

## The review of sustainability innovation system studies for next generation social business

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### Abstract

Social business technologies are triggers to sustainability. This is because the main objective of social business is to alleviate social problems which include social, economic, and environmental sustainability. At the same time sustainability is also the basis for emerging social business technologies because currently, the development of social business technologies is concentrated on green environmental sustainability. Sustainability innovation is the social technology support for businesses. A sustainable innovation system will support the sustainability of social entrepreneurship as a symbiotic partnership for the two. This research paper explores the potentials of emerging social and sustainable innovation and to develop a system that would fill the gap of sustainability standards expected of new social businesses of today. This system will be used as a guide and decision support and strategy framework for emerging technology innovators in social business.

**Keywords:** *Social business; Social entrepreneurship; Social innovation; Sustainable innovation*

### 1.0 INTRODUCTION

Sustainable development has returned with heightened intensity because of the increased focus on the threat of climate change which led to challenges in environmental and social sustainability. This has propelled an accelerated pace in green investments, which according to Wustenhagen et al. (2008) is doing “too little, too late”. This triggers the continuous search for new solutions in doing business and managing the economy. Porter and Kramer (2006) promotes the creation of lucrative business models by the transformation of the issues and challenges of society to strategic opportunities and encourages the identification of shared value between business and society. From this, the concept of new sustainable development has led to the demand for new solutions which pushed organizations to innovate, thus the coining of the term, sustainable innovation. However, sustainable innovation studies were initially confined to large corporations through Corporate Social Responsibility (CSR) (Acquier et al., 2018). However, due to changing times and new upcoming markets, new business models have developed focusing on social responsibility but not anymore on the corporate concept.

The emergence of the social economy has been slow but sure. This is when people started to realize that business is not anymore just business and that profit is not the most important thing anymore, rather, the alleviation of social problems becomes the priority. In the past, business strategists have recognized that social problems may be tackled using business methods, just like when business problems were addressed using military tactics and strategies. With sustainable innovation and social business, a system can be developed to embrace newer technologies in the area of social and sustainable economy.

## 2.0 SOCIAL BUSINESS AND SOCIAL ENTREPRENEURSHIP

Social business was taken from the context of businesses with a social purpose (Werker & Ahmed, 2008). It is defined as the development of business models and applying it in investments to alleviate social issues like poverty, welfare and healthcare issues, as well as environmental and social sustainability, of which traditional business platforms have not been regarded. There emerged non-profit organizations or NGOs that used business methods and were seen to be more successful than government or other agencies in addressing critical social problems. Another term used for social business is “Social entrepreneurship”. It is used to describe the various forms of business organizations which include conflicting methodologies such as big corporations’ sensitivity to social issues and focus on emerging small-scale businesses, low-income marketplaces, to microfinance organizations. Still another term is “enlightened capitalism”, which means that social businesses foster primarily social objectives but at the same time also gain profit (Iansiti & Levien, 2004). In this paper, the terms social business and social entrepreneurship are used interchangeably.

