FUNDING SOCIAL INNOVATION: HOW DO WE KNOW WHAT TO GROW?

Nino Antadze & Frances Westley

> *"… more people today have the freedom, time, wealth, health, exposure, social mobility, and confidence to address social problems in bold new ways. Supply is up; so is demand"* (Bornstein, 2007, p. 7).

INTRODUCTION

NINO ANTADZE is a PhD Student at the University of Waterloo and JW McConnell Fellow in Social Innovation at Social Innovation Generation, Suite 202–195 King Street Kitchener, Ontario, N2G 1B1. Email: nantadze@uwaterloo.ca .

FRANCES WESTLEY is JW McConnell Chair in Social Innovation at Social Innovation Generation at the University of Waterloo, Suite 202–195 King Street Kitchener, Ontario, N2G 1B1. Email: fwestley@uwaterloo.ca .

SOCIAL INNOVATIONS ABOUND. IN EVERY COMMUNITY, AND PERHAPS IN ALL times and places, human beings seek to solve problems. In doing so, they often bring together old elements in new ways, sometimes radically new ways. Micro-finance combined the concept of small loans with a notion of community, as opposed to individual, assets. More recently, the Registered Disability Savings Plan in Canada combined the notion of a deferred savings plan with the concept, increasingly popular in the disabilities movement, of "a circle of friends" (anyone can contribute) and then married these elements with government disabilities payments (allowing for the accumulation of assets for those on social assistance), forever changing the notion that disability is a subcategory of welfare. Novelty of this kind lies not so much in the elements as in their juxtaposition (Arthur, 2009).

The majority of social innovations, however, represent adaptations as opposed to radical challenges. For example, a new initiative that hands out sleeping bags to the homeless may be a change from the point of view of both the organization delivering the sleeping bags and the homeless clients who receive them, but the initiative fits seamlessly into the other offerings of a shelter approach and does not challenge our broader notions of private property or the design of public spaces. While the former has been called "disruptive" innovation (Christensen, Baumann, Ruggles, & Sadtler, 2006), the latter are more incremental and "adaptive" improvements. They do not have a fundamental impact on the broader social system that created the social problem. They are the equivalent of the "Egg McMuffin" for McDonald's, representing a new ploy but not a new perspective for the organization and the industry/sector (Mintzberg, 1987).

However, there are also innovations with "disruptive" potential that stay trapped at the local level for want of the human or financial resources to "scale up." This has implications for philanthropy, especially for those philanthropic organizations that are seeking to create broad system change through their funding strategies. How is it possible to distinguish between those early or mid-stage inventions that are novel enough to promise broad system change if they are supported and those that, while valuable in their own right, are unlikely to provoke such change? And, as funding alone will not produce system change, what are the dynamics or processes that cause a social innovation not only to be widely accepted but also to have an impact on social institutions broadly enough to change the flow of economic resources in discernable ways, change cultural perspec-

tives, or change power and politics? How do we recognize those innovations that have the potential to "go to scale"?

The paper takes issue with the most dominant approach to interpreting how and why social inventions go to scale – the analysis of social innovation diffusion and impact as an aspect of market growth. This "supply-demand" approach is most clearly represented in the work of the Young Foundation in England, a group of scholars and researchers who have done a tremendous amount of documentation and research on social innovation. Market growth is the reflection of an increase in both demand and supply and, hence, an indicator of "successful" innovation. However, we will argue that, as regards the growth of social innovation, this approach is less helpful than it might otherwise be had it adopted a more complex definition of the market for social innovation. In this paper, we offer such an alternate view.

