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# **Social Enterprise and Social Innovation: A Look Beyond Corporate Social Responsibility**

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## **Abstract**

After providing a preliminary conceptual framework for social entrepreneurship, social enterprise, and social innovation in light of the prevailing economic literature, this chapter aims to investigate the links and differences between corporate social responsibility (CSR) and corporate social innovation (CSI). In particular, it is examined how and why the paradigm of social innovation represents a business opportunity by overcoming CSR's traditional logic of "giving," thereby allowing social value creation to go hand in hand with economic value creation. The theme is discussed first at a general level for each type of enterprise and subsequently with particular reference to the global firm, with regard to which considerations are developed as to the most suitable approach to CSI in light of the worldwide spread of values and principles for conducting business, and of the global importance of social and environmental problems. In terms of method, the chapter is developed conceptually on the basis of the prevailing international literature and of secondary data.

**Keywords:** social entrepreneurship, social enterprise, social innovation, corporate social responsibility, corporate social innovation

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## **1. Introduction**

Over the last two decades, the concepts of social entrepreneurship, social enterprise, and social innovation have received growing importance from the political, social, and economic standpoint; the economic literature, too, has seen a considerable increase in studies and research on these issues. This growing attention is determined by the need to find solutions to face emerging social needs now taking center stage in the political, institutional, and academic debate. Today, all over the world, there is debate as to how an idea of development that is economical-

ly, institutionally, and politically sustainable can possibly be pursued. And, all over the world, innovation processes are being refined that are not observable from only the technological and market standpoint but from the social standpoint as well. The central themes of this search for new solutions with an eye to sustainability revolve around the concepts of social entrepreneurship, social enterprise, and social innovation. These three concepts regard different types of players—government, policy makers, public services, businesses, social enterprise, not-for-profit organizations, NGOs, etc.—that can therefore be studied from different vantage points, with different implications in the system of purposes of each of these different parties.

Over the last decade, although we have seen a multitude of definitions, conceptualizations, and methods of analysis of the phenomenon of social entrepreneurship and of social enterprise, as well as descriptions and a spread of exemplary cases of social innovation, these concepts still lack a uniform systematization, most likely because there are many perspectives of analysis from which these phenomena can be observed.

Arising from these introductory remarks is one of this chapter's initial objectives is to provide a conceptual framework of social entrepreneurship, social enterprise, and social innovation, highlighting their main constituent elements; this is in light of the chief contributions of the economic literature, and the most recurrent definitions that have been provided, with no attempt to provide new and additional definitions that would only worsen a framework that is already rather complex. Later, the perspective of enterprise for profit is to be discussed, with the aim of more deeply examining the position that social and environmental issues have in the logic of conducting business. Therefore, first, corporate social responsibility (CSR) will be analyzed within the setting of business strategy, stressing how it represents the response to the increasingly pressing demand from stakeholders who enterprise today adopt behavior that is both economically and socially legitimate.

Secondly, the linkage between CSR and the paradigm of social corporate innovation (CSI) will be discussed. In this regard, emphasis will be placed on how CSI makes it possible to create a close connection between social innovation and business, and thus in what terms it differs from the traditional CSR approach. Finally, considerations will be made with regard to the adoption of the CSI approach by a global enterprise, with the objective of analyzing the impact that global communication has on the choice between standardization and differentiation for an enterprise that operates globally. This aspect merits specific reflection, since one of the effects of globalization is the worldwide spread of principles and values for doing business that are compatible with sustainable development and help cope with the major social and environmental problems that the whole world is facing.

In light of these analysis objectives, the chapter is organized as follows: first, a conceptual framework of social entrepreneurship and social enterprise is provided in light of the prevailing economic literature (paragraph 2); secondly, the constituent elements of the paradigm of social innovation are analyzed in order to complete the conceptual framework in which, with a view to enterprise, the groundwork is laid for joining social value creation to economic value creation (paragraph 3); thirdly, an analysis is made of the incorporation of the social dimension into the sphere of the logic of doing business, through the adoption of CSR observed first in its traditional approach (paragraph 4) and subsequently from a social innovation perspective

(paragraph 5); finally, some reflections are advanced on what the proper approach to the CSI strategy must be for a global enterprise (paragraph 6).

## 2. Social entrepreneurship and social enterprise

It would be extremely difficult to make a comparative analysis of the great many definitions that the literature has provided for the phenomenon of social entrepreneurship, and therefore this analysis is not among the purposes of this work. Many scholars have labored in this area of research, and the literature includes numerous analyses on the meanings that the concepts of social entrepreneurship and of “social enterprise” have taken on in the various continents and in various nations [1–7]. Here, we shall merely provide a general framework for the phenomenon, by recognizing the constituent elements that have been underscored by numerous authors and perspectives.

First of all, social entrepreneurship has been defined in some cases objectively, which is to say with reference to the type of activity, and in others subjectively, that is with reference to the subject carrying it out. In the objective meaning, Zahra et al. [8] define social entrepreneurship by emphasizing the innovation that is the final aim of the process: “social entrepreneurship encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.” Likewise, Granados et al. [9] define social entrepreneurship as that activity carried out by individuals or groups of people aimed at creating, distributing, or spreading social or environmental value in an innovative fashion, through social enterprises, non-profits, and private or public institutions. Another central aspect in qualifying social entrepreneurship in the objective sense is the reinvestment of profits, where existing, in the core activity, as pointed out by Wallace [10], as a privileged form of self-sustainability.