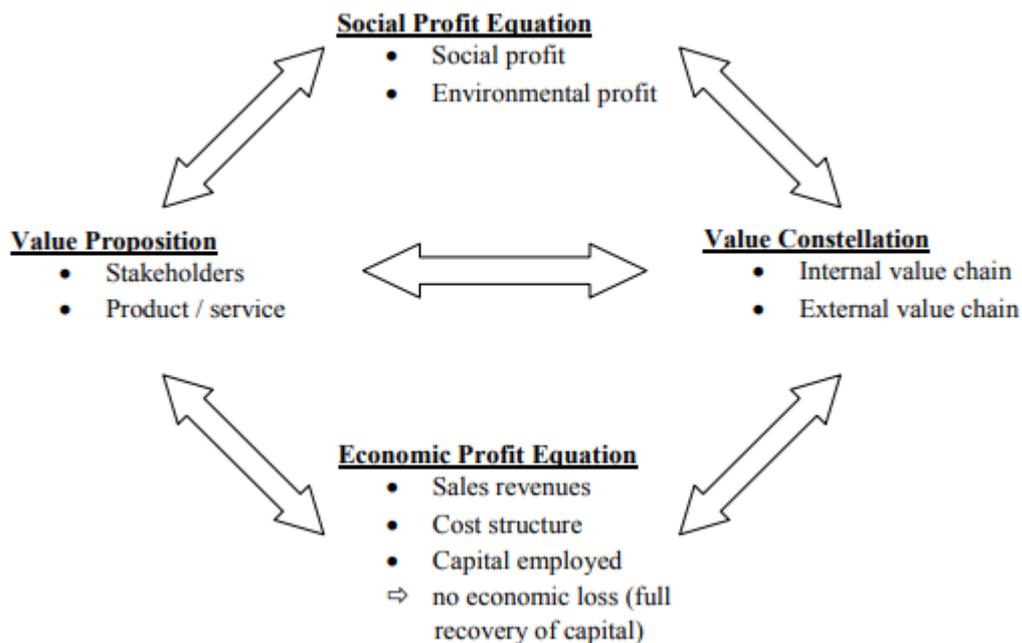


Fig. 1. Social business model (Source: Yunus et al., 2006)

Pineiro et al. (2017) discussed that the 2006 nobel peace prize winner Muhammad Yunus, an economist, developed the concept of social business. It was discussed that Yunus (2006) specified that social business is driven by creativity and passion for problem solving for social issue as in Fig.1. This creativity will make way for the series of sustainable innovation that can be developed for social business. Vargas and Liévano (2017) also stated that social business develops sustainable solutions allowing society to utilize their own autonomy, creativity and solidarity to face their problems. This thinking results in reduced social exclusion and marginalization because they develop competences between their members, making their social capital stronger. Vázquez-Maguirre and Portales (2014) says that this situation improves the generation of new social entrepreneurships, which attend different problems, resulting in a better social wellness, value creation and improving in the community's life conditions. Thus, there are social entrepreneurships that have emerged under a new focus and that generate value through innovation and sustainability.

### 3.0 SOCIAL INNOVATION AND SUSTAINABLE

The meaning of social innovation according to the *The International Handbook on Social Innovation* is promoting the presence and welfare through improvement of social relations as well as empowerment and also creating a society that permits universal rights and there is social inclusion (Moulaert et al., 2014). Social innovation, according to Stanford Center for Social Innovation is an effective, sustainable and novel problem solution of which results to a value that mount up to the society as a whole rather than to a select few or specific individual (theSedge.org, 2014). It covers the development and enhancement of new ideas, solutions and processes to solve societal issues in cooperation with different sectors such as NGOs, government agencies and corporations. Deutsch et al. (1986) and Mulgan et al. (2007) defined social innovation as an advance for social sciences and political reforms by easing the solutions to social needs, which come from community sectors.

Organizations that are practicing social innovation are known for being norm disruptive through creation of a unique 'status quo' (theSedge.org, 2014). Organizations that have been start-ups, e.g. FaceBook, with zero profit at first but became worth billions in the long run were considered highly disruptive due to their innovations. Compared to a grocery store that has been making profit from the start will probably never cause disruptive change in society because there is no innovation that will cause this change.

Groot and Dankbaar (2014) discussed the measures of success for social innovation arguing that in order to be recognized as a successful social innovation, there is a need for it to survive for some period of time. Apparently however, survival is not enough because there should be an innovation diffusion and must be funded. In other words, innovation must be institutionalized. Institutionalization can take the form of several initiatives, like, the change of behaviour of a considerable number of people, e.g., bringing their own containers and reusable bags to grocery stores to avoid the use of plastic bags. Aside from institutionalization, success can also be characterized by formalization and change of behaviour by the masses or by the companies.