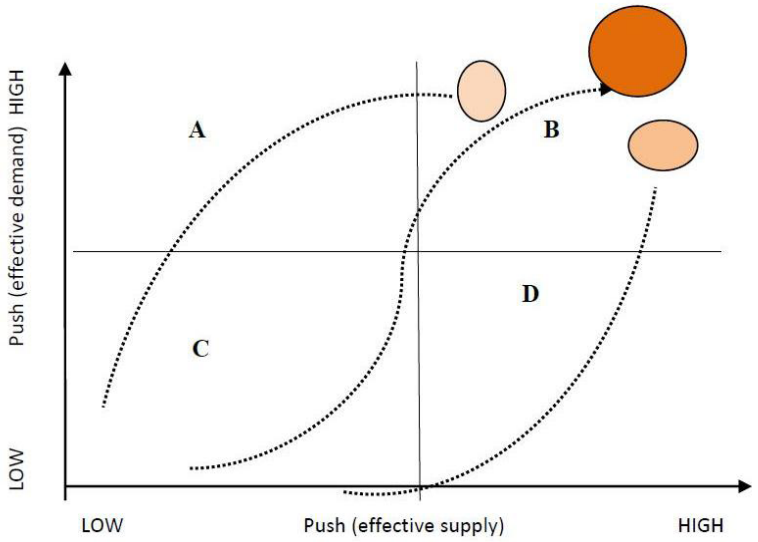
THE MARKET MODEL: USING THE CONCEPT OF DEMAND TO EXPLAIN THE SUCCESS OF SOCIAL INNOVATIONS

According to Perloff (2001) market represents "an exchange mechanism that allows buyers to trade with sellers" (p. A-43). Therefore, in order to form a structure that would be called a market, two sides should be present – a buyer and a seller. Hence, a market can be presented as the interaction of existing supply and demand that influences price formation and resource allocation in the economy.

According to the market model, social innovations experience growth once effective demand and effective supply are presented on the equal basis. Consequently, the market model suggests that social innovations are fostered in case of the market equilibrium – "when all traders are able to buy or sell as much as they want" (Perloff, 2001, p. 27).

Mulgan, Ali, Halkett, and Sanders (2007, p. 11), most prominently, have applied this notion of supply and demand to understand successful social innovations, which, they argue, are not a result only of a brilliant idea or of hard work by individuals but, rather, are achieved through the interplay of "effective demand" (the "pull" factor) and "effective supply" (the "push" factor). Demand becomes effective when it is backed by purchasing power – when people want to pay for it. Those willing and able to pay can be direct customers (members of public who are ready to pay for certain product or services) or indirect customers (organizations who pay on behalf of those members of public who are not able to pay themselves; Mulgan et al., 2007). On the other hand, effective supply refers to the innovations that are "made workable and useful." Such innovations should fit well within the scope of existing demand and demonstrate its effectiveness and ability to be applied and implemented. "The combination of the 'effective supply' and 'effective demand' results in innovations that achieve social impact and, at the same time, prove to be financially sustainable" (Mulgan, et al., 2007, p. 11).

FIGURE 1: **Routes to growth and impact**



(Source: Mulgan, Ali, Halkett, and Sanders, 2007, p. 16)

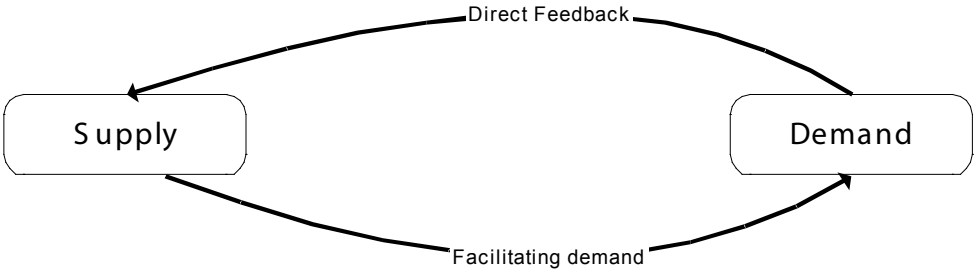
The interplay between supply and demand is demonstrated by the Growth Map in Figure 1 (Mulgan et al. 2007, p. 16), illustrating different routes leading to its upper right corner, where effective demand meets effective supply. In the other parts of the map, social innovations may face demand but lack "effective and well-proven options." Examples can be drawn from public policy, when there is a demand for certain programs but corresponding models are not yet developed. In other cases, effective options may be present, but there may be no demand to support them.

While this model of effective growth may work in the case of social enterprise (defined as a privately owned venture that blends business interest with the social ends), it does not do justice to the complexity of most social innovations.[1] First of all, it assumes that success in fulfilling demand is directly linked to increased supply. Secondly, it defines success as growth; more is assumed to be better. We will take issue with both these assumptions in turn.

