a sense of the common good. Statements by business leaders and case examples are reviewed to illustrate the implicit social contract in social innovation.*

One of the aims of the MRI Journal is to highlight the growing phenomenon of social innovation (“SI”) as a response to the global social and environmental challenges of our time.

The potential threats to the sustainability and wellbeing of people and planet have markedly affected the policy and behaviour of inter-governmental organisations, governments, NGOs, educational institutions and corporations. Climate change, water and resource scarcity, ecological degradation, poverty and the growing demand for energy and food endangers the lives of people and animals. SI is a response to these kinds of challenges.

The purpose of this article is to explore what is meant by the word ‘social’ when used in connection to business or organisational activities and when used of innovation in the context of scholarly commentary, practitioner comment and case examples. The scope of this article is necessarily limited, focusing its analysis

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on mainstream references and applications of SI. It does not include policy-based innovation aimed to directly bring about specific changes in social relations, structures of governance, social inclusion or greater collective empowerment. SI in this article, does not mean “fostering inclusion and wellbeing through improving social relations and empowerment processes...more socially inclusive” (Jessop, Moulaert, Hulgård, & Hamdouch, 2013, p.16).

Social Innovation focuses on creating social value and social change.

The semantics of ‘social’ has now developed into a broad cluster of meanings and has been prefixed to activities that have been created or re-engineered from a traditional functionalist form to aid the wellbeing and survival of current and future generations. ‘Social’ is no longer shorthand for society but an adjective indicating advocacy of the common good against the ‘common bad’. The common bad might variously include: poverty, human rights abuses; public and business misconduct and scandal; the exploitation of the socially excluded; racism; discrimination and the hedonistic excesses of greed, corruption, narcissism, elitism and consumerism.

Contemporary usage has prefixed ‘social’ to a range of commercial activities that previously had self-contained meanings and required no modifiers: Social entrepreneurship, socially responsible investment, social impact investing, social enterprise, corporate social responsibility, the social market economy, social reporting, social accounting, social media, social banking and social network. In each case the challenge of prefixing ‘social’ requires an innovative response within the business activity to expand and tailor the activity to fit a particular commercial context. For example, social impact investing becomes the new venture capital in which new securities are created that link social performance to financial returns (Cohen and Sahlman, 2013). The concept here of ‘social performance’ as distinct from

‘performance’ is values laden but, like SI, the term lacks a precise definition. In venture capital, performance means financial performance which begs the question of what other performance beyond financial is anticipated by prefixing ‘social’. Answering this question will bring greater definition to the ‘social’ motivation that has resulted in the ‘socialisation’ of the commercial activities listed above.

Financial performance measures are fundamental to any commercial enterprise but managerial decision-making is often an opaque process in which rationality and objectivity in judgments is obscured from stakeholders. Neoclassical economics teaches us that motivation is essentially self-interested and rational: economic performance indicators and forecasts can be rationally drawn on utilitarian models of market behaviour. Behavioural economics teaches us that motivation is not as rationally explicable as the *homo economicus* model implies. Economics can only account for ‘social’ as a variable if its properties are both defined and directly measurable.

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As literature in the field of evolutionary psychology reminds us, our brains are not capable of weighing all available options but are rather better at doing a rapid and good enough job of solving fundamental problems related to survival such as acquiring resources, obtaining social status, and maintaining relationships (Barkow, Tooby & Cosmides, 1995; Kluver, Frazier & Haidt, 2014). Accordingly, *homo heuristicus* emerges as a model that accommodates motivations that are not only materialistic but adjust for

context-dependent information and contingently cooperative social systems (Kliver et al, 2014). *Homo heuristicus* may assess information not rationally related to the task at hand and which cannot be explained rationally. Gigerenzer and Brighton (2009) describe *homo heuristicus* as being able to make inferences quickly from a few observations and show that bias can be adaptive