In the subjective sense, the social entrepreneur has been defined as an individual who recognizes a social problem and uses traditional entrepreneurial principles to organize, create, and manage a venture to make social change [11, 12]. Similarly, Martin-Osner [13] and Jones et al. [14] define the social entrepreneur as that particular entrepreneur who has a social mission and who aims to meet social needs through the creative and innovative use of business principles. The social entrepreneur is therefore an individual who uses his or her skills in an innovative and entrepreneurial way to deal with and contribute towards resolving social and environmental issues, operating with a view to social value and wealth creation [15]. Social entrepreneurs are “idealistic, forward-looking people who are innovative, opportunity oriented, resourceful, and value-creating change agent” [16].

Among the conceptualizations of the notion of social entrepreneurship that have spread in the literature, the one proposed by Mort et al. [17] is considered useful here for the purposes of framing the phenomenon.

According to those authors, although the social mission is the central element for qualifying social entrepreneurship, it is not enough on its own to capture the complex nature of the

phenomenon. In particular, they provide a conceptualization of social entrepreneurship as a multidimensional construct, identifying four dimensions:

1. entrepreneurially virtuous;
2. judgment capacity;
3. social opportunity recognition;
4. tolerance for risk, proactiveness, and innovativeness.

The first dimension, *entrepreneurially virtuous*, differentiates social enterprise from traditional commercial enterprise because social entrepreneurs have the primary mission of creating social value and demonstrate that they possess a broad range of virtues that they put into practice in carrying out their activity. These virtues are integrity, compassion, empathy, and honesty, as well as certain specific virtues linked to the context of their social entrepreneurship, such as a solid faith in people's capacity to wish to contribute towards economic and social development; a passion for achieving one's goals; and a practical yet innovative position for solving a social problem.

The second dimension, *judgment capacity*, regards the ability to strike a balance between different and often opposing needs, such as for example those expressed by the stakeholders. This is the ability to face complexity by setting priorities and giving the right weights to the factors involved, while always maintaining the social mission as central and as the insuppressible final purpose of social enterprise.

The third dimension, *social opportunity recognition*, consists of the will and ability to identify every market opportunity that makes it possible to create social value for one's own customers, unlike the commercial entrepreneur who has the ability to identify the opportunities to create "commercial and economic value." According to Singh [18], this attribute characterizes the behavior of the social entrepreneur and sets him or her distinctly apart from the commercial entrepreneur.

The fourth dimension, *tolerance for risk, proactiveness, and innovativeness*, sets the social entrepreneur apart from the commercial entrepreneur for the setting in which these three aptitudes are applied, which in the case of the social entrepreneur are put into practice in the setting of social enterprise and in the case of the commercial entrepreneur are aimed at maximizing profit. With reference, then, to this fourth dimension, the difference between social and commercial entrepreneur regards the different lens for observing and assessing risk, proactivity, and innovativeness with regard to the respective final purposes of their activity.

If we are to adopt a very broad definition of social entrepreneurship as that activity that innovatively pursues a social objective, it follows that we can find it in various forms of organization: for-profit and non-profit organizations, social enterprise, enterprises that produce public services, NGOs, public agencies, and volunteer organizations. It is clear that in each of these types of organization, social entrepreneurship takes on a different dimension, a different weight, and a different positioning in the organizations' objectives. However, in each of them, and given impetus by different goals, we may find activities that are framed within the search for innovative satisfying solutions for social and environmental issues.



## 2.1. Social enterprise

When enterprise is combined with the performance of an economic activity directed towards the market and managed with business logic, we speak of social enterprise [19–21].

The term “social enterprise” appeared for the first time in Europe, and specifically in Italy, in the late 1980s, with the birth of many new cooperative initiatives to respond to unmet needs, especially in the area of integration into the workplace, as well as in the field of personal services, required by a changing sociodemographic context marked by an aging population and a changing family structure. Unlike the traditional forms of cooperation, whose activities are aimed at the members’ advantage, these new social initiatives address society at large and are linked to general interests. And for the involved stakeholders as well, while traditional cooperatives were usually single-stakeholder, the governance of the ascent social enterprise included various types of stakeholders, therefore taking on a multi-stakeholder perspective. After those years, Italy saw a considerable growth in the number of social enterprises providing a broad range of social services in the fields of workplace integration, the disabled, healthcare, education and research, environmental protection, culture, sports, and so on, to the benefit of disadvantaged people.

This enormous development of social enterprises has also saw a parallel spread of the principles of social responsibility in the world of for-profit enterprises, in terms that will be analyzed below, also through brief reference to the case of the Italian firm Olivetti, which may be considered one of the earliest and most important cases of CSR in Italy

Subsequently, the breadth and growing importance recognized by all stakeholders, including the government, led Parliament to provide a legal definition of social enterprises in 2006, terming them as “organizations that exercise, in a stable and principal fashion, an economic activity organized for the purpose of producing and exchanging goods or services of social utility, aimed at achieving purposes of general interest.” Therefore, the social enterprise is a party that acts in the social world, behaving as an enterprise and organizing resources and goods to respond to specific social needs on an ongoing basis; the trait that sets it apart from traditional commercial forms is that of not distributing profits and of reinvesting them in the enterprise’s activity.

