



Module 5 Unit 8

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Author	Dimo Dimov (Samaritans Association)
Editors	Brigitte Zörweg (M-E-R-I-G) Reda Nausedaite (SARETAS)
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Module 5: Creativity and innovative approaches in social enterprise practices. Business leadership.

Entrance

Keywords

innovations, leadership, desire for change, creative approach, social added value, social effect, dual identity, local community, supporting environment

Learning Objectives



The main goal of this module is to aid the leaders of social enterprises in finding the right balance between development and possibilities, in determining the important rules for their effectiveness that can work in a complex and changing environment.

Estimated time



It will take about 90 minutes to go through this module. The application of tools and exercises will require additional time.

Introduction

Innovations are a starting point in studying a lot of trends in today's world – in economy, business, technology, social sciences, engineering... We often speak of innovation, but often we mean different things by the word; innovations are most often taken to mean an invention. Is this true?



In literature we can find many definitions of the term “innovation”:

„Realizing a new idea that adds value”, Innovation network USA

„A crossing point of invention and insight, leading to the creation of social and economic value.”, National innovation institute, USA.

„Developing new ideas and their economic application as a new product or process”, Department of trade and industry, UK.



It is obvious that the term “innovation” reflects a multifaceted concept and it would be a serious mistake to simply equate innovation with invention.

Therefore, the term “innovation” should be linked with business, economics, markets and rapid growth. Innovation springs where there are new ideas and people willing to consume them, where there are profits and development.

 This is why we can offer a simplification that mostly serves as a starting point for innovation and applying a coherent approach in social enterprise: „Innovation is realization of NEW IDEAS, bringing PROFIT and creating a NEW (SOCIALY ADDED) VALUE by POSITIVE CHANGE in the organization, society or the market.”¹

Today market development and socio-economical dynamics requires the creation of hybrid companies that can fill the market niches and act where the state cannot fulfil its obligations. The chief difference between social enterprises and traditional companies is that they do not redistribute profits, are collectively managed and solve various social problems.

Chief success factors in social enterprise practice involve application of several key components:

1. Cultural compatibility:
 - Business initiatives are not suited for every organization
 - Engagement of the interested parties;
 - Existence of a legal environment and traditions for entrepreneurial organizations
2. Engagement:
 - The money should not be the chief motivator for a social enterprise;
 - The organization that would develop social enterprise should have clearly defined priorities;
 - There should be awareness from the start that creating a social enterprise will require a lot of time and effort from the developing team.
3. Capacity:
 - Presence of human resources (the members of the developing team should have undergone specialized training for leadership/business skills);
 - Presence of financial means (assets/resources) or access to programs with such an aim².

Thus, a social enterprise is a “socially motivated business”, where social and business goals are equally important; this combination is widely known as “dual identity.” Social enterprise means a different way to do business. Added value in social enterprise comes from the generated income being used to maximize social, societal or economic benefits.



If you have decided to start on the road to social enterprise, mind the careful combination and balance between the social and economic aims. Whether your social enterprise succeeds depends most on the way you organize your economic activity and how it combines with your social goals.

¹ “The Innovative Approach in Bulgaria and the EU Funds”, <http://nginno.com/?p=2444>

² Counterpart International – Bulgaria, Training for Social Enterprise Educators, Introduction to Social Enterprise, Why Star SE; Models and Structures (2006)

Social enterprise is an additional option for non-profit organizations to realize profits from economic activity in looking for new and resilient resources to fulfil socially beneficial activities.

People and their needs come first in planning a social enterprise; therefore the economic activity is only a means to achieving a social end. The mission is what brings the social enterprise together: what do you aim for and what do you want to achieve?

Unit 8: Applying the creative approach to social entrepreneurship in offering products and services.

In order for innovation to exist there must always be a new idea. It turns out, however, that new ideas do not come easily. Often the organizations' development teams complain that they cannot be innovative or try to introduce new processes or products because of insufficient financing. It is true that revolutionary innovations have a high risk, while also requiring large financial resources in order to be introduced to the market.