WHEN MARKETS FAIL

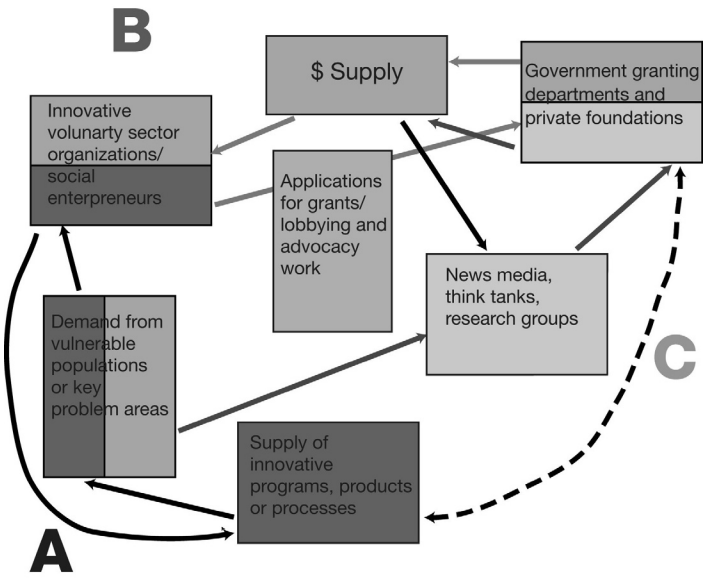
As mentioned above, the presence of supply and demand represents the minimum condition needed for the existence of a market. But in the market for social innovation, who is the buyer? Who is the seller? A significant difference between the conventional market and the market for social innovation lies in the idea of demand and the way it is facilitated. In a commercial market sense, demand is encouraged through marketing the product, through its promotion and advertisement. Once demanded, the assumption of the market model is that the product or service will bring in profit that, for its part, can be used to stimulate even more demand by introducing new products, conducting more active marketing, and expanding production. Hence, supply and demand in the conventional, profit-oriented market are linked through direct and immediate feedback (see Figure 2).

FIGURE 2: **Supply-demand loop in case of the conventional, profit-oriented market**



However, in the social innovation market, there are at least three interlocking dynamics that disturb such a direct relationship between supply and demand (see Figure 3). Let's take the hypothetical example of a population of individuals facing severe mental-health challenges. This group needs services and support in the short run, which could be termed demand. A not-for-profit has developed a product to meet these demands, according to their understanding of what is needed. This is the loop labelled "Dynamic A." However, the group of mentally ill "consumers" cannot pay for these services; in many cases, they are too ill to even seek them out on their own. Therefore, the not-for-profit seeks out funding to help develop and deliver these new products. "Dynamic B" describes this supply-demand loop. The organization applies for sources of financing from governments or charitable foundations (or both). This funding is triggered by grant applications or proposals, the success of which depend not only on the evident needs of the vulnerable client group but also on the skills of the grant writers in mediating such needs to fit the priorities of government programs or sponsoring foundations' strategies. This perception of priorities is in turn affected by "Dynamic C," the capacity of news media or research units to set the agenda for the government and foundations with respect to a particular vulnerable group or issue. At times, governments and foundations will fund research specifically to assess such needs, but again, the "feedback" is mediated by the capacities of the researcher.

FIGURE 3: **Three interactive dynamics affecting the relationship between supply and demand for social innovations**



All the mediators identified in Figure 3 – governments, foundations, media, and think tanks – introduce distortions into the market relationship as they act as proxy "buyers" for the vulnerable populations who are the identified end users of a social innovation. While in Dynamic A, the provider (supplier) may be aware of the nature and amount of demand stemming from the clients served, these clients are not actually the customer. No matter what the demand of the clients is, they can only offer what their customers are prepared to pay for.