In the second half of the 2000s, Western Europe saw the spread of what was to become one of the widely used definitions of social enterprise—that is, that provided by Defourny and Nyssens [22], based on which social enterprises are defined as “not-for-profit organizations providing goods and services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity.”

Emerging from this definition are some important features of social enterprise: (i) the production and sale on the market of goods and services; (ii) involvement of various types of stakeholders in the decision-making processes of governance (“multi-stakeholder” approach), derived both from the pursuit of different kinds of objectives (economic, social, and political),

and from various resources employed; (iii) financial autonomy, by reinvesting any profits back into the activity; and (iv) the taking on of enterprise risk in the performance of their activity.

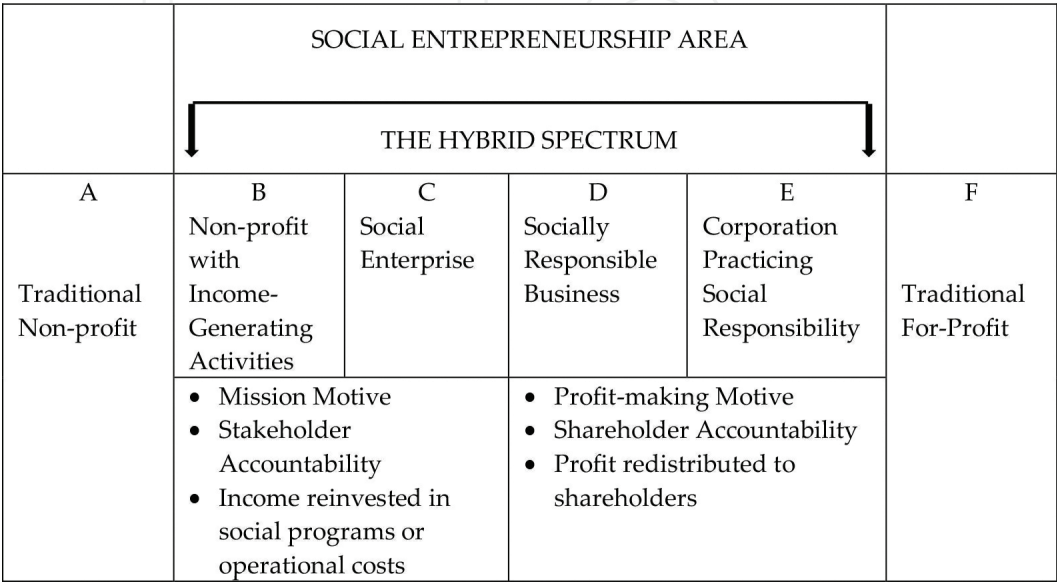
The UK Government (in particular, the Department of Trade and Industry) defines social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” [23]. This definition underscores the underlying financial motivation of sustainability of the social enterprise. In fact, social enterprise is marked by the fact that it is an enterprise that operates on the market, earning income through the sale of goods and services, and that belongs to the so-called “Third Sector,” which comprises all those organizations that pursue social aims.

Social enterprises are a vital source of new business approaches to environmental sustainability, fair trade, social inclusion, and job creation for those who are most alienated from the job market. Social enterprises are based on the recognition that it is highly unlikely that the market, on its own and left to its own rules, might be able to offer innovative solutions to face social problems. They operate in the market and are aimed at making profits (and not, however, at redistribution), thus demonstrating that it is possible to conduct business successfully while also taking social and environmental aspects into account. It is this substantial challenge that social enterprises place upon economic systems based on capitalism, proposing business models that can also lead a traditional, for-profit business to evolve towards forms of CSR that go far beyond philanthropy and the logic of the “given.” Bill Gates, the founder of Microsoft, in his commencement speech at Harvard in June 2007, stressed the need to promote a “more creative capitalism” to modify the market’s way of operating, through approaches that generate profits while meeting the needs of the poorest populations, and in general combat the world’s inequalities and injustices. To deal with these major problems, solutions based entirely on government grants, subsidy, or charitable donations are not enough; long-term solutions originating from the market must be found; in this perspective, social enterprises offer a way of doing business that is self-sustaining, selling products and services aimed at social needs, and thus demonstrating how businesses can operate successfully while also taking social and environmental needs into consideration. Social enterprises are thus a source of innovative approaches to business in the field of fair trade, social inclusion, land rehabilitation, healthcare, culture, and environmental protection [24].

It also bears stressing that social enterprises often play a role of supplementing public administrations’ supply of public services. Over the past 20 years, market rules have progressively taken hold in the supply of public services, and it often happens that in many areas of public services the state now funds and commission services but does not necessarily provide them, relying on for-profit and not-for-profit providers instead. Therefore, we are witnessing growing acceptance of the state encountering difficulties in covering the broad numbers and diversity of social needs, and therefore the area of needs that social enterprises are able to cover, and that the state cannot completely meet, is increasingly expanding.