Smith is in the company of Shaftesbury, Hutcheson and Hume, who were “intent on rebutting the ‘licentiousness’ or egoistic systems of Hobbes and Mandeville and emphasising the ‘social affections’ over ‘selfish affections’” (Martin, 1990, p.115). These moral philosophers indicate that *homo sapiens* is more than the twentieth century’s *Homo economicus* so tartly debunked

In Kenya, Hewlett-Packard (HP) partnered with CHAI, an NGO, and the Ministry of Health in an early infant diagnosis (EID) project to save the lives of infants born with HIV.

and can help to reduce the estimation error. Bank of England economist, Andy Haldane, points out that modern macroeconomics and finance has been built on often stringent assumptions about humans’ state of knowledge and cognitive capacity:

“In its strongest form, rational expectations assume that information collection is close to costless and that agents have cognitive faculties sufficient to weight probabilistically all future outturns. Those strong assumptions about states of knowledge and cognition have not always been at the centre of the economics profession.” (Haldane, 2012, p.2)

Haldane’s statement follows Adam Smith in his *The Theory of Moral Sentiments*, which at the outset of modern economics observed that the “invisible hand” could not somehow be disconnected from concern for the wellbeing of others:

“How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.” (Smith, 2010, p.13)

by Sen (1980) as the “rational fool” (p.362). Kliver et al (2014) claim that even the addition of *homo heuristicus* misses intrinsic human motivations. They follow Émile Durkheim in calling attention to *homo duplex* which depicts the twin motivations of individual needs and wants. *Homo duplex* has a higher sense that s/he belongs to wider society and has a sense of obligation beyond our self: “I am simply part of a whole, whose actions I follow, and whose influence I am subject to” (Durkheim, 1887/1992, pp. 219-220). *Homo duplex* indicates a higher level of motivation and intuitive behaviours which have also been signalled by other ontological models that challenge the utilitarian narrative: *homo spiritualis* (Thompson, 2007); *homo moralis* (Columbo, 2009) and *homo empathicus* (Rifkin, 2009).

References to ‘social’ are an attempt to say we are more than *homo economicus*. The functions of performance, investment, reporting, and governing are an attempt to integrate rationality with ethical values which we name ‘social’ in recognition of the twin moral motivations and named as foundations by Haidt and Graham (2007): (i) harm/welfare/care, and (ii) justice/rights/fairness. They further argue that social justice is the extension of morality out to the societal level (p.103). If this ground is accepted then it would not be inconsistent to conclude that the narratives of morality and ethics, whether expressed in terms of virtue or social justice, are the prime ideals that lie

behind social motivation and ‘rationale’ that have resulted in the ‘socialisation’ of certain aspects of corporate and investment behaviours such as social impact investing.

In the corporate world the motif of sustainability is frequently used to define specific actions that bring positive social and environmental impacts and / or reduce or eliminate negative social and environmental impacts. I have argued elsewhere that the language of sustainability relies on the shared universal belief that humanity and the environment are inter-connected and call for the exercise of community-based care and

responsibility (Thompson, 2011a). Governmental and non-governmental organisations and corporations invest in projects to preserve water sources, forests and ecosystems ultimately as a social good. Sustainability, in certain contexts, may be a more instrumentally rational term than ‘social’ but nevertheless stewardship of the earth’s resources is increasingly regarded as a *social* responsibility.

Engaging in sustainability requires of management an ability to develop a societal awareness and to value the voice of actors with ideas and opinions on how the company could act for the common good (Thompson, 2011b).