So how do the customers determine their demands? In an ideal world, these would, of course, be synonymous with what the clients need. Marhdon, Visser, and Brinkley (2008) note that government policy makers pay more attention to the factors associated with the supply than they do to demand-oriented policies (see also Georghiou, 2007, p. 4). Governments are often in a position to "purchase" innovative programs or products on behalf of the populations they represent but do not always see themselves as in the market for innovations. Governments are generally constituted as the "guardians" of the public good (Jacobs, 1992), leaving the private sector to respond to the demand for product and process innovation (Fontana & Guerzoni, 2008). Governments are also prone to more stringent requirements for accountability and are uncomfortable with the uncertainty associated with radically innovative ideas. At best, therefore, governments are likely to fund incremental innovations, thus reducing the uncertainty associated with any novel product or process. They privilege program delivery, and their demand is for reliable and sufficient program delivery. Whether the program meets the client needs in a significant fashion is rarely measured. The nature of the true need may not even be understood.

An example of this is cited by Almedom (2004) in her description of the supply of services to displaced women in camps in Eritrea. After Eritrea was designated as a "failing state" by the UN, international NGOs were instructed to offer famine relief and to test women for post traumatic shock and depression and treat them accordingly. The problem was that the women were resistant to these services because they had no word for depression. Further investigation revealed that the women saw themselves as suffering from "absence of soul," a condition created, in their view, from being unable to tell their story. Eritrean culture places great value on storytelling, and storytelling gatherings are important events. To be displaced meant, then, a deprivation but not one that could be addressed by individual counselling or medication. Rather the women wanted storytelling workshops, a demand that did not match supply and, therefore, was ignored. It is questionable whether most governments desire to either truly assess the demand at the level of consumers or support social innovations radical enough to challenge current institutional arrangements.

The media, and to some extent think tanks, act as proxies for advertising in the sense that they stimulate "buyers" (government, foundations) to purchase social innovations on behalf of the poor, the homeless, the disabled, the mentally ill, or some other identified user group. The media has considerable power to set the agenda and direct public attention, including that of the funders (government/foundations). The media could, therefore, potentially be the voice for the end consumer and, certainly, attempting to make use of the media in this way is a tactic tried by many NGOs to reach both the general public and governments and foundations. However, the media are governed by their own priorities, which emphasize short-term, sensational, and easily understood issues. These media pri-

orities can distort perceptions of demand. It is also rare to get the kind of sustained media coverage that allows the viewers or readers (government, foundations, or the general public) to grasp the need for system change and the promise of a particular innovation to precipitate such change. Think tanks and university researchers may be able, through survey research and through system analysis, to establish the need for system change, but their studies have a notoriously poor track record in influencing government.

Lastly, and most importantly for purposes of this paper, the supply of social innovation is dependent not only on mediated demand but also on continuous support from funders, generally foundations, which are not the end users. Foundations, too, have their own strategies, informed by their leadership, including their boards, and by strategic plans and priorities. They are often inhibited by their mandate as funders not to get too directly engaged with their grantees, to say nothing of the end users. Like governments, they rely on think tank research, the media, and consultants, as well as their own grantees, to assess what is needed by end users. However, they are often reduced to relying on grantee reports and evaluations to determine if demand has been satisfied and, in an effort to exercise due diligence, may get trapped into counting supply much in the same way government does. The number of sleeping bags distributed, the number of shelters opened, or the number of workshops run become measures of grant money well spent; overlooked is whether or not the demand of end users was satisfied or even understood.

There is an added complication for foundations interested in broad system change. Can more supply in itself be equated with more impact at a system level? How can foundations assess the value of a particular innovation with regard to this kind of change? The level of need or demand, even if the foundations are able to assess it directly, will not tell the whole story. The need for system change is signalled not by a single demand but by a constellation of demands. So, to continue our mental health example, when there is evidence that the current solutions (pharmacological) are not working to reduce the amount or intensity of affliction, when the problem cascades out to affect adjacent areas (poverty statistics, homelessness statistics, productivity loss on the part of caregivers as well as those suffering from mental health challenges, police burnout due to insufficient tools and training, etc.), it is unlikely that individual organizations will mount innovations capable of addressing such challenges. The market will give few clear signals of system "demand," and supply of innovations that meet such a demand may be scarce as well.