Social enterprises are thus a particular form of organization, standing apart from conventional business due to their focus on social issues and from not-for-profit organizations due to their increased financial sustainability and innovative activity [25]. In the perspective of social

entrepreneurship, social enterprise may also be seen as a particular form of organization that is identified on a continuum of forms of organization, in which there is space for the pursuit, in differing degrees, of social purposes. According to Alter [20], social enterprise belongs to what the author defines as the “hybrid entrepreneurship spectrum” —the set of forms of organization that belong to a broad concept of social entrepreneurship, as shown in **Figure 1**.



Source: Alter [20]

**Figure 1.** Hybrid entrepreneurship spectrum. Source: Alter [20].

On this spectrum, various forms of organization may be distinguished based on three factors: motive, accountability, and the use of income. Social enterprise is in the middle of the spectrum, on which the right-hand side has the traditional for-profit forms of organization (F) and enterprises that practice strategies and actions of CSR (E), while the left-hand side has traditional non-profit enterprises (A) and non-profits that generate earned income (B). Enterprises that have profit-making as their primary motive require accountability to shareholders, to whom the earned profits are to be redistributed. Enterprises with the creation of social value as their primary motive require accountability to stakeholders, and the earned profits are ploughed back into social programs or into financing operational costs. Moving from left to right, organizations become increasingly reliant on market revenue generated from the sale of goods or services, whereas moving from right to left the pursuit of social purposes increasingly becomes the element characterizing the organizations’ underlying missions. Therefore, the spectrum proposed by Alter [20] represents the continuum of possible organizational configurations in which economic value, social value, or a mix of both is created.

The area of social entrepreneurship is thus to be considered as the set of organizational forms of types B, C, D, and E, in which the creation of social value is present, in differing degrees, in the pursued mission. Social enterprises may thus be considered either, in the strict sense, the type C forms, as a particular genus of the non-profit world, or in a broader sense to also include



type B forms, which is to say those non-profit enterprises that also perform activities aimed at earning income through market exchange.

### 3. Social innovation: actors, drivers, and processes

The development model founded upon blind faith in technical progress and globalization has shown clear limits in the supply of adequate responses to social needs and has made the problem of sustainable development the central issue the whole world is trying to grapple with today. Over the past decade, the issue of social innovation has thus been overwhelmingly affirmed in the political and economic debate, particularly in the Western world, and has also seen increasing attention from scholars, with a proliferation of both theoretical and empirical research; despite this, there is still no shared definition of the phenomenon of social innovation, and this concept is often used as a “sort of metaphor in the setting of social and technological changes” [26].

Albeit in the diversity of proposed meanings and perspectives of analysis, social innovation is a concept with a strong evocative force and revolves in all cases around social needs and strategies be able to deal with them. In particular, social innovation is linked to social needs perceived as necessary for individuals, such as health, education, employment, justice, and so on; it deals with problems that are on the rise in the world, and for which governments appear unable to provide adequate responses, such as for example climate change, global epidemics, chronic disease, and inequalities of various kinds that are continuing to grow; it places man at the center of the debate over the concept of sustainable development and requires technology and economics to come to terms with social needs, by orienting innovative processes towards results that have a strong social dimension; it urges individuals, groups, and political, social, and economic institutions to seek “new ideas that work in meeting social goals [27],” also through the integration and coordination of the resources each of us must put in play in creating a social innovation. It therefore comes as no surprise that Barack Obama has given much emphasis and importance to the issue of social innovation, as he has done since his first inauguration address, also through the establishment of an Office of Social Innovation and Civil Participation in 2009, giving rise to similar government initiatives in other countries in the world [28].

According to Mulgan [29], there are many spheres of society that now require innovative solutions to problems that have gradually increased over time: the aging population; the growing diversity of countries and cities; the growing incidence of chronic disease, such as arthritis, depression, and diabetes; the worsening of many behavioral problems connected with well-being, such as obesity, poor nutrition, inactivity, and addiction to alcohol, drugs, and gambling; the difficult transition from adolescence to adulthood; the failure of a criminal justice that appears less and less focused on rehabilitation and more and more repressive, with a strong increase in recidivism; the non-correspondence between GDP (Gross Domestic Product) and increased happiness; the clear challenges involving climate change and that affect the organizational models of cities, transport systems, and housing conditions, in order to

drastically reduce carbon emissions and repair the environmental damage that already appears partially irreversible.

All these problems require seeking new solutions that consist of new programs, new models, new ways of thinking, or a combination of all three, resulting from actions planned and coordinated by a vast range of subjects and organizations that embrace social, governmental, and business sectors. An innovative idea may spring from individuals, social movements, markets, and governments, and it is not a field of exploration limited to social enterprise, governments, or the voluntary sector. The generation of an innovative idea for facing social problems may derive from many sources—individual or group, public or private—but what is needed is that actions be structured to implement, develop, and spread ideas in such a way that they may be a generalizable and imitable response to solving certain social problems. In this regard, it has been observed that there is a great distance between existing structures and institutions and what we have on hand today to face the challenge of sustainable development [30]. “Social innovation” in fact aims to reduce this distance and become a paradigm inspiring government policies, behaviors of civil society, markets, and the economic world. As we see, traditionally for-profit enterprises are also called upon to collaborate towards sustainable development and to strike a balance in their own system of purposes, social values, and economic values.