*Table 1: Statements of an implicit social contract by business leaders*

Company	Person and Position	Statement
Unilever	Keith Weed, Chief Marketing and Communications Officer	<i>“To succeed globally, and especially in emerging economies across Asia, Africa and Latin America, brands should go beyond traditional focus areas like product performance and affordability. Instead, they must act quickly to prove their social and environmental credentials, and show consumers they can be trusted with the future of the planet and communities, as well as their own bottom lines.” (Sustainable Brands, 2017)</i>
Danone	Franck Riboud, Chairman and CEO	<i>“I think I will conclude on this one, which is just to remind you the commitment of Danone to all the stakeholders. I know that it is very fashionable, but I really want to express that in Danone it’s not a question of fashion. We work for the shareholder, we work for the environment, for the ecosystem, for the consumer and for the shareholder, obviously.” (Riboud, 2011)</i>
Infosys	S. Gopalakrishnan, Executive Co-Chairman	<i>“At Infosys, sustainability is a way of being. It is not something we do beyond business; it is about our business. The urgency to build and carry forth a sustainable business model at Infosys is here to stay.” (Infosys, 2011)</i>
Unilever	Paul Polman, CEO	<i>“Business has shown itself ready to support the Paris Agreement and the Sustainable Development Goals, our roadmap to a more inclusive and equitable future. Why? Because societies cannot function and business cannot operate unless we address the related challenges of poverty, inequality and climate change.” (Polman, 2016)</i>

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Company	Person and Position	Statement
Nissan, Renault and Mitsubishi Motors	Carlos Ghosn Chairman and CEO	“The basic value of Nissan is enriching peoples’ lives. When you enrich peoples’ lives, it’s not only about market capitalization and profit, it’s also about making the quality of life better in the society where you operate, and even in remote societies.” (Nissan, 2016)
PepsiCo	Indra Nooyi, CEO	“If all you want is to screw this company down tight and get double-digit earnings growth and nothing else, then I’m the wrong person...companies today are bigger than many economies. We are little republics. We are engines of efficiency. If companies don’t do [responsible] things, who is going to? Why not start making change now?” (Reingold, 2015)

In the words of Howaldt & Schwarz (2010) “what is meant by ‘social’ does not relate only to the behavioural practices or the human relationship involved in the process of innovation creation and diffusion, it has a larger meaning based on the creation of a greater common good” (p.30).

Such a synergising of business with a social contract has been articulated by Ian Davis, the former managing director of McKinsey & Company:

In many instances, a ‘business of business is business’ outlook has blinded companies to outcomes, or to shifts in the implicit social contract that often could have been anticipated. Just as important, these outcomes have not just posed risks to companies but also generated value creation opportunities. (Davis, 2005, p. 3)

The idea of an implicit social contract is obliquely acknowledged in statements about responsibility, sustainability and ‘creating shared value’ by company leaders. Table one sets out a number of randomly chosen public statements by senior business leaders which express an acceptance of an implicit social contract.

It is not within the scope of this article to examine the claims made by executive leaders on how their companies apply their understanding of

the social contract in an accountable way. Rather, my purpose is to observe how the semantics and significance of ‘social’ has expanded to include ideas such as service and responsibility both to immediate stakeholder groups and “remote societies” (Nissan, 2016). The views expressed by leaders and set out in table one more closely fit *homo duplex* than *homo economicus*.

The statements indicate that social (and environmental) descriptors are signals of a substantive (values-based) rationality which reflects a world view that is perceived as being ‘morally good,’ in other words, an ethical standard. Weber defines an ethical standard as “a specific type of value-rational belief among individuals which, as a consequence of this belief, imposes a normative element upon human action which claims the quality of the ‘morally good’” (Weber, 1921/1968, p.36). But the annexation of ‘social’ to discrete business disciplines suggests that substantive rationality has been integrated with instrumental rationality, as shown for example in the range of social impact assessment and reporting tools currently in use in supply chains, manufacturing and business operations. Social science research tools are therefore required to identify the balance between instrumental rationality and value rationality (Flyvbjerg 2001, pp.129-140; Rooney, 2013), to uncover more precisely organisational motivations and actions

that actively use 'social' as a universal moral good.

There are a variety of definitions of SI summarised by The European Commission (2013) as:

“The development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations...Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals' capacity to act.” (European Commission, 2013, p.6)

In short, SI focuses on creating social value and social change (Havea & Rubalcaba, 2016; Adams and Hess, 2010). Havea and Rubalcaba (2016) have analysed 172 publications to conclude that there are two 'core conceptual elements' to creating change through SI: “1) a change in social relationships, -systems, or -structures, and 2) such changes serve a shared human need/goal or solve a socially relevant problem” (p.1932).