Sustainable innovation is social innovation that is strategically sustainable. Hansen and Grosse-Dunker (2013) defined sustainable innovation formally as "a product, service or system's commercial introduction, new or improved, it can be compared with an analysis that shows the social and or environmental benefits".

Sustainable innovation is supported by the Theory of Communicative Action which assumes that it is possible to achieve a social transformation by means of places promoting communication, all developed in order to avoid that only unilateral strategies views are privileged. Habermas’ Theory helps the discussion about sustainable innovation and the tendencies to eco-development (Tonelli et al., 2013).

Sustainable innovation is centered in the three pillars of sustainability: environment, economy and society, so it benefits the current and future generations, with participation and collaboration (Vargas and Liévano, 2017).

Adams et al. (2012) synthesized sustainable innovation coming up with eight categories of sustainable design, new concept development; low impact material selection; reduction of use of these materials; production technique optimization; distribution system optimization; use impact reduction; lifetime optimization; system’s life ending optimization (Vargas and Liévano, 2017). In order to realize this, sustainable innovation must be understood substantially. For example, sustainable innovation has five life cycles according to Hansen et al. (2011), they are supply chain, production, packaging/distribution, use, and end-of-life. Table 1 shows these life-cycle phases which are deemed important to sustainable innovation systems.

Table 1. Life Cycle Phases of Sustainable Innovation (Source: Hansen et al.)

Target dimension	Life-cycle phases				
	Supply chain	Production	Packaging/ distribution	Use (maintenance)	End of life
Economic	Competitive procurement; efficient supply chain management	Production efficiency	Efficient packaging; efficient logistics	(Technical/functional) quality; customer satisfaction	Costs of take-back/ disposal/ landfill
Environmental	Use of eco-friendly (e.g. organic) materials; energy-efficient production, use of renewable energies, and environmental protection at supplier’s site	Eco-efficient resource and energy use; use of environmental friendly materials and processes; renewable energy; closed-loop production; industrial symbiosis	Reduced packaging resources; use of ecological or recycled materials; minimised transports; eco-efficient fleet	Durability; energy-efficiency; emission reduction; offering of maintenance/ repair services	Re-use, re-make, or recycle (upcycle); in the case of disposal: biodegradability; treatment of dangerous materials
Social	Safe and fair labour conditions (e.g. no child labour); smallholder integration; socio-economic development of regions	Occupational health & safety; labour conditions; wages; employee benefits	Truthful product description and labelling (packaging); working conditions (e.g. outsourced personnel)	Customer health & safety; complaint handling; increase access to product (e.g. inclusive business)	Health threats of landfills and recycling plants

#### 4.0 SUSTAINABLE INNOVATION SYSTEM FOR SOCIAL BUSINESS

Sustainable innovation is an independent factor such that it is not necessary for a social entrepreneurship to exist in order for it to work. However, for social enterprises to last long as a social entity, sustainable innovation is an important element. The sustainable systems that are discussed in this paper is an action framework covering strategies that can be a guideline to social

entrepreneurs in their start-ups or in expanding their businesses that include sustainable innovation as their business strategy.

It is important to realize that sustainable innovation is a successful one. In order to ensure this success factor, there should be formalization, institutionalization and/or a change in behaviour. Part of formalization and institutionalization is developing a sustainable innovation system for social business.

There are several ways that sustainable innovation can be formalized for social business and develop it into a system (Hansen & Grosse-Dunker, 2013):

1. Identify the business model to be used. Sustainable development does not denote a specific content, but rather a process where ecological, economic and social values are balanced in continuous action (Lélé, 1991). The process involves inter-organizational networks and possibly even wider societal systems. These networks not only comprise companies, but also other stakeholders. Basing it on these, the four elements of a business model – value proposition, supply chain, customer interface, and financial model – are identified and should be met to successfully market sustainable innovation.