However, it is also true that even when they have money, very few companies embrace innovation. Why? Because the path to an innovation does not start with a new idea. The path to innovation starts with motivation, with a DESIRE FOR CHANGE.

Motivation is considered to be an inner feeling and desire for action. However, many authors, such as *Gerry Rummler* and *Allen Bratch* also stress the importance of environment on the individual motivation.

„If a good performer faces a bad system in the arena, the system will usually win.“

In this regard, a statement by *Robert Chevalier* is quite telling. It states:

„Individual motives, capacity and knowledge always carry a higher cost (for the company) in order to fulfil a positive change. However, the result of human performance will not improve if the environment stays unclear.“

Therefore, even if the organization or enterprise spends a lot of money is spent on employee training, if the environment – company culture, leadership style, economic and social environment – is not adequate and do not offer the necessary conditions and possibilities for realization, motivation and desire are usually lost. Therefore, in order for the process of introducing innovation to succeed, the following are needed:

An environment that supports this change – suitable infrastructure, motivation system, information system. Personal capabilities – motives, knowledge, way of thinking, capacity³.

³ “The Innovative Approach in Bulgaria and the EU Funds”, <http://nginno.com/?p=2681>



In order to realize an innovative idea, you need: market necessity, capabilities and capacity for realization, networking skills and financial resource.

8.1 Capabilities and capacity for realizing a new idea

The presence of capacity involves the presence of professional, scientific and analytic skills in a sufficient number of people, who are at a high enough level to respond to the needs of the market/consumers.



- How will you position the product and what vision do you have for its development?
- How will you present the chief advantages over your competitors?
- How will you communicate the change with your team in order to avoid unnecessary complications in the working process – usually when introducing innovation structural changes or layoffs are possible.



Every innovation involves change. Introducing a new product, entering a new market, changes inside the team or the workflow, changing a strategic partner – these are all possible scenarios in the course of the change. A very good communication is necessary for the change to be completed successfully.

Great communication skills ensure maximal comfort in a change. Usually it is not the actions themselves that are wrong, but the way they are explained to others.

8.2 Introducing innovative elements and approaches in the market activity of a social enterprise

8.2.1 Desire for change

In order to introduce an innovative approach and mindset in the organization or enterprise, we need a DESIRE FOR CHANGE. Very often the change is desired because of a necessity. Otherwise, why would the organizations want to do anything more than their usual and typical activities and responsibilities?!



What kind of need could be necessary to make us want change?

First, there is competition; or so to say “No one is bigger than the market.” A competitor has found a better way to realize his products, a new production technology, or has developed a unique new product... and is “stealing” our market. Our clients eventually dwindle... (this moment must be avoided). We should always be slightly ahead of events – this is the formula, but not everyone is able to adhere to it.

A need for a change can arise due to a current or incoming crisis in the organization. Market, political or legislative changes can also impact the work of a company and most firms would look for a way to be more successful. Scientific discovery can also create a need, as it will eventually impact the competitiveness of every company. Eventually, competition completes the cycle and moves the wheel forward.⁴

 Desire for change is part of the survival instinct. Noted psychologist Al Siebert states that the ability of an individual to adapt to life changes and crisis is the key to a healthy and productive life. The defining trait of survivors is the desire for community – the need for an individual to act in ways better not just for him, but for everyone else as well.



Those able to survive give from themselves and leave the world better than they got it.



This conclusion of Siebert's on survivors, transposed to social enterprises, means that the key to survival of an organization lies in its ability:

- To adapt (to the changing needs of the market by offering products with high beneficial value);
- To change (by always improving their competitiveness);
- To create good partnerships (based chiefly on trust).

The ability to be flexible and PROACTIVE helps a business organization to develop corporate self-assurance and confidence by ridding itself of negative and self-destructive behaviour where it assumes the role of a “victim” (as most small companies feel) or the “*good kid that does everything right unlike all the bad kids out there*”. These two roles block a company's ability to act and seek solutions.

The LEADERSHIP in an organization plays a key part in this process. The leader/s and in particular their mindset, abilities and entrepreneurship set the style in a company.