In sum, the amount of mediation involved in the complex contexts where social innovation is needed means that demand is a "very vague" notion (Mowery & Rosenberg, 1979) and is therefore "not necessarily the sole, or even the principal, determinant of the scale and direction of inventive and innovative activity" (Freeman, 1979, p. 206). The sheer complexity of these dynamics suggests that a strategy of supply and demand needs to be elaborated with other perspectives. In particular, we suggest the importance of models that incorporate discontinuous and emergent properties of innovation. Why do some innovations have an impact that reaches far beyond the number of people directly involved and that seem to depend on a "tipping point" dynamic (Gladwell, 2002) rather than a diffusion pattern?

The Philanthropist
2010 / VOLUME 23 • 3

What is the alternative to the market model? Are there ways in which the complexity of social innovation can work in favor of those wishing to see successful cases of social innovations changing social systems? If growth in demand is so hard to assess, in what ways can the media, governments, and foundations play a role in making disruptive innovations more successful, assuming that this is a goal?

Media, the Internet, and research centres

Media can be a powerful tool for strengthening the link between demand and supply through publicity. Aside from printed and electronic media, the Internet holds an important role as an effective tool to both stimulate and promote innovations. In many cases, the Internet is used as the primary way to connect suppliers of innovative ideas with those who are willing to provide demand. For example, Kiva (www.kiva.org) provides an Internet arena where interested individuals can lend money to the entrepreneurs in developing countries. In this way, Kiva tries to connect suppliers with those who are willing to assist them but who are not necessarily the end users. In the case of Kiva, the social component of the activity is not highlighted. In other words, many entrepreneurs do not perceive any social goals aside from gaining revenue. However, activities of individual entrepreneurs who try to earn money in places that are mostly economically depressed have its intrinsic social value.

Another example of promoting new ideas is TED (Technology, Environment, Design) (www.ted.com). TED was initiated in 1984 as a conference featuring people who worked on technology, environmental issues, and design. Today TED conferences cover a much broader range of topics and capture a wider audience. As it is explained on the TED website, "the annual conference now brings together the world's most fascinating thinkers and doers, who are challenged to give the talk of their lives." These talks are meant to inspire and open a new horizon of possibilities for those who are willing to make a change. More importantly, each year TED confers a TED wish on one of its most farsighted TED thinkers; it provides start-up resources and a website where the elements of the wish are broken down and skilled volunteers recruited to contribute to making the wish a reality.

Probably, the best known example of promoting socially innovative ideas is Ashoka foundation (www.ashoka.org) – an organisation that provides support to the social entrepreneurs worldwide. The idea is to support those individuals who can alter existing patterns and bring in the system change the power of an idea and hard work. Ashoka's equivalent of the TED wish is Changemakers, where a grid is provided that identifies the elements of a challenge from a system-level perspective and categorizes nominated innovations as they come in. This allows co-ordination of innovations into an overall system change effort and identifies holes where innovations are needed.

Of the above three examples, Kiva operates from a market mindset as it seeks to reduce the distorting power of intermediary actors by strengthening the supply-demand connection, essentially by making that connection more direct. Whether it identifies those

innovations with system changing potential is more doubtful. In contrast to Kiva, TED and Askoka have adopted a different approach in their attempts to promote innovative ideas and provide support for them by allowing for a front-end analysis of the system (in the choice of Ashoka Changemakers or TED wish winners) and then convening individuals likely to make system change.

Good examples of research centres oriented on fostering social innovations are Social Innovation Generation or SiG (www.sig.uwaterloo.ca) and the Aspen Institute (www.aspeninsitute.org). SiG aims "to encourage effective methods of addressing persistent social problems on a national scale. The activities of SiG serve to facilitate the exploration of structural, institutional and systemic evolution in order to promote broad social change." Its mission is to build the capacity for social innovation in Canada. As for the Aspen Institute, its mission is "to foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society, and to provide a neutral and balanced venue for discussing and acting on critical issues." The Aspen Institute is active in organizing seminars and conferences for exchanging ideas and broadening perspectives, working with the young leader fellows from around the world and with policy-makers. Provided governments and foundations draw on the services of such research institutions and the institutions are capable of providing analysis that is useful for strategic decisions regarding budget allocations, these, like the Internet media, can offer system perspectives that allow for identification of promising innovations.

