FACTORS WHICH INFLUENCE THE DEVELOPMENT OF SOCIAL INNOVATION IN LATVIA

LASMA DOBELE*, DR., ASSISTANT PROFESSOR
FACULTY OF ECONOMICS AND SOCIAL DEVELOPMENT, LATVIA UNIVERSITY OF AGRICULTURE

Abstract. The field of social innovation is a nascent but increasingly important one that evokes interest among practitioners, policy makers, and academics alike. However, a common understanding of the term social innovation itself has not yet emerged. Within the research social innovation is defined as new, sustainable and effective solution to pressing social problems in the society, and as a result of social innovation is created the social value. There is little conceptual work on the barriers to social innovation; thus, the aim of the research paper is to study the influencing factors of social innovation in Latvia. Social innovation is influenced by factors at the environmental, organizational, and individual levels. Social innovation factors which are related to the external environment are classified according to PEST analysis – political, economic, social and technological ones. Social innovation influencing factors which are related to the organization guide the identification of innovation influencing factors at the organizational level – resources, level of risk, social innovation strategy, social innovation management practice, organizational learning, and organizational culture. Social innovation influencing factors related to the individuals within the organization are related to employees’ abilities, skills and attitudes. All mentioned factors influence social innovation capability and innovation performance in Latvia.

Key words: social innovation, influencing factors, social innovation capability

JEL code: 035, 031

Introduction

Almost all social problems are complicated, context-dependent, and cross-boundary. An individual or an organization alone cannot solve these problems effectively. Therefore, social innovation is becoming more important for economic growth. This is partly because some of the barriers (such as climate change, social exclusion, material poverty, health and wealth inequalities or ageing population) can only be overcome with the help of social innovation, and partly because of rising demands for types of economic growth that enhance rather than
damage human relationships and wellbeing (Mulgan G. et al., 2006). These challenges are already swamping public budgets as well hampering states’ competitiveness and economic growth in the long term. There is a growing recognition around the world that new and innovative approaches are required to meet the economic, social and environmental challenges now and in the future.

Discussions on social innovation have been on the rise both in academia and public discourse. Although literature dates back for decades, discussions and publications on social innovation have increased in recent years. Universities have established research centres on social innovation (e.g. INSEAD, Stanford), foundations and private centres are focusing on the topic of social innovation (e.g. Young Foundation, Centre for Social Innovation Toronto, Centre for Social Innovation Vienna), and governments are also engaged in establishing activities in the field (e.g. US Social Innovation Fund, Social Innovation within the Europe 2020 Flagship Initiative “The Innovation Union”). The concept of social innovation has received considerable attention in recent EU legislative proposals, recommendations, programmes and EU research projects. The Europe 2020 Strategy makes a strong commitment to promoting social innovation, and the European Commission’s Innovation Union strategy clearly places innovation at the centre of the policy agenda for meeting social challenges affecting Europe and its Member States.

In Latvia there is a lack of both popular and scientific literature on social innovation. Some activities are taken by third sector organisations, e.g. Social Innovation Centre (SIC) aims at strengthening and disseminating the knowledge, promoting the international and national experience exchange and establishing the networking for social innovation, thus, enhancing the sustainable development of society. The Soros Foundation-Latvia is supporting some social innovative activities; however, social innovation is not defined in legal acts as one of the priorities for tackling social problems in society.

Besides, a common understanding of the term social innovation itself has not yet emerged in this field. Existing knowledge is mostly focused on business innovation rather than social innovation. Some of the insights gained into business innovation are relevant to the social field but there are also important differences. Since social innovation differs from business innovation, this research paper begins with defining and characterizing social innovation.

Yet, there is a remarkable dearth of analysis what kind of factors influence emergence and implementation of social innovation (Mulgan G. et al., 2006). In particular, there is little conceptual work on the barriers to social innovation. Different authors and, even the same authors in different papers, deal with this topic in different ways (Mulgan G. et al., 2006; Clark et al. 2008; Caulier-Grice J. et al., 2010) but without convergence towards a common conceptual framework (Mendes A. et al., 2012). The aim of the research paper is to study the influencing factors of social innovation in Latvia. The following tasks are advanced to achieve the set aim:

1) to study the essence of social innovation;
2) to determine factors influencing social innovation in Latvia.

**Hypothesis** of the research paper: the capability and performance of social innovation is determined by external, organizational and individual factors.

The following research methods were employed in the present research: the monographic and descriptive method, analysis and synthesis, logical, comparative analysis and PEST analysis. The information sources used in producing the research paper: the European Commission’s legal and strategic policy documents, research findings on the topic of social innovation, and other information sources referred to in the list of references.