Phills et al. [31] define social innovation as “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions for which the value created accrues primarily to society as a whole rather than private individuals.” As regards the main players in social innovation, Mulgan [29], in defining it as “innovative activities and services that are motivated by the goal of meeting a social need,” adds that they “are predominantly diffused through organizations whose primary purposes are social.” Segran [32] broadens the sources of social innovation, highlighting how it may originate from individuals, groups, organizations, or networks that combine a given social or environmental mission with innovation.

It often occurs that social innovation is in fact the result of the interaction of numerous subjects, necessary above all in the phase of developing and spreading the innovative idea underlying social innovation. With regard to this aspect, it has been effectively observed by Mulgan [29] that social innovation quite often arises from an alliance among parties the author calls “the bees and the trees.” In this analogy, the bees are the small organizations, individuals, or groups that have had the new idea (quick and able to cross-pollinate), and the trees are the large organizations (governments, enterprises, or major NGOs) that are poor in creativity but generally good at implementing and spreading innovation on a broad scale. Caulier-Grice et al. [33] also give great importance to the interaction between the various parties for the purpose of the creation of a social innovation. These authors in fact define social innovation as the realization of new ideas (products, services, and models) that respond to social needs while at the same time creating new relationships and collaborations. The central element they highlight is the targeted approach to creating and managing collaborations of broad scope between various parties, overcoming the traditional boundaries of economic and social

organizations: between private and public sector, between for-profit and not-for-profit enterprises, and between political/administrative institutions and civil society.

To conclude, social innovation means changing systems and initiating an institutional reconfiguration of relationships and not selling socially friendly products. It is therefore a process that does not necessarily lead to new elements, but often consists of combining already existing elements in a different way; it is a process that may require the ability to go beyond the boundaries of organization, sector, or discipline; it is a process that activates the involvement and coordination of parties, groups, and institutions that are usually isolated from one another; it is a process that creates a cumulative dynamic based on which each innovation opens the way to additional innovations and therefore facilitates both the spread and development of innovations.

#### 4. The social dimension of businesses: the CSR approach

At first sight, businesses—economic activities whose primary purpose is making profit—are excluded from the concepts of social entrepreneurship and social enterprise. This is due to the substantial difference that exists between pursuing social aims as the organization's primary purpose and pursuing social purposes as an instrumental means for maximizing profit, which remains the organization's chief purpose. However, as we have seen on the previous pages, this does not mean that the social dimension of activities and behavior does not regard for-profit enterprises as well, and the logic through which business activities are managed. In fact, over the past 20 years, the issue of CSR has taken center stage in business strategy, especially after overcoming Friedman's outmoded view [34] that the only form of responsibility a firm has towards society is to turn a profit, since the task of dealing with social problems is a specific responsibility of other organizations, in particular of political and government institutions. Since that time, this old vision of CSR has been almost entirely abandoned, and the meaning of CSR has increasingly recovered a social dimension due to the changed expectations of society, of consumers, and of all other categories of stakeholders in the enterprise.

Firms must now increasingly demonstrate how they actually operate with regard to the various CSR dimensions [35, 36]. The meanings that CSR can assume are numerous and varied [37], and they concern all aspects of the firm's activity which produce effects of a social and environmental nature [38]: the working conditions of employees and employment policies; the quality of the products and services and the characteristics of the production processes; the publication of reports and all information delivered to third parties; relations with political, administrative, and social institutions of the community in which the firm operates; the choice of location of the production activities; the fiscal policies and the methods of use of the resources which investors entrust to the firm in the form of shares and bonds; the relations of products, services, and production technologies with the external natural environment.

The varying nature of stakeholders' expectations in the context of the firm's social responsibility creates a complex framework of *multidimensional social responsibility factors* linked to economic, environmental, and social issues. It follows that today's firm is increasingly called upon to provide legitimacy from a social as well as economic standpoint, as a cell in an

environmental system to which it belongs and, through its behavior, to which it contributes. For this reason, it may be affirmed that one of the main drivers of competitive advantage that emerges today is the firm's capacity to be perceived by consumers and stakeholders as a socially responsible firm [39, 40].

In fact, according to established developments of marketing management, the firm-market relationship is not limited to the relationship with consumers, whether real or potential, but includes all stakeholders with which the firm interacts ([41, 42]. As Tischler [43] argues, a successful brand strategy today includes "the need for companies to recognize a brand's stakeholders (beyond its customers)." In other words, the firm no longer communicates solely with the market and State, but with a civil society that is asking the firm to fulfill a functional role in enhancing the well-being of the society in which the firm operates [44].

The framing of the CSR phenomenon and of its meanings within the setting of for-profit enterprises is described in many definitions that have been proposed both in the literature and by governmental and non-governmental institutions. For example, the European Commission [45] defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"; the World Business Council for Sustainable Development [46] defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large"; Frederick et al. [47] define CSR as "a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment"; Carroll [48] defines CSR as "the conduct of a business so that is economically profitable, law abiding, ethical, and socially supportive. Thus, CSR is composed of four parts: economic, legal, ethical, and voluntary or philanthropic"; Holme and Watts [49] define CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

With regard to these and similar definitions, it is useful for our purposes to point out that CSR is a dimension of business management that can take on many different directions and breadth in the field of social needs, and above all have a more or less close connection with the firm's business. Applicatively speaking, in fact, the degree of CSR's integration with the firm's business may be highly differentiated depending on the centrality or marginality of the actions of CSR with respect to the firm's core business. There may therefore be situations different from one another: on one extreme, situations in which CSR is only a set of marginal activities carried out with a view towards philanthropy, and on the other extreme situations in which CSR is fully integrated into the firm's business strategy. As will be seen below, it is only in the latter case that CSR can become a driver of social innovation.