Governments

Governmental structures represent an important part of the market, but their role is mostly related to setting the rules and legal frameworks within which the market operates. Therefore, governments cannot be risk-takers (actors who initiate and implement innovations), but they should encourage those who can be and create the corresponding conditions for them. Because of their responsibilities and rigid structures, government agencies cannot afford frequent experimentation with new ideas and innovative solutions. Consequently, government's role is perhaps best associated with providing guidance and support, rather than becoming a primary innovator.

Nevertheless, the capacity of governments to fund research and surveys identifying demand can, if appropriately linked to policy making, contribute to building a system-level perspective. Edquist and Hommen (1999) link demand-oriented policy approaches to the system perspective, while supply-focused policy initiatives are associated to the linear model of innovation. The primary difference between the two views on innovation process is the presence of a feedback mechanism – whereas the system model implies the existence of such a mechanism, the linear model does not consider a feedback path. In addition, the linear model is viewed as a simplistic representation of the process compared to the system perspective, as the latter recognizes the complexity and interdependency of system elements.[2]

The success or failure of innovation should not be solely linked to market demand but also to the wider set of factors that govern changes in the demand and supply factors (Mowery & Rosenberg, 1979). Similar to Mowery and Rosenberg (1979), Freedman (1979, p. 206) shares the view that market demand "is not necessarily the sole, or even

the principal, determinant of the scale and direction of inventive and innovative activity." Creating the conditions, including providing different and more flexible sources of funding through social finance initiatives, and broad spectrum awareness through social marketing can be powerful ways of supporting system change. In this regard, social marketing may become an interesting notion to promote social innovations through motivation, persuasion, and influence (Health Canada, 2005). Social marketing "is the use of commercial marketing techniques to promote the adoption of a behaviour that will improve the health or well-being of the target audience or of society as a whole" (Weinreich, 1999, p. 3). The main difference between social marketing and commercial marketing is that social marketing aims to benefit an individual or a society and not a commercial enterprise (Weinreich, 1999). Well-known examples of social marketing campaigns can be drawn from, among others, the areas of environment (e.g., energy conservation, pollution) and health promotion (e.g., drug abuse, physical activity; Health Canada, 2005).

Lastly, do governments have any kind of innovation policy? Is there any governmental strategy that would not only provide social services but also encourage innovation? Innovation policy is well-accepted in industries that are more oriented to technological advancements. In regard to the innovation policy, it is noteworthy to explore what are its features that create the direct link between social innovation supply, end users, and indirect customers.

The conducted research reveals the absence of the social innovation policy or strategy in Canada. There are innovation-focused documents that briefly mention social innovation but that do not discuss it. On the federal level, "Innovation in Canada" portal (www.innovationcanada.ca) provides information according to subject area and by region. The main themes are related to the business sector and technological innovations. Aside from this portal, the government of Canada has developed an innovation strategy (http://dsp-psd.pwgsc.gc.ca/Collection/Iu4-5-2002E.pdf) that consists of two main parts:

1. Achieving excellence: investing in people, knowledge and opportunity, and
2. Knowledge matters: skills and learning for Canadians.

The first document focuses on strategies to build an innovative economy that is rooted in strong research and science capacity. The second document highlights the role of a knowledge society and discusses how to enhance learning in Canada. Consequently, the developed innovation strategy focuses primarily on an innovative economy as a key factor for gaining a competitive advantage in today's globalized market. Therefore, the above initiatives of the Canadian government do not, as yet, address social innovation. On the provincial level, the Ministry of Research and Innovation of Ontario declares that, among others, its mandate is to "develop an integrated innovation strategy and guide its delivery." The Ministry has an innovation policy branch that, among other tasks, develops an "integrated, evidence-based policy framework for research and innovation across government" and helps "to ensure coordination of innovation-related activities" among different ministries. Similar to the federal initiatives, the Ministry of Research and Innovation of Ontario is mainly focused on the enhancement of innovations in the business sector through creating a knowledge society, enhancing scientific research, introducing innovative products, etcetera.