1. The concept of social innovation and its definition elements

Contributions on social innovations are rooted in different disciplines such as sociology, business administration and economics, social work and political science. The meaning of the term ‘social innovation’ varies across these different research fields. Several attempts to structure the field of social innovation have been made, for example by S. Dedijer (1984), W. Zapf (1987, 1991), F. Moulaert and J. Nussbaumer (2005), E. Pol and S. Ville (2009), D. Rüede and K. Lurtz (2012) and E. Butkevičienė (2009) but there remains inconsistency among them about how to categorize the different meanings. In addition, these categorizations often lack a systematically grounded methodology that covers the social innovation concept in various disciplines at the same time.

Synthesized from scientific literature, social innovation has several defining characteristics. These characteristics distinguish social innovation from the other innovation such as annual policies, recurring projects, and routine activities.

Important characteristic of social innovation is **newness**. Social innovations can be broadly described as “the development of new concepts, strategies and tools that support groups in achieving the objective of improved well-being” (Dawson P., Daniel L., 2010) or “new ways of doing things, especially new organizational devices, new regulations, new living arrangements that change the direction of social change, attain goals better than older practices, become institutionalized and prove to be worth imitating” (Zapf W., 1991). As J. Schumpeter (1942) defines, innovation is considered to be a new combination of new elements (the introduction of a new good, the introduction of a new method of production, the opening of a new market, the conquest of a new source of supply of raw materials and carrying out of the new organization of any industry) which were not seen in any previous economic system. The ‘newness’ element differentiates innovation from ordinary development programmes. Social innovation needs to be perceived as ‘new’ in the context of the related community; it does not have to be ‘new’ for the others. It is not important whether the newness comes from an incremental or a radical change, i.e. a small adjustment in an ordinary behaviour or an evolutionary project.

Social innovation creates “changes in (human) structure and organization” (Simms J. R., 2006), thereby improving the living standards and promoting human resource development (Mahdjoubi D., 1997). Social innovation is “the guided change process, preferably supported
by all involved and affected human beings that creates significant change in existing action structures and conditions in the social system based on ethical value judgements, contents and programmes” (Maelicke B., 1987). It can be concluded that the concept of social innovation includes not only the element of novelty but it is also due to the introduction of changes. The scale of change can be differentiated – from changes at the micro level to the macro level (Bulut C. et al., 2013; Khutrakun A., 2013). A micro aspect would be, for example, to have a worthwhile job, whereas environmental issues and political stability would be examples for macro aspects (Pol E., Ville S., 2009).

One of the shared assumptions is that innovations can be used to address challenges in society, to benefit groups that are struggling in society, and to improve the well-being of individuals. Several researchers emphasize the importance of social innovation in solving social problems. Social innovation is defined as a new idea that works to meet pressing unmet needs and improve peoples’ lives (Mulgan G. et al., 2007; Tanimato K., Doi M., 2007; Neamtan N., 2003). Social innovations can be directed at social ills such as hunger, poverty, disease, lack of education, at issues such as social exclusion, homelessness, addictions, illiteracy and unemployment or at climate change, the worldwide epidemic of chronic disease, and widening inequality (Murray R. et al., 2010). Also, ageing populations, affluence, including obesity, and a lack of community cohesion are mentioned as challenges in the European context (Rüede D., Lurtz K., 2012).

Social innovation must create value to the whole community. People who engage in a social innovation process do not intend to take benefits for their own; instead, they try to create valuable social innovation for the whole community. It is possible for everyone to reap such a benefit. There is no financial gain or loss when it comes to social innovation (Khutrakun A., 2013). Essentially, social innovation creates value because it changes people’s belief so that they behave in a better way.

J. Phillips et al. (2008) define social innovation as a novel solution to a social problem that is more effective, sustainable, and for which the value created accrues primarily to society as a whole. It can be concluded that important element for social innovation is sustainability and effectiveness.

Social innovation should be based on social motive (Khutrakun A., 2013). Social innovation is about the satisfaction of basic needs and changes in social relations within empowering social processes; it is about people and organisations who are affected by deprivation or lack of quality in daily life and services, who are disempowered by lack of rights or authoritative decision-making, and who are involved in agencies and movements favouring social innovation (Moulaert F., Nussbaumer J., 2005).

