



SIM 2015 / 13th International Symposium in Management

# Scaling Social Innovation in Europe: An Overview of Social Enterprise Readiness

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## Abstract

Social enterprises throughout Europe represent a unique opportunity to fill in social gaps which no other mechanism can cater to. To effectively do this, identifying and scaling successful innovations is crucial, but one-size fits all policies, funding or programs will not be effective, raising the challenge of understanding and mapping out diversity across Europe. The present paper aims to provide an assessment of how integrated the social enterprise sector is based on data collected in the *Building a European Network of Incubators for Social innovation* (BENISI) program by looking at relationships between the age of social enterprises, financial success, size of teams and strategies to scale.

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Peer-review under responsibility of SIM 2015 / 13th International Symposium in Management

*Keywords:* social entrepreneurship; scaling social impact.

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## 1. Introduction

The demand for innovative solutions for social problems is on a continuous rise. While great progress has been made through technology, improved social services and other innovations, every improvement raises new challenges and hopes, as well as creating new problems.

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Also, the complexity of social problems requires deeper thinking than palliative action on effects or simplistic cause – effect intervention. Often, social challenges have not only multiple causes, but also “invisible” connections to more than one aspect of social life.

This complexity has generated a shift in perspectives in the last decade from social intervention, especially in its public variant, to social entrepreneurship, often driven by a bottom-up desire to bring sustainable change. The most important aspect of this approach is its focus on value: social entrepreneurs act on the basis of an understanding that their intervention should not be validated just by the social need they cater for, but by the wider market as a mechanism to marshal resources from the wider community in a transparent cost-effective manner. This approach has significantly permeated business in the past few years through the rise in number of social enterprises, but also through a new orientation towards *shared value* in a few visionary corporations which have come to realize that products and services that produce social good in tandem with profit are often a more solid business strategy for the long term (Porter and Kramer, 2011).

However, the social sector of business and entrepreneurship remains small (Nesta, 2014), with typical challenges that social businesses models face:

- diverging KPIs, when social mission and profit-making are not congruent in the decision making process, imposing restrictions
- smaller, more niched markets; often, social business models also tend to build a donation-based mechanism masked as a purchase, which does little to increase shared value for customers
- uncompetitive pricing because of internalization of social and environmental costs

While this may be offset by higher potential for PR and pro-bono support if the cause, the social enterprise sector is still in its infancy, raising an important: how can we learn from existing successes and scale them for quicker change, avoiding a constant reinvention of the wheel? This question has become increasingly important in the context of the economic crisis. With public spending being still the most important source of financing for many social enterprises in the EU (European Commission, 2014), the recent public spending cuts brought about by the economic crisis highlight the question of how to effectively scale lessons learnt and successes that prove their economic and social sustainability.

A comprehensive analysis of the academic debate on learning how to scale is provided by Weber, Kroger and Lambrich (2012) based on a scan and synthesis on existing literature to identify the preconditions, drivers and strategies available for social enterprises seeking to scale. An important aspect of their conclusions is that they mirror similar answers found for commercial business, stressing the need for a truly managerial approach of scaling:

- ownership of the individuals driving the scaling process
- professional management of the scaling process
- entire or partial replicability of the operational model
- ability to meet social demands
- ability to obtain necessary resources
- potential effectiveness of scaling social impact with others
- adaptability
- types of scaling strategies

Such insights are useful, however the challenge remains with bridging this knowledge with day-to-day operations and the conversion of strategy into results. Often times, transforming theoretical frameworks into managerial practice is frustrated by errors in assessing if the business or social enterprise that seeks to scale is ready for scaling.

The focus of the present paper is specifically on readiness, seeking to test whether social enterprise sector is uniform enough across Europe to provide the foundation for a common policy or significantly fragmented, requiring adaptation and customization of support. To do so, we will analyze the social enterprises mapped out by the BENISI consortium during a project funded by the European Commission through the Framework Programme 7.

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