As for other countries, in the UK the Office of Civil Society (previously the Office of the Third Sector) aims to support third sector organizations such as voluntary and community groups, social enterprises, charities, and cooperatives. The support is oriented toward delivering improved public services, strengthening communities, and fostering the growth of social enterprises. Strong support for social enterprises is grounded in the belief that a social enterprise sector is essential for building a "stronger economy and fairer society." Although the Office of Civil Society employs a wider scope compared to Canadian government agencies, still the main focus is on innovations applicable to economic entities and the business sector, not to the wider social system in which they occur.

Foundations and venture philanthropists

Whereas governments ideally can encourage social innovations through creating corresponding framework and conditions for operation, foundations and venture philanthropists can play a primary role in stimulating the relationship between innovations and system awareness. Proactive philanthropy allows foundations and funder groups to convene the whole system, to push for analyses that make sense of that system, and to broker the resulting relationships or choose to fund intermediaries to broker such arrangements. In this regard, foundations can act as "institutional entrepreneurs," simultaneously assessing system barriers and opportunities; framing them through sensemaking processes; identifying innovations with the greatest system impact; and helping those to address policy, cultural, and political issues (Westley & Antadze, 2010).

This, of course, requires a transition of foundations from "passive" funding (i.e., waiting for proposals and funding the best of them) to actively using system thinking to identify systems in need of transformation. In addition, "disruptive" innovation, identified by the radical nature of the links between elements, can be encouraged and supported through providing the relationships, resources, and access required to scale up such innovations. In such a scenario, "demand" remains important, but it is the demand of a complex system as opposed to a single client group. Identifying such a demand and assisting in creating the conditions that allow such innovations to flourish relies on different kinds of information than that used to assess markets: it relies on information created by system analysis on the one hand and developmental evaluation (Patton, 2010) on the other. Ultimately, it will be important to treat such initiatives as experiments and to keep an eye, in the long term, on the changing conditions for the vulnerable populations who ultimately are the end clients for such innovation. But such approaches recognize the difficulty of using simple supply-demand models as a basis for selecting and supporting specific social innovations and the need for addressing the complexity of social innovation by a complimentary complexity of approaches.

CONCLUDING REMARKS

An increased dependency on context, namely, on space and time, can be seen as one of the significant characteristics of the social innovation market. When describing a Growth Map, Mulgan et al. (2007, p. 12) recognize the importance of this point – "timing can be all-important, and many innovators consciously 'park' their ideas for years until the time is right." At conventional markets, many products and services are supplied and demanded despite the timing or location. For example, there is always a need for

food, medication, health care, transportation, and other goods and services. However, social innovations do not belong to the category of products and services that are always interesting for the market. Social innovations are born in a certain context, under certain circumstances, and in response to certain needs or problems. Although, at the later stages of its diffusion, a social innovation may have an impact on a larger scale (both in terms of geography and of involved actors), its emergence is still dependent on the existing local framework, and its impact is dependent on a combination of deliberate and emergent strategies on the part of governments, the media, and foundations. As Bacon, Faizullah, Mulgan, and Woodcraft (2008) note, "most social innovations start locally. In this respect, they differ from technological innovations which often emanate from multinational companies or research collaborations far away from the site of their eventual application" (p. 13).

Scaling up social innovations cannot be considered as a straightforward course that can be explained only by the existence of an effective demand and effective supply. The growth of social innovation is a complex process shaped by the interactions between systems and the individuals that act within those systems. Overall, although the market can play a certain role in fostering social innovations, the final outcome is dependent on the interplay of political, social, economic, and cultural factors. Moreover, involved factors can be of an internal (within organization) and an external (outside forces) nature that creates a complex web of interrelations and activities. The synergy of these factors results in the growth of certain innovation (Dalhammar et al., 2003; Mahdon et al., 2008). There is no question that foundations can play a key role in this process. After researching 26 cases of introducing green products on the market, Dalhammar et al. (2003) conclude that mostly the primary drivers of change are external actors. Moreover, one actor alone cannot make a change, but rather the "efforts and interest of several actors must coincide" to achieve a desired effect. Foundations, particularly those that take on a system perspective, can act to convene these actors, build system awareness, and help to support those innovations as they emerge.

