Initial Conceptual Model of Knowledge-Based Social Innovation

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Abstract: Social entrepreneurship has been defined in focusing their activities in the dual contrary things. Its activities have intended to the social mission and profit orientation, but the foremost activity is in social mission whereas it conscious about social benefit and not in profit motive. Social enterprise, in running their business, has to deal with this dual motive that is focused on the social consciousness intensely. As the advanced non-profit organization, social enterprise should construct their goal in creating the value to the community and also to achieve their sustainability by innovation. Social innovation is the basis for the social enterprises in doing their social mission and it requires stages beginning with seeking an opportunity to provide solutions for the social problems from the internal and external sources of information and knowledge. They should manage their knowledge as their main source of innovation and afterward it will be impacted to their main objectives in creating social value. This research integrates construct from the theories of entrepreneurship, Innovation and Knowledge Management. The relation of the three main theories will be proposed in the Knowledge Based Social Innovation model. In the social innovation perspective, all the process of its innovation is all about knowledge creation and usage. Therefore knowledge sharing and creation become primary in the social innovation process.

Key words: Social Entrepreneurship • Social Innovation • Value Creation • Knowledge Management

INTRODUCTION

Social entrepreneurship has been issued as a phenomenon of practical and theoretical significance and has appealed the attention of scholars, practitioners and policy maker around the world [1-8]. This phenomenon significantly has recognized globally after the Nobel Committee has awarded to two of the social entrepreneurs Muhammad Yunus in 2006 and Elinor Ostrom in 2009. They both have been recognized as the social entrepreneurs who had innovation in solving their social problem and creating social change on their society. Social entrepreneurs in recent decades has given a lot of examples in the creation social innovation. They moved to tackle the social problems that occur in their society by creating innovative solutions in the field of welfare, education, health, community development and the environment. The purpose of the social entrepreneur who seeks to make a change in society (Social Change) associated also with how they run their business in order to survive its organization and activities remain support-oriented social becomes a challenge for them to do both together and going well.

Social Entrepreneurship is about the creation of social or environmental value in innovative way. It could be done individually or by group of people such as social enterprise, public/private institution, non-profit organization[9]. In this study, I used the term of social enterprise as the unit analysis in order to blend it with the knowledge management. The main objective of social enterprise is to create social value for community through business-like approach such as innovation [10, 11]. The social enterprise source of funding has come out from internal sources and external sources. The internal sources are from their business activities such as trading or production of products or services and the external sources are from grants or donations. These sources are become the critical point of the organization such as social enterprise in having their sustainable organization and also in giving their continuous solution for the social problem in their community specifically and their stakeholder generally.

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In the face of intense competition and rapid changing situation or environment, the organization has to carry on competitive advantage by knowledge and innovation requirement [12]. Xu, et al. [13] implied that an organization has to manage knowledge because it is a prominent asset for innovation boosting. Further more social enterprise as the organization which has dual contrary intentions should manage their knowledge as their main source of innovation and afterward it will be impacted to their competitive advantage. This study is pointed to propose the life-cycle perspective of KM implementation in the process of how social enterprise creates the innovation for the social value and harnessing the knowledge for social innovation.

**Literature Review**

**Social Entrepreneurship, Social Enterprise and Value Creation:** As the newer concept than commercial entrepreneurship, Social Entrepreneurship has been defined in many ways over the past decade and has emerged to describe of application of entrepreneurial activities with an embedded social purpose [2, 14] and often allocate the resources of financial, human and political to neglected social problems [15, 16]. There were some argumentation about the definition of social entrepreneurship was more accentuated to the definition of Entrepreneurship and the word of social has just the simply meaning of modifies entrepreneurship [17].

The concept of social entrepreneurship has been argued and enlighten by a number of different people with the different domain. [1, 18]. The domains could be in term of not-for-profit, for-profit, the public sector and combination of all three. Thus the definition could be emphasized or just limited to one of the domain based on the organization, of analysis, for example there were some definition that described social entrepreneurship was been conducted by non-profit organization, while the other describe social entrepreneurship as for-profit organization that operated by non-profit organization, or the other has made the same as philanthropy while others enlighten the social entrepreneurship relate with the social purpose that embedded in individuals or organization [18]. Despite the choice of organization form cannot be considered as the definition in describing the characteristic of social entrepreneurship because its form just as a specific choice to the best compatible model in the local context [19].

According to the some literature and research in Social Entrepreneurship, mostly they have just paid attention on the characters of the entrepreneur in constructing the definitions of Social Entrepreneurship. [1, 20]. The characters that has been noticed such as recognizing the opportunity from the social problem to create value or finding solution for the social problem[1]. It also convinced by Okpara and Halkias [5] that social entrepreneurs focused to explore the opportunity to create social value by knowing the need or the unmet need, afterward within the process it involved innovation to provide new product or service. Some scholar has postulated the difference terminology of the definition between social entrepreneurship and social enterprise. Social entrepreneurship was intended to the activity of creating social value in innovative way and social enterprise is the organization that does the activity of sustaining and creating social value through business-like approach [21]. Social enterprise has been intended to create an innovative business model to afford their social mission and to sustain their business. The idea that social enterprise in creating the social value has emerged the big question of ‘what is exactly social value?’ and it will be followed by the other question of ‘how do they create the social value?’