Social innovation characterizing elements are summarized in Table 1.
Characterizing elements of social innovation

<table>
<thead>
<tr>
<th>Economists</th>
<th>Definition of social innovation</th>
<th>Characteristics of social innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Schumpeter (1942)</td>
<td>A new combination of new elements which were not seen in any previous economic system.</td>
<td>Newness, novelty</td>
</tr>
<tr>
<td>S. D. Conger (2009)</td>
<td>New laws, organization or methods that cause changes in joint or individual relationships.</td>
<td>Introduction of change</td>
</tr>
<tr>
<td>J. Howaldt, H. Jacobsen (2010)</td>
<td>A new combination and/or new configuration of social practices in certain areas of action or social contexts prompted by certain actors or constellations of actors in an intentional targeted manner with the goal of better satisfying or answering needs and problems than is possible on the basis of established practices.</td>
<td>Solving social problems</td>
</tr>
<tr>
<td>G. Mulgan et al. (2006)</td>
<td>New ideas that work to meet pressing unmet needs and improve peoples’ lives.</td>
<td>Create benefit to the whole society</td>
</tr>
<tr>
<td>J. Phills et al. (2008)</td>
<td>A novel solution to a social problem that is more effective, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than a private individuals.</td>
<td>Sustainability and effectiveness</td>
</tr>
<tr>
<td>A. Khutrakun (2013)</td>
<td>Social innovation has three defining characteristics: social value, newness, and social motive.</td>
<td>Social motive</td>
</tr>
</tbody>
</table>


After summarising theoretical studies, the author has developed the following definition of social innovation – a social innovation is a new, sustainable and effective solution to pressing social problems in the society, and as a result of social innovation is created the social value.

2. Characteristic of factors influencing social innovation

A good idea is not quite enough to change practice. Many efforts to implement social innovation have not reached their full potential due to a variety of challenges inherent in implementation process (Aarons G. A. et al., 2011). In some cases, this is because they are too expensive, or are not wanted, or simply because they are not good enough in comparison to existing alternatives. But many have raised concerns that there are more fundamental barriers in terms of taking ideas from inception to social impact. Some point to the fact that the impacts of social innovation are hard to measure, or difficult to quantify financially. Others have argued that social innovations are inherently risky because their outcomes are uncertain and unpredictable, and it is difficult to form coalitions of supporters around the social innovation. Others still point to organizational cultures which stifle creativity and risk taking and limit the number and quality of social innovations which emerge. Others still point to the lack of adequate mechanisms to promote, adapt and grow social innovations. However, in order to support the spread of social innovation it is necessary to better understand what the
influencing factors are. Therefore, this part of research paper focuses on the factors which influence the social innovation in Latvia.

Social innovation is influenced by factors at the environmental, organizational, and individual levels (Damanpour F., 1991, 1996; Damanpour F., Schneider M., 2006). Consequently, a valid and meaningful examination of factors to social innovation have to take into account those three levels of analysis. Social innovation factors which are related to the external environment are classified according to PEST analysis. Social innovation influencing factors which are related to the organization are connected with managerial levers of dynamic capabilities, which guide the identification of innovation influencing factors at the organizational level. Social innovation influencing factors related to the individuals within the organization are related to employees’ abilities and attitudes.

**Factors at the external environmental level.** Social innovation is affected by various macro-level factors. A PEST analysis of the factors determining the development of social innovation in external environment is performed in the research paper.

**Political and legal factors** include public discourse, policy agendas, and legislation in favour of social innovation, policy coordination and legal recognition of social innovation. It should be stressed that the state structures and practices may sometimes hamper innovative approaches (Glänzel G. et al., 2013).

In the EU, social innovation is a central element of the Europe 2020 10-year strategy for smart, sustainable and inclusive growth. This strategy’s goal is both to address shortcomings of the European growth model, painfully exposed by the recent economic crises, and to create the conditions for a different type of growth. A strategy for smart, sustainable and inclusive growth, identify research and innovation as one of five main targets, has given rise to the notion of an ‘Innovation Union’, and informs the research framework of Horizon 2020. However, in Latvia there are several obstacles that hinder development of social innovation.

First, in Latvia there is a lack of legal recognition of social innovation. A. Hubert et al. (2011) refer it to the lack of a “common framework to define important sectors and players such as social entrepreneurs and enterprises, or third sector or non-profit sectors”. In Latvia, social innovation is not defined as one of priorities how to mitigate social problems and facilitate balanced development. This lack of legal recognition impacts by many levels: lack of data to assess the size and impact of the social innovation sector, access to finance and lack of supply of appropriate education.

Second, there is insufficient social innovation “policy coordination” (cooperation in the policy domain) and “operational coordination” (networking between social innovators, financing institutions, incubators). It means that the promotion of coordination among the regional, national and the EU levels should be made.

**Economic factors.** First, economic factors refer to the availability of external funds for social innovation (Dufour S. et al., 2014; Hubert A. et al., 2011). Social innovators usually need capital with very low or no return expectations, because their income situations often do
not allow for generating profits. Social innovation takes time to develop, often more time than technological/business innovations. Therefore, capital with long time horizons is needed. For G. Mulgan et al. (2006) the potential supporters of social innovation such as foundations and public agencies are less likely to support social innovation because they lack the incentives to do so. A. Hubert et al. (2011) provide the following reasons why funding social innovation is challenging: social innovation tends to be bottom-up, it is promoted by non-traditional business organisations, it is “problematic in the measurement of its impact”, it “starts from a limited size”, it is “not perceived as self-sustainable/replicable” and there is a “lack of recognition of the social dimension in innovation-related funding schemes and programmes”. Those reasons explain the lack of funding for social innovation in Latvia. In Latvia, activities related to social innovation are periodically held, mainly with funding from the EU Funds, however, information on these activities is not widely available. Some social innovation initiatives were supported by the Soros Foundation – Latvia, implementing such programmes as “Grow, Latgale” (“Audz, Latgale”) and “Brigade”.

Second, there is high dependence of third sector organisations on grants for developing social innovations (Mendes A. et al., 2012). It can lead to the fact that social innovation cannot be implemented in practice because of financial reasons. Third, finance instruments have an influence on social innovators’ degree of autonomy and flexibility in decision-making. As social innovation is a highly complex process with the danger of getting more complicated when new decision-makers come ‘on board’, social innovators usually strive for less investor involvement and a high level of autonomy. There are also normative factors involved that lead innovators to strive for autonomy from external influence (e. g. the fear of mission drift).

Social and cultural factors. First, there is insufficient information on social innovation in Latvia which leads to the lack of data and measurement. Also, in universities there is lack of courses on social innovation. A. Hubert et al. (2011) provide the following explanations for that: lack of a clear definition of the concept of social innovation, the impact of social innovation is hard to quantify, there is an insufficient culture and not enough tools for ex-post evaluation of projects related to social innovation and boundaries and players of social innovation are not well defined.

Second, a significant problem is the fear of innovation, risk of changes. According to G. W. Fairweather (1972), the adoption of any innovation requires society’s dissatisfaction with its current practices and the perception that the innovation can fulfil a basic need. In any successful social system many people will have high stakes in stability. The risks of change will appear great compared to the benefits of continuity (Mulgan G. et al., 2006).

Third, Mulgan et al. (2006) identified values and norms, or ‘people’s minds’ as another barrier: “Any social system comes to be solidified within peoples’ minds in the form of assumptions, values and norms. The more the system appears to work, giving people security and prosperity the more its norms will become entrenched as part of peoples’ very sense of
identity. Organisations then become locked into routines and habits that are as much psychological as practical, and which become embedded in organisational memories”.

However, social needs become more pressing and, thus, necessity for alternative solutions. The global crisis has made clear that most of the challenges we face are increasingly social. Among the most prominent are the fight against increasing unemployment, aging and climate change. Increasing unemployment is often linked to increased crime and social exclusion with long lasting consequences not only for those losing their job but also for their children who have fewer opportunities in society. Aging of the population and its associated health costs were already a problem before the crisis but it is even more problematic in view of the sustainability of public finances.

Fourth, collaboration skills between different parties are important. Different authors argue that without effective networks and intermediaries, it is very difficult to connect ideas, resources and people, which they argue is a pre-condition for the development and growth of social innovations. This role of networks and intermediaries means the clustering of organisations working across institutional barriers to generate and effectively implement new ideas to respond to social needs. J. Caulier-Grice et al. (2010) mention a special kind of connection that is needed for scaling up social innovation: the connection between what they call the “bees”, that is, “small organisations, individuals and groups who have new ideas, and are mobile, quick and able to cross pollinate” and to find what they call the “trees”, that is, “big organisations – such as governments, companies or non-governmental organisations, which are generally poor at creativity but good at implementation and which have the resilience, roots and scale to make things happen.” This pays tribute to social innovation as an overlapping concept, in which multiple stakeholders are involved. Although competition and connected organizational rise and decline will occur in the field of social innovation, the focus should lie on how the different strengths of actors can be brought together.

Technological factors. A study conducted by B. Hynes (2009) reveals that the Internet is an important factor affecting social innovation. The advancement of technologies and communication facilitates the exchange of information and experiences. Developments in information and communications technologies have created exciting possibilities for improving the ability to meet social needs, such as e-health in health care and virtual schools in education.