NOTES

1. There is considerable confusion in the literature about the difference between social innovation, social enterprise, and social entrepreneurship. While responding to the social needs, social enterprise is a profit oriented entity marketing its products and services. Social enterprise represents a privately owned venture that blends business interest with the social ends. Canadian Centre for Social Entrepreneurship (2001, p. 2) considers social enterprises fitting the notion of "hybrid" organizational models that "fuse innovative, entrepreneurial practices with a commitment to both social and economic return on investment."

Whereas social enterprise refers to an organization, social entrepreneurship is an individual-cantered concept. Referring to the definition of social entrepreneurship, Martin and Osberg (2007, p. 30) note that "any definition of the term "social entrepreneurship" must start with the word "entrepreneurship." The word "social" simply modifies entrepreneurship."

We define social innovation as any product, process, design, initiative, or program that is created to address a social problem or need and that ultimately profoundly changes the flow of resources, authority, and meaning of the social system in which it is created (Westley & Antadze, 2010). It therefore includes the entire cycle: from idea to invention to launch to institutionalization. Unlike technical innovation, however, we assume that successful institutionalization, the aspect of scaling up that most interests us, is deeply a complex process requiring entrepreneurship of multitude kinds ("civic," "policy," "institutional") in addition to the social entrepreneur who may be responsible for initiating the invention (Westley & Antadze, 2010).

Undoubtedly, these three notions are closely related to each other. For example, a social entrepreneur can be part of the social enterprise and at the same time can contribute to the promotion of social innovations. As Westall (2007, p. 2) notes, "each of these terms reflects different cuts, or perspectives, on reality."

Whereas social entrepreneurship focuses on an individual and social enterprise addresses organizations, social innovation strives to change the way a system operates. Consequently, social entrepreneurship and social enterprise operate within the larger framework of "wider trends of thought and practice" (Westall, 2007, p. 2). Therefore, Leadbeater (2007) suggests that the policy on social enterprise should be developed within the boundaries of a wider strategy on social innovation. Moreover, innovations will hardly achieve a significant impact unless they are supported within the frameworks in which they operate (Westall, 2007, p. 11). Similarly, Marhdon et al. (2008, p. 19) considers that innovations take place within the larger setting of "industrial and national systems and structures."

2. Edquist and Hommen (1999) distinguish nine characteristics of Systems of Innovation approaches: 1) focusing on innovation and learning processes; 2) adopting a holistic and interdisciplinary perspective; 3) employing historical perspective; 4) stressing the difference between systems rather than the optimality of systems; 5) emphasizing interdependence and non-linearity; 6) encompassing product technologies and organisational innovations; 7) highlighting the central role of institutions; 8) being associated with conceptual diffuseness; and 9) presenting conceptual frameworks rather than formal theories (p. 65).

REFERENCES

Almedom, A. M. (2004). Factors that mitigate war-induced anxiety and mental distress. *Journal of Biosocial Science* 36, 445-461.

Arthur, W. Brian. (2009). *The nature of technology: What it is and how it evolves.* New York, NY: Free Press.

Bacon, Nicola, Faizullah, Nusrat., Mulgan, Geoff and Woodcraft, Saffron. (2008). Transformers. *How local areas innovate to address changing social needs.* URL: http://www.nesta.org.uk/transformers [November 15, 2008].

Bornstein, David. (2007). *How to change the world. Social entrepreneurs and the power of new ideas.* New York, NY: Oxford University Press.

Canadian Centre for Social Entrepreneurship. (2001). Social Entrepreneurship Discussion Paper No. 1. URL: http://www.ediblestrategies.com/fsd/2001_social_entrepreneur.pdf [September 22, 2008].

Christensen, Clayton M., Baumann, Heiner, Ruggles, Rudy, & Sadtler, Thomas M. (2006). Disruptive innovation for social change. *Harvard Business Review,* 84(12), 94–101.

Dalhammar, Carl, Kogg, Beatrice & Mont, Oksana. (2003). Who creates the market for green products? URL: http://www.iiiee.lu.se/Publication.nsf/$webAll/3323918431A47CCCC1256E55004D85D4/$FILE/Who%20creates%20the%20market%20for%20green%20products.pdf. [September 8, 2008].

Edquist, Carl & Hommen, Leif. (1999). Systems of innovation: theory and policy for the demand side. *Technology in Society*, 21(1), 63-79.

Fontana, Roberto & