

Social innovation in entrepreneurship

Roger Evans, RG Evans Associates

Stimulating entrepreneurship in rural areas has been a major policy area for rural development agencies for decades. In more recent years interest in social entrepreneurship/social enterprise as a means for assisting the development of rural communities has been gaining ground.

A social enterprise is an innovation on commercial enterprise with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Social Enterprise

1. A business or service with primarily social objectives and whose surpluses (profits) are principally reinvested for a social purpose in the community, rather than being driven by the need to maximise profit for shareholders and owners.
2. A local community acting together to provide services needed by the local population, particularly where the service cannot be provided through the market economy.
3. Social enterprises are businesses trading for social and environmental purposes. Many commercial businesses would consider themselves to have social objectives, but social enterprises are distinctive because their social and/or environmental purpose is absolutely central to what they do - their profits are reinvested to sustain and further their mission for positive change

Social Innovation

1. Social Innovations can be described as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations. In other words, they are innovations that are both good for society and enhance society.
2. 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."

Social Capital

1. Social Capital can be described as increasing the confidence and capacity of individuals and groups to get involved in activities and build mutually supportive networks that hold communities together.
2. Social capital describes the shape and intensity of networks among people and the shared values which arise from those networks. Greater interaction

between people generates a greater sense of community spirit and a greater amount of social capital

3. Social Capital is what is created when communities come together to share a common aim or goal.

How do Social Enterprises differ from Commercial Enterprises?

1. A Social Enterprise through the nature of its origins has a specific understanding of local society and local economy
2. The Social Enterprise Sector has a vital role to play in helping grow a local economy. It can help in delivering excellent public and local services and supporting stronger communities
3. The Social Enterprise Sector usually has a triple or quadruple bottom line:
 - Social Benefits
 - Economic Benefits
 - Environmental Benefits
 - Financial Benefits

While the challenges in developing socially innovative entrepreneurship include many of those related to establishing a commercial enterprise they also involve balancing the needs of the community with the commercial imperative of earning sufficient income to pay for operating costs and generation of surpluses for reinvesting in community activities.

Drawbacks to starting a social enterprise include

- Uncertainty of income for community stakeholders
- Risk of losing capital for all investment stakeholders
- Lower quality of life for owner managers while the company becomes established
- Complete responsibility for business activities for owners, managers and community taking on managerial responsibilities

Successful start-ups can usually demonstrate one or more of the following criteria:

- Motivation & determination
- Idea & market
- Ability & experience
- Administration
- Good communication
- Support
- Resources
- Good planning

In contrast factors that influence business failure include the following:

- Weak idea
- Poor management
- Unfavourable economic conditions

- Inappropriate type of company structure
- Poor location
- Over reliance on state or other subsidies to cover running costs.

These factors may also be compounded by poor preparation and planning including:

- Poor or inadequate market research lacking in-depth analysis of specific market segments
- Excessive secrecy in developing the business ideas, limited external evaluation and advice/comment
- Lack of planning for development of client base or marketplace for the products/services
- Lack of capital
- Lack of a contingency plan

This chapter will explore the possibilities and opportunities for development of innovative social entrepreneurship using examples of successful social enterprises and how these can support the social economy in rural areas.