#### **4.1. Olivetti and social responsibility: a case ahead of its time**

As already discussed, one of the first appearances of CSR in a large enterprise in Europe involves the Italian company Olivetti in the 1930s. This is an exemplary case, as intensely practiced by the founder's son Adriano Olivetti, of how maximizing profit can be combined



with the pursuit of social goals. Throughout the period in which he led the family firm between the 1930s and 1960s, Adriano Olivetti wanted to give his typewriter and calculating machine manufacturing company the mission of creating both economic and social value. In fact, he conceived of the company as an organization that should pursue a multitude of purposes: generating wealth, creating jobs, allowing the local territory and community to share in the results of the success achieved in the markets, and redistributing profits. The conception he had of enterprise included an economic responsibility, a social responsibility, a charitable responsibility, and a responsibility to the community to which the enterprise belonged [50, 51]. He was thus ahead of his time, anticipating and putting into practice all those principles and values for conducting business that are now the domain of the paradigms of social entrepreneurship and social innovation.

The dual economic and social dimension that marked his company may be fully categorized as what we now call “stakeholder engagement,” because his broad vision of the purposes and social function of business began from considering the needs and expectations of a multitude of stakeholders: shareholders, employees, society at large, and the State.

Above all, Adriano Olivetti was able to create a genuine “welfare system” benefiting his employees, starting from the basic idea that the company was not just a place of work for the purpose of manufacturing goods, but was above all a social environment of coexistence. And in this regard, he believed that only by creating a welcoming and stimulating working environment would it be possible to make the company efficient and innovative, since the company’s success is the result not only of the application of rational productive and organizational methods but also above all of the employees’ well-being. This is why he showed maximum commitment to the workers and regarded various aspects of intervention: (i) assistance to maternity and childcare (day care, summer camps, salary almost unaltered during maternity); (ii) healthcare assistance, with an outpatient clinic performing, in addition to traditional services, intense prevention activities as well; (iii) social assistance, with individual and collective services aimed at overcoming every type of difficulty of adaptation to the job, both personally and professionally; (iv) professional education, carried out both at the Olivetti training center and in collaboration with other institutions present on the territory; (v) cultural services, with an intense activity of cultural events, seminars and debates, book presentations, art exhibitions, and film screenings; (vi) general services, including food service, transport, and housing support, with the granting of loans, technical and architectural consulting, and facilitated access to homes built by Olivetti.

Adriano Olivetti’s social commitment went beyond that to his employees and addressed the entire community, on the assumption that the firm belonged to the territory and to the community of reference. Therefore, highly important in the company’s mission was the contribution the company was able to make to local development—economically, socially, and culturally. In other words, Adriano Olivetti was also ahead of his time in applying the principles of social responsibility outside the factory, by addressing many social and welfare services not only to employees and their families but also to the entire population, in his conviction that a company’s competitiveness was positively correlated with the quality of the context in which it operates. He created centers of culture and social relations open to the entire



population, as well as an institution for urban and rural renewal, with the aim of developing programs to better the region's social and economic conditions, raising the standard of quality of life and the level of culture, and making a contribution towards full employment of labor. There were also numerous initiatives to promote and create handicraft, industrial, and farming activities in his region's territory.

Finally, Adriano Olivetti also tasked his company with spreading beauty, aesthetic values, and a harmony of forms [52]. Toward this end, he asked his era's finest architects and urban planners to build structures on a high architectural level, not only for industrial facilities and the company's headquarters in Italy and abroad but also for the schools, day care centers, workers' housing, camps for employees' children, libraries, and cultural centers he founded.

For all these reasons, Adriano Olivetti is considered an enlightened entrepreneur and ahead of his time [51], having distinguished his company for its strong commitment in the social sphere, based on the values and principles of doing business that were to find their categorization in the paradigms of CSR and of corporate social innovation (CSI).

## **5. Social innovation beyond CSR: the CSI approach**

The starting point for comprehending the linkage between CSR and the theme of social innovation is underscoring that the expectations of CSR have not only spread to an increasing number of social and environmental issues—and therefore are not only to be found in an increasing number of stakeholders—but are also “growing” [38, 53–56], in the sense that they are increasingly linked to the demand that firms should assume a “proactive” approach towards environmental and social issues, and not limit themselves to a defensive approach or to merely abiding by existing rules and regulations.

In particular, it is no longer considered enough for the firm to maintain behavior that does not damage society and the environment (treat employees equally, pay taxes, do not damage the environment; use raw materials responsibly, etc.), but it is increasingly demanded that they act proactively to make a contribution towards improving the conditions of life and of social well-being. The new expectations in CSR thus regard actions aimed at improving environmental conditions, at reducing poverty, at solving social problems, at economic stability, at reducing human rights abuses, and so on.