The value creation that we have known in the business or commercial entrepreneur obviously is in financial and in the context of Social Entrepreneurship the value creation is in their consumer value whereas the consumer or society has their surplus (consumer or society surplus). For example, the Aravind Eye Care system which has founded by Dr. Govindappa Venkataswamy in 1976, his work in ‘the restoration of sight’ by curing more than 2 million people in last 30 years has already create the consumer or society surplus whereas that consumer surplus means social value. In addition of its social value, social enterprise could be emphasized in the reputational and ethical value as the important value. For example, the founder of Grameen Bank –Muhammad Yunus, has created his reputation and it leads him to become the Noble Prize Winner. His significant mark for the world through his work on eradicates poverty by doing social microfinance (micro-credit system) has been replicated in more than 50 countries around the world including Indonesia[3]. The Ashoka foundation has their wider concern in social entrepreneurship by having the idea of Ashoka Fellows around the world; their work has enduring the brand of their foundation as the pioneer of the social entrepreneurship emergence.
Social Innovation as the Process and as the Outcome:
Innovation according to various experts is about a process and an outcome. Many scholars defined innovation on two approaches, where the first approach more emphasis on the process of innovation in organizations and social process that generates innovation as creativity of individuals and Organizational[13, 22]. The second approach said that innovation is an outcome that is meant the creation of a value added product either tangible or intangible.

In the social entrepreneurship point of view, innovation has been referred to the Peter F. Drucker statement increasing something new and discover opportunity to create value and to enhance the society by solving their social problem. [23-25]. Hence social innovation has been deemed as an essential reserve in fulfilling their social duty [3, 24].

Social innovation can be a product, technology or production processes such as innovation in general but it can be also a principle, an idea, a part of policy or legislation, social movements, an intervention or some combination of these. [26]. Other definitions of social innovation according to Mulgan, et al. [10] is an innovation and service activities carried out to achieve the social needs that are usually done by most of the organizations that have the primary purpose is social. In this case the organization that usually do social innovation is a social enterprise that is engaged in the field of health, education and economic empowerment in tackling the social problems that exist in society.

In the perspective of innovation as the outcome, the innovation divides into two types such as radical and incremental. Radical innovation is likely technology push innovation whereas it creates something new for the firm and also for the market or customer. Incremental innovation is usually categorized as the market-pull innovation or market oriented innovation because the most ideas of it are come from the market place[27]. In handling these issues, social innovation in the outcome perspective implied as the incremental innovation, because it emerge from the social needs or social need-oriented. The outcome of this incremental social innovation is about the social value that has been created by the social enterprise.

In the case of the innovations that has undertaken by the social enterprise can be said to be one form of innovation because innovation is not just about creating a new product or technology but also about how it can create a program that imposes on welfare society [23]. Creating a social innovation as a process required stages beginning with seeking an opportunity to repair or to provide solutions for the social problems which exist so that created new social values. Social innovation is the basis for the social entrepreneur in doing its social mission in a new way or a better way than before [24].

Most of the existing process innovation models have focused in the activities of the process within or before its implementation. In the life-cycle perspective, the activities after its implementation should become the important phase for the emergence the innovation [13]. It would be importance of paying attention to the lesson learned, experiences, best practices can be stored as the knowledge based and can emerge or generate the innovation continuously. The figure (1) below is the process of the social innovation in the life-cycle perspective.

In the perspective of innovation as the process, knowledge is the essence of the innovation process [12]. Social innovation as the process, starting the activities from the finding social problem as the sources for the idea conception and afterward will be continued with the collaborative idea generating to find the feasibility of the program towards through appraisal the needs of society and organization itself. The knowledge process in this phase is socialization (Tacit to Tacit) by having conversation, discussion and Focus Group Discussion (FGD) among the actors in charge. In this phase Social enterprise will find the gap between the knowledge that is needed and the knowledge that is existed within organization. The implementation phase will emerge the
new knowledge from the lesson learned, experience and best practices, whereas it could be externalized (Tacit to explicit) through the institutionalization and routinization. Furthermore, innovation in the Knowledge Management perspective of process oriented view has emerged the new knowledge. It has been postulated by Nonaka [12] that the accumulation and creation of new knowledge in an organization can be stated as an innovation process. Afterward, this new knowledge towards could become the sources of the idea conception for the next program in the finding the social value. It is argued that the relation between Knowledge Management and the innovation process is the creation and use of new knowledge through interconnected actions from thoughts to creation and to its commercialization [28].