8.2.2 New idea

The desire for change leads to an intense search for a solution. Many ideas arise; the key challenge before the executive team will be finding THE idea that will give the enterprise a competitive edge.

Good ideas almost never arise by accident. For a new idea to arise, two things are needed:

⁴ “The Innovative Approach in Bulgaria and the EU Funds”, <http://nginno.com/?p=2722>

- On one hand: people with a creative approach to problems and active in finding solutions.
- On the other: the appropriate environment for them to unleash their creative potential⁵.



Applying a creative approach depends wholly on the individual and group capacity for creative thinking in the organization. Creative thinking results from certain preconditions, described by Glor (*Glor, E.D: What do we know about enhancing creativity and innovation?*)

- Past experience and support;
- Idea influence;
- Social influence – people feel supported in their social environment;
- Personal factors – self-respect and control point;
- Parallel knowledge – people with knowledge in a wide area more easily find innovative solutions;
- Motivation – personal and team;
- Physical environment and time constraints – this is the context of our life.

It would seem that creativity is the meeting point of fantasy, acquired knowledge and accumulated experience.

8.2.3 Realizing the new idea

The first and foremost factor for the realization of an innovative idea (in a product, service and process) is the market – as in, a the amount of consumers who can afford to and are willing to pay and continue paying again and again for our new products, services or way of working.

If the market does not accept the newly created product or service, no innovation has been created. In order for there to be an innovation, the novelty must have sufficiently high value and consumers that need it.



Is the market ready for your innovation?

We can realize our innovative ideas if four conditions are met:

1. Market necessity;
2. Ability and capacity for realizing the idea;
3. Skills for networking and working in a partnership;
4. Financial resources⁶.

⁵ "The Innovative Approach in Bulgaria and the EU Funds" <http://nginno.com/?p=2805>

⁶ "The Innovative Approach in Bulgaria and the EU Funds", <http://nginno.com/?p=3418>

 If the existing market is too small for your new idea, you should check how financially viable its realization is. In order for a new market or service to be successfully introduced in the market, start with a marketing survey to determine the needs of the market and a financial analysis right at the start of the creative and technological process – how profitable is it to satisfy these needs? Stephen Covey said to “Begin with the end in mind,” and this thought of his can serve as a guideline in the entire process of realization and social marketing.

8.3 Applying the local community development approach in social entrepreneurship

Social entrepreneurship can be applied as an instrument of transformational leadership, which finds and stimulates the sustainable potential of the local community to make decisions on various problems before its development. The stress may be on introducing new roles and attitudes, on inserting a new meaning in the currently existing ones, or on both.⁷

Case study

An example from an existing social enterprise of the “Samaritans” association:

This is the story of how Samaritans Association in Stara Zagora went the way of Social Entrepreneurship.

When there were plenty of donor's funds and programs, they asked themselves how their organization would survive if access to donors' resources was limited, especially with Bulgaria's potential accession into the European Union and insecure funding from the State budget. In the process of analyzing the prospects, the team decided to take advantage of the Law allowing non-profit organizations to develop business activities.

Although this decision looked attractive, Samaritans identified many factors that they needed to consider for their future business activities, such as:

- potential to acquire the necessary knowledge and skills;
- available start-up resources, which could be mobilized;
- the ability to take advantage of the natural resources in the region and country;
- market niche for their business activities;
- governmental legislation and policy incentives for the business activity;
- relatively easy market entry;
- opportunity to generate income covering 50% of the organizational expenses;
- opportunities for a relatively quick return on their investment.

⁷ Community Development, series “Contemporary Community Center” (2003), p. 23

With this long list of criteria, the young and ambitious Samaritans Association team started their research. In the end, they decided on beekeeping and production and trade of honey products as the main activities of their social enterprise. And that's how it all began...

Launching a business activity in the field of beekeeping has been a real challenge for the non-profit organization. The difficulties were mostly connected to finding a supportive environment; attracting partners among recognized beekeeping associations; finding a qualified manager for the apiary; training and qualifying the team; developing a ten year strategic plan; and attracting investments. As a result, a vision of a Social Enterprise active in the production and trade of honey, honey products, and apiary equipment was formed, with the overall idea that it will generate the necessary resources to implement their mission: social services for marginalized children, youth, and families through the Centre for Social and Educational Assistance.