Based on these assumptions, there has been talk for some time now of CSI to understand how traditional CSR has evolved towards a more incisive role than in the past in contributing towards improving the economic, social, organizational, political, and cultural conditions of the external environment in which it operates [57–60]. The concept of CSI means precisely the application of the social innovation paradigm in the business sphere and stimulating and helping firms in rethinking their innovation processes, whether in new products, processes, business approaches, or managerial cultures, towards solutions that have positive social impacts.

From this standpoint, CSI may be seen as an evolution of the traditional CSR concept, in the sense that it now directs the firm's social behavior and strategies towards approaches of proactive resolution for environmental and social problems.

The idea underlying CSI is that the philosophy of CSR may increase the firm's innovative capacity and its performance, at the moment when it goes in the direction of jointly creating social value and economic value. Even without using the term CSI, but with reference to a vision of CSR that finds its recognition in CSI, Porter and Kramer [44] state that "CSR can be much more than a cost, a constraint or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage"; and add that "the success of the company and the success of the community become mutually reinforcing. Typically, the more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society." Moreover, the European Commission [45] identifies three central points in the concept of CSI:

1. Innovation may result from the engagement with other stakeholders.
2. Business opportunities may arise from addressing societal challenges.
3. A stakeholder-oriented organizational behavior creates better workplaces, which can be more conducive to innovation.

The central aspect of the CSI paradigm and its consideration as evolution of CSR lies in the fact that CSI ratifies overcoming the CSR approach of philanthropy or a "logic of giving" [27, 61, 62]. Moreover, while CSR is a concept in which firms are talking responsibility for their impact on society, CSI extends this one-sided action to include both-side actions, since it can be understood as co-creation of value for business and society together with the emergence of new opportunities for cross-fertilization between commercial and social efforts [63, 64].

While in the traditional CSR approach, society benefits from the actions carried out by firms in CSI collaborative actions are carried out by both sides to the benefit of firms and society alike. While in CSR, the beneficiaries of a given action are not tasked with carrying out anything or with carrying out something that may be self-help; in CSI, the beneficiaries are called upon to take on a role of partnership and to participate in some way in achieving social innovation; in CSR, they therefore are not passive parties receiving an action inspired by charitable and philanthropic principles, but become players in the process of social innovation. Therefore, in the CSI paradigm, there is a collaborative and synergic effort between the firm and society for the creation of "shared value" [65].

The difference between CSR and CSI also regards the type of benefits that are produced for firms. While in the CSR approach, benefits are mainly indirect and in particular linked to improving corporate image and reputation; in CSI, benefits are of a direct nature, in that the firm exploits opportunities connected to social needs in order to develop the business through economic returns. Moreover, based on the relationship of collaboration and partnership, the firm is capable of learning the stakeholders' needs and expectations in a far more in-depth way and also benefits from the possibility of relying on the creativity, knowledge, and innovative capacity possessed by the stakeholders. CSI thus becomes the terrain for activating a multitude

of innovation drivers, such as lead user approach, open innovation approach, open creativity approach, society-driven innovation, stakeholder-driven innovation, and customer-driven innovation.

Overcoming the philanthropic approach and the logic of “giving” typical of traditional CSR, CSI sanctions transition from the problem of “how to use the money that is made” — also as a form of compensation to society and the environment — to the problem of “how to make more money.” From this standpoint, CSI is the ground for innovation that makes it possible to attain a socio-competitive synthesis [66], in which social value and economic value are created at the same time. Firms are thus in a condition of being able to increase their innovative capacity and augment their business by exploiting new markets and new needs to achieve economic success. Therefore, social questions do not remain at the margins of their business and are no longer generators of costs for the firm, but become central elements of the business and generators of profit opportunities; they are no longer separate from and a worsening of the objective of maximizing profits, but become an integral part of the objective of maximizing profits.

The joint creation of social value and economic value becomes the new key for legitimizing the business and allows the firm to become a cell in an environmental system to which it belongs and, through its behavior, to which it contributes. CSI, therefore, overcomes the traditional trade-off between social value and economic value and lays the groundwork for new forms of capitalism. It is from this standpoint that by overcoming the traditional CSR approach centered upon the logic of “giving” and of “limiting damage to society,” the for-profit enterprise can become an agent of social innovation, within the sphere of a new conception of how it belongs to society. Notwithstanding the fact that its nature as for-profit enterprise must certainly not vanish or weaken, the firm contends with making various objectives reconcilable, thus making social innovation a profit driver.

One final consideration regards the relationship created in this new scenario between traditional CSR and CSI. As shown by Mulej [67], it is preferable to consider CSI not as a mere overcoming of traditional CSR, but as an approach that is integrated into the firm’s strategy and into its ways of interacting with the economic and social setting that accompanies it. From time to time, it will therefore be necessary to assess which of the two approaches is most suited to the environment of reference based on the set of social, economic, political, and cultural characteristics that are reflected in its stakeholders’ needs and expectations.