Factors at the organizational level. At the centre of the value-added chain of social innovation is the innovating organization because social innovation very often emerges from social enterprise and NGO (Leadbeater, 2007). There are defined several sub-categories for the identification of social innovation barriers at the organizational level: resources, level of risk, social innovation strategy, social innovation management practice, organizational learning, and organizational culture.

Several researchers especially stress the difficulty to get sufficient resources for social innovation development. M. Moore and F. Westley (2011) give several examples of the types
of resources that may be lacking – financial capital, social capital, lack of new ideas or visions, insufficient efforts to build political will and public support, unsuccessful search for early adopters of the innovation and difficulty to create energy and momentum around the innovation.

Some of organisational barriers are linked to the level of risk or uncertainty that is present during the social innovation process. The innovation process is not predictable, and will often involve failure. In some organisations, this risk of failure is too great to bear (Mende A. et al., 2012). Here, G. Mulgan et al. (2006) point out the important role the public sector can have in supporting social innovation against the problems due to risk and uncertainty: through public funding and public contracting, the public sector can limit those problems. However, to play this role well, public funding should not crowd out other types of funds. Also, public contracting should reward outcomes and should not limit end users choices.

Factors at the individual level. The use of the micro-level perspective and a focus on different individual characteristics emphasize that social innovation depends on the knowledge, abilities, skills, motivation and the attitudes of individuals (Anderson et al., 2004; Dufour S. et al., 2014). J. Caulier-Grice et al. (2010) stress that there are lack of people with the skills in the many dimensions of innovation – from finance to development of projects and business models, to design and marketing. A lack of such characteristics for social innovation may constitute a significant barrier. For innovators themselves the barriers to change often look like personal failings (their stupidity, rigidity and lack of imagination are all that stands between a brilliant new idea and its execution) (Mulgan G. et al., 2006).

Individuals (groups of individuals) are not considered to constitute a separate level of analysis in the proposed model but rather, are embedded within the organizational level.

Figure 1 summarizes the proposed model, which integrates and structures the three levels of analysis and the respective sub-categories.
Fig. 1. Social innovation influencing factors at the environmental, organizational, and individual levels

All above mentioned factors influence social innovation capability and innovation performance (Figure 2).

Source: author’s construction based on Hueske A. K. et al., 2014
Social innovation capability is the comprehensive set of characteristics that facilitate and support innovation performance. Social innovation capability is influenced by the identified factors (external, organizational or individual). It means that social innovation will be able to develop and implement its potential only if favourable external, organizational and individual conditions and preconditions are ensured. The stronger the innovation capability, the more effective will be their innovation performance.

Conclusions

1. Among scientists, there is no consensus on the definition of social innovation. The author developed her own definition of social innovation that is appropriate for the situation in Latvia – a social innovation is a new, sustainable and effective solution to pressing social problems in the society, and as a result of social innovation is created the social value. The definition of social innovation is based on its characterizing elements – newness, sustainability and effectiveness, social motive, introduction of change, creation of benefit to whole society and ability to solve social problems.

2. The proposed social innovation model structures social innovation factors at three levels of analysis: the external environment (political and legal, economic, social and cultural, technological factors), the organizational, and the individual. All mentioned factors influence innovation capability and innovation performance in Latvia.

3. One of the biggest political and legal obstacles for social innovation in Latvia is lack of legal recognition. Social innovation is not defined as one of priorities how to mitigate social problems; there is insufficient social innovation “policy coordination” (cooperation in the policy domain) and “operational coordination”. This explains the fact that activities related to social innovation are held periodically.

4. Social innovation development is significantly influenced by external funds. In Latvia social innovation activities mainly are funded from the EU Funds and foundations, however, special support instruments should be made for development of social innovation at national level.

5. There is insufficient information on social innovation in Latvia which leads to the lack of data and measurement. Social innovation development depends also on society values and norms, their ability to take a risk and accept changes. For successful development of social innovation collaboration skills between different stakeholders are very important.

6. The advancement of technologies and communication facilitates the exchange of information and experiences on social innovation. Developments in information and communications technologies have created exciting possibilities for improving the ability to meet social needs.

7. The social innovation depends on the different factors in organizational level (resources, level of risk, social innovation strategy, social innovation management practice,
organizational learning, and organizational culture) and knowledge, abilities, skills, motivation and the attitudes of individuals. A lack of such characteristics may constitute a significant barrier for social innovation.

**Bibliography**


deliverable of the project: “The theoretical, empirical and policy foundations for building social innovation in Europe” (TEPSIE), European Commission – 7th Framework Programme, Brussels: European Commission, DG Research. p. 77