Wolfgang Grassl (2012) identified 9 types of social enterprise models which can be a basis for the system to identify their own social businesses with: *The entrepreneur support model* which markets directly to the entrepreneurs its business support products and services to target clientele; *The market intermediary model* that function as a bridge to between clients and their customers by marketing the clients' products or services to their customers on their behalf; *The employment model*, is the provision of jobs or training to client; *The fee-for-service model* is where the social enterprise provides services to the customer then charges them directly for the socially beneficial services; *The low-income client model* is where a social services are provided directly but are focused on low-income clients; *The cooperative model*, is where a membership organization, with a common goal or need, is involved that provides services to the paying members; *The market linkage model* that focus on building relationships and otherwise connecting their clients with markets for their clients' products and services; *The service subsidization model* that funds social programs by selling products or services in the marketplace; *The organization support model* similar to service subsidization, also sells products or services to fund social programs for the organization but the programs belong to a separate, parent organization.

2. Development of sustainable innovation intervention. The development intervention identified by Sokolov et al. (2018), shows the intervention processes based on priorities that may be used for social entrepreneurship. These intervention processes are: functional priorities, priorities of socio-economic objectives, actors and thematic priorities. From these four, specific innovation intervention processes may be developed as shown in Figure 2. Figure 2 shows the specific innovation intervention processes that may be implemented for social businesses:

- a) Predictive innovation planning is where foresight for innovation is done, plans for innovation are developed, priorities are set and areas for further innovation are aligned.
- b) Crucial precedence of priorities allows the development of policies and other procedural guidelines, crucial issues and problems are identified and the critical priorities are set.
- c) Stakeholder involvement assigns, control and manage the roles of different actors at different levels and setting empowerment for innovation decision making.
- d) Milestone implementation is the execution of plans, evaluation of actions, and optimization of processes are done.

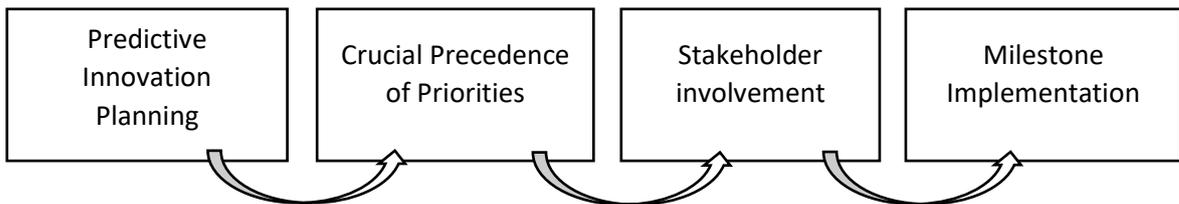


Fig. 2. Social innovation intervention processes

## 5.0 CONCLUSION

Social business has been established as a mainstay in the business arena around the world. New technologies, new markets and new mindsets dictate that social business must be a part of the ever-changing business world. This is also a key to the use of reconditions or revamped traditional tools such as innovation management that have been developed into social innovation. And through the critical issues of sustainability was coined the sustainable innovation.

Sustainable innovation, as has been established, is an independent factor. It can succeed even if it is applied in traditional business models. Its application on social business will definitely help in its success. This paper has explored social business or social entrepreneurship as well as social innovation and sustainable innovation. There is evidence that these two are symbiotic as it is in traditional business and traditional innovation. It is important to develop a sustainable innovation system that will be used for social business.

The sustainable innovation system is identified in the paper as two-pronged process, identification of business model and the development of innovation intervention. The possible business models were also identified but since these models have different combinations, the enterprise may explore further other possible business models from those identified. For the sustainable innovation interventions, a step by step intervention process based from innovation priorities are developed as guideline in sustainable innovation for social business.

Further studies may be done to test how sustainable innovation may help other types of businesses, e.g., SMEs, micro businesses, and develop similar systems to take advantage of sustainable innovation.

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