## **6. The impact of global communication on the CSI strategy**

This paragraph deals with the impact of the global communication that characterizes the economic scenario of global enterprises on the standardized versus differentiated CSI approach. The premise of our reasoning is that today information spreads throughout the world at astonishing speeds. The speed at which news currently travels means that what a firm does in one geographical context can reverberate throughout the world in a very short time, so the media now play an amplified role in constructing corporate image and reputation [68]. In the age of Internet and global communication, new media and associated technologies allow

anyone to discover what is happening elsewhere, with the result that all firm behaviors and local actions become elements to be judged and evaluated worldwide [42]. It follows that for a global firm, CSI strategy must succeed in obtaining worldwide consensus on the part of all its stakeholders, regardless of their specific country. From this, the recognition that the firm obtains in all operational contexts translates into strengthening corporate image and reputation, thus raising its competitive potential and thus obtaining exactly what the paradigm of social innovation proposes.

Based on these premises, it becomes highly important for global enterprises to rethink the standardized or differentiated approach in the various countries with which they are posed with regard to major social and environmental problems. In particular, while on the one hand, the differentiated approach to CSI has the advantage of placing the firm in a condition of being able to respond accurately to the needs and expectations of the “local” stakeholders, and on the other hand, the standardized approach has the benefit of achieving economies of scale and helping consolidate practices and experiences that may in this way gradually improve.

Although there is no doubt that different countries have different cultural, economic, political, and social conditions, an effect of globalization is certainly the spread and cross-pollination of values and principles for doing business. This means that while in applicative terms the practices and actions of CSI may differ from a strictly operative standpoint, it is on the level of underlying principles and approaches that we think uniformity must be achieved in the global setting [69]. Therefore, from the standpoint of competitive edge, given the considerations made above with regard to the link between corporate reputation and global communication, we believe that the standardized approach to CSI strategy is preferable for the following three reasons.

First, adopting a standardized approach to CSI strategy can accelerate the worldwide spread of business practices with positive impacts on global social and environmental conditions. Compared to differentiation, the standardized approach can more easily engage processes of replicating innovative behavioral and operational solutions in the different nations. For the firm, this will translate into reinforcement of corporate reputation and the consolidation of positive judgments from increasing numbers of stakeholders worldwide [69]. The standardized approach also facilitates the development of a common language, the dissemination of knowledge and experiences, and opportunities for processes of continuous improvement.

Second, social innovation is founded upon universal principles and values, which governments, NGOs, non-profits, and other public and private actors increasingly share as common aims [70]. Such universal values and aims are the basis for identifying valid social innovation solutions that can be replicated in different territorial contexts. The new communication systems create interconnections among actors and stakeholders around the world, which render this process of spread and convergence much more rapid and pervasive. Given the context of shared basic values, complemented by global communications, standardization in firm CSI strategy both reduces the risk of conflicting judgments arising in the different countries and reinforces corporate image and reputation at the global level, with evident benefits for the firm in terms of competitive potential.



Third, the standardized approach can facilitate transnational investment on specific themes and create favorable conditions for the sharing of activities, for synergies, for economies of scale and scope, and for transfers of resources and skills. The possibilities of replicating similar investments in different countries or of exploiting single investments transnationally also facilitate the aggregation of firms and other actors in raising the necessary financial resources.

## 7. Conclusions

This chapter stressed how the search for innovative solutions to deal with the numerous and growing problems of a social and environmental nature is now the greatest challenge for capitalist systems the world over. Involved in this challenge are governments, national and international cooperation institutions, NGOs, organizations in the non-profit sector, and also enterprises traditionally aimed at maximizing profit; it is a matter of seeking new development models and new ways of thinking, which can make objectives of differing natures compatible and create conditions suitable for long-term sustainable development. Social entrepreneurship, social enterprise, and social innovation are three key concepts that have taken on growing importance over the past 20 years and have taken a place in the political and economic debate. This chapter first outlined the meaning of each of these after investigating the chief vantage points and having provided a conceptual framework of reference through analysis of the prevailing economic literature; it then took on the perspective of the for-profit enterprise, which is one of the component of the “social entrepreneurship area” and a potential player in the coming years of social innovation. In fact, in present-day economic systems, the company is increasingly called upon to legitimize itself not only economically but also more and more from the social standpoint as well, by demonstrating it can create value for all categories of stakeholder, both inside and outside the company. In this regard, it has been highlighted how stakeholders’ expectations are no longer solely to eliminate every form of damage to society and the environment connected with economic activity or merely to redistribute a portion of the created wealth as a matter of charity and philanthropy. Instead, they involve taking on a proactive role to problem solving. Therefore, companies are increasingly called upon to contribute, both on their own and in cooperation with other parties, towards reducing poverty, solving social problems, economic stability, reducing human rights abuses, and so on.

The chapter then stressed how CSR has evolved towards the paradigm of CSI (overcoming the traditional logic of “giving” and of “philanthropy”) and in the direction of taking on a proactive responsibility for the contribution that may be made towards solving social and environmental problems. This challenge for companies, in concrete terms and without prejudice to the aim of maximizing profits, translates into the search for goods and services, methods, and management processes capable of creating both economic value and social value. Therefore, in the paradigm of CSI, social questions do not remain at the margins of the business, but become central elements of the business and generators of business opportunities.

Finally, the chapter provided some conceptual reflections as to the impact that global communication has on the CSI strategy for a global enterprise. In particular, it provided the reason



why global communication is thought to push global enterprises towards standardized principles and behavior, in pursuit of a worldwide consensus on the part of all stakeholders, regardless of their specific country.

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