The European Union's significant SI policy to tackle poverty and social exclusion also incorporates seed-funding for SI and social enterprise projects that help to address the social challenges through the EU Social Business Initiative and the European Social Fund (European Commission, 2013, pp.30-31). Humanitarian, governmental and intra-governmental organisations recognise the need and the potential for SI to address essential human and communitarian needs but are constrained by the availability of resources and skills to develop SI projects. One view is that “pure” SI projects cannot be sustained by the “market mechanism” (Borzaga and Bodini, 2014; Pol and Ville, 2009).

But the development of SI by companies for a variety of motivations can bring innovative solutions to address global social and ecological challenges. For example, TechnoServe and Nespresso have invested \$2.6m in a cooperative coffee farming scheme in South Sudan to engage 15,000 farmers over a decade in farming and exporting coffee for the first time (Smith, 2015).

The SI involves the creation of a new business model for farmers and the creation of new “wet mills” to process coffee beans on site before export. Creating social change for up to 15,000 workers was beyond the resource capability of the nascent government of South Sudan but within the expertise and purpose of Nespresso. Here we have an example of a corporation acting as *homo duplex*: rational business interest alone is unlikely to have made this investment, but the motivation for combining access to a new but risky coffee growing region seems to have arisen from social /

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common good motivations.

Nutritional education is gradually being addressed by companies with a role in infant nutrition. Danone Nutricia, for example, has helped to create the Early Years Nutrition Partnership in the UK with expert NGOs to provide nutritional education for child carers.

In Kenya, Hewlett-Packard (HP) partnered with CHAI, an NGO, and the Ministry of Health in an early infant diagnosis (EID) project to save the lives of infants born with HIV. HP engaged in a process improvement to the EID program to enhance early testing and treatment of infants exposed to HIV and coordinated the efforts of a range of experts, companies and institutions cooperating in a “social innovation project” (Salim and Ellingstad, 2016).

A FORA study for the OECD found that the private/public demarcation line is becoming increasingly blurred and is being challenged

in particular by leading global companies in a constant search for new business opportunities, who regard and will realise that global challenges such as climate change, the supply of clean water, epidemics and social needs constitute a huge new

mainstream innovation is utilised for its social benefits. A recent example is the invention of the drone, an unmanned aerial vehicle first developed for military use. Various adaptations are now making it possible for drones to be used

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market. By creating new and more responsible and sustainable solutions, companies can cultivate new business opportunities. 'Corporate social innovation' may be an important new business area for private companies and a core driver of innovation. (FORA, 2009, p.11)

Notwithstanding the appetite for corporate social innovation, Havea & Rubalcaba (2016, p.1933) question how demands for SI can be articulated, as it is unlikely to produce clear 'market signals'. They believe that "well-defined 'social innovation policy' could prove useful for facilitating the scaling-up of locally co-produced social innovations so that they diffuse in society" (p.1933). In areas of Australia experiencing disadvantage, community-based social enterprises are the fastest growing businesses and are playing a significant role in making SI possible (Adams & Hess, 2010, p.147). Further research is required to identify the extent to which policy initiatives can flag up market opportunities and whether governmental funding initiatives such as those offered by the European Union obscure any 'market signals'.

A further extension of SI occurs when a

for life-saving missions and as nurse assistants in contagious zones (Moran, 2016, p.73). The drone is emblematic of innovations that cause a positive spillover to society.

This brief overview of the idea of SI indicates the presence of a wider and deeper understanding of social that taps into motivations that go beyond the rational utilitarian motivation of *homo economicus* and highlight another set of psychological and social drivers by commercial and non-commercial actors seeking to partner together to innovate for the common good. Further research is required to determine more precisely the reasons that companies engage in 'social' innovation as distinct from ongoing normal business innovation within the array of business functions. But the limited evidence put forward in this paper indicates that motivations exist to engage in SI. The motivations are likely mixed and complex but the evidence indicates that SI offers fresh paths for civil society and its representative institutions to engage with and support emergent small social enterprises as well as the large multinational enterprises to achieve social change.

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