Knowledge-Based Social Innovation in Enhancing the Value Creation: Knowledge as the main source for innovation has been widely accepted in the modern innovation management concept [29], and knowledge management processes impact innovation positively [27] and play the prominent role as an important asset for the competitive advantage of the organization [13]. Some scholars have shown the differences between innovation in the traditional innovation perspective and innovation in the knowledge management perspective [22, 30]. Quintane, et al. [30], has examined that innovation as a knowledge-based outcome. They proposed a new definition of innovation as an outcome from a knowledge perspective. In the other hand and reeva and Kianto [31] has examined that Innovation is a knowledge based process. In their empirical study for 3 developed countries in Russia, China and Finland, they postulated that there are 4 types of knowledge process that become a power-driven of an innovation. Their finding convinced that all four types of its processes have a positive impact on innovation.

Methodology: In designing this study, firstly we define the theories based on literature review of previous social entrepreneurship research; afterward examine the subject and the level of analysis of social entrepreneurship. There were various school of thought and approaches in social entrepreneurship which has variety definition in the subject within social entrepreneurship. The unit analysis of the research of Social entrepreneurship could be various forms and in this research we use the American approach on social enterprise and social innovation. The distinction of the American approach and Europe Approach is somewhat in their unit analysis of the mezzo level. Thus in this model we use the definition of social enterprise as the organization which is developed by nonprofit organization and social enterprise which emerged from the concern of the social problem and become the independent not-for profit organization. This research integrate construct from the theories of entrepreneurship, Innovation and Knowledge Management. The relation of the three main theories will be proposed in the Knowledge based Social Innovation model and new concept for the social entrepreneurship in the Indonesian context.

Initial Conceptual Model of Knowledge Based Social Innovation: Conceptually, the relations between knowledge management and innovation have been discussed in depth by some scholars. Some scholars concluded that the management of innovation should not be alienated from knowledge management [32]. The Innovation process is the outcome of the knowledge that has been existed within organization and the process of knowledge is an important component in the success of innovation over the long term. [31]. Based on a summary of all of the above can be inferred that the innovation comes from the organization's ability to manage, maintain and create knowledge. In the social innovation perspective, all the process of its innovation is all about knowledge creation and usage. Therefore knowledge sharing and creation become primary in the social innovation process. The actions in the first stage are individual activities and afterward the knowledge of that individual will be transferred through sharing and it will become the strategic decision of the organization. Social innovation in the process oriented perspective is a process of accumulating and creating new knowledge. Afterward, this new knowledge towards could become the sources of the idea conception for the next program in the finding the social value. In the social innovation process the knowledge creation and sharing is become the prominent process, hence the knowledge management in its process is in the knowledge creation and usage. The activities in doing the first stage is an individual activities and afterward the knowledge of that individual will be transferred through the sharing and it will become the strategic decision of the organization. Furthermore Social enterprise can derive innovation through cultivate or nurture the knowledge, such as the proposed initial conceptual model below;
New social value can be generated through the recognizing of the knowledge gap between needed knowledge and existing knowledge in the organization. The transformation of the individual stage into the organization stage would meet opportunity in creating new knowledge for the social innovation. It will come to recognize the knowledge gap after finding the social need or social problem into the opportunity by adjusting with the organization capacity.

DISCUSSION AND CONCLUSION

Social enterprise is the organization neither purely commercial nor philanthropic represents a hybrid form of organization that has mutually purpose in running their organization [24, 33]. This unique form of their business has engaged taking business-like such as innovative approach to deliver public services and creating social value. [34, 35]. However there were lack of research or written by the scholars on the most appropriate strategic management methods in social innovation processes to achieve both social and commercial activities [11, 36].

In achieving the social impact and having sustained business, social enterprises require social innovation. Social Innovation becomes its effective strategy in order to bridge the external factors and internal factors. The external factors here could be considered as the pull factors whereas comes from environment, customer, society, supplier, business environment and government and internal factors mostly from the leader that can be an enabler and become their push factors that are rising within organization. So it indirectly means that the prospective opportunity for the social innovation is comes from both side and it emerge a settlement to meet community or society needs (including customer) and to assist them in the resolution. In handling this issue, social innovation in the outcome perspective implied as the incremental innovation, because it emerge from the social needs or social need-oriented. The outcome of this incremental social innovation is about the social value that has been created by the social enterprise.

New social value can be realized through purchasing and supporting of goods and services provided by social enterprises. Social innovation in the process oriented perspective is a process of accumulating and creating new knowledge. Afterward, this new knowledge towards could become the sources of the idea conception for the next program in the finding the social value. Both knowledge creation and sharing in social innovation process have become the focus of knowledge management due to the nature of the process as a set of knowledge creation and usage activities. The activities in doing the first stage is an individual activities and afterward the knowledge of that individual will be transferred through the sharing and it will become the strategic decision of the organization. Furthermore Social enterprise can derive strategic advantage through cultivate or nurture the knowledge. This study is still on the preliminary research and there are immense opportunities for further research on value creation and social innovation.
REFERENCES