Samaritans Association ethical standards determined that business development was not only for the sake of the business, but just as importantly to help cover the activities of the organization in achieving its social goals. Due to this, its Social Enterprise clients not only enjoy the different goods and products, but also support the social mission of the organization.

What financial resources started it all?

The initial investment in the Social Enterprise was \$2,000 from the Reserve Fund of the Association, which was accumulated by setting aside 5% of each unrestricted donation made to the organization. Other financial resources were a matching funds program which raised \$5,000, and tangible assets: land valued at more than \$16,000.

Maybe the most innovative venture for fundraising was the "Buy a Beehive, Help a Child" initiative. During the first year of the apiary, the Samaritans team reached the conclusion that if one beehive is bought at the beginning of each beekeeping period, and the year is good, at the end of the season, the income from the production fully covers the initial beehive investment. Thus, after the first year, the beehive is fully repaid and during the next 15 years it creates a profit. Everybody and anybody can become a donor of a totally equipped beehive for 200 BGN. Although this is a one time donation, it continues to multiply and the profit from production can be used to provide social services. Thanks to the "Buy a Beehive, Help a Child" initiative, the social enterprise has been successful for three years and it is becoming more sustainable and competitive under real market conditions⁸.

⁸ Published this material in Counterpart Newsletter (January – March, 2005), No-s. 8,9,10

8.4 Creating preconditions for the development of business leadership

 The decisive question for successful organizations is finding out what managerial practices feed into and enable innovativeness on the different levels – individual, team, organization, partnership. In the ideal case this shared innovativeness brings both individuals and the organization well-being, renewal and economic success.

Several authors see leadership as the key link in the relationship between creativity/knowledge and organizational motivation. What author *Teresa Amabile* offers organization and company leaders is to observe the parallels between organizational innovativeness and individual motivation.



The fact that leadership impacts motivation means that the impact should come from the highest levels, but realistically speaking, the middle management will also be very important.

In order to keep motivation high, the organization should communicate the following facts:

- The value of products or services is determined by the ability to search and introduce the new (innovation in the broadest sense in the word);
- Preference to take risks over the desires to maintain the status quo;
- The sense of pride in everyone on the team, as well as confidence in their abilities.

Application of an offensive, proactive strategy “Needing to take leadership to the future”⁹.



There are many challenges before leadership in terms of innovativeness, but perhaps the greatest is giving a priority to raising innovativeness over thousands of other strategic and current tasks.

One’s managerial abilities and level of project skills are extremely important.

Summary of Learning Objectives



In this Unit you learned how the development of organizational culture determines the degree to which creative decisions are encouraged, maintained and executed. So applied, this organizational culture:

- Supports innovativeness in presenting the problems and finding solutions
- Views creativity as desired and normal
- Encourages innovativeness as a model to be emulated

⁹ “The Innovative Approach in Bulgaria and the EU Funds”, <http://nginno.com/?p=2830#more-2830>

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Glossary of the Unit

Social enterprise

A non-profit organisation realising economic activity in order to generate profits which cover organisation's expenses on social activities.

Social Economy

"Social economy" refers to the organizations widely known as the third sector. These are neither private for-profit organizations nor public ones. The third sector is composed of associations, charity organizations, churches, clubs, social organizations, cooperatives, mutual enterprises, non-profit organization, unions etc.

Social enterprises are a part of the broader social economy or "third sector", which includes all organizations that are neither part of the public nor private sector. The role of social enterprises is to strengthen the development of a social economy and secure local resources in order to offer social services to vulnerable groups that need support in order to be independent.

Innovation from a business perspective

So far we have understood that innovation is a successful introduction of something new and useful; for example the introduction of a new process, method, practice, equipment, product or service.

But how does innovation look from the business perspective? Innovation is the realisation of an idea bringing profit. There are three key points here: realization, idea, and profit. What we can add to this definition are the concepts "positive change," "new value" and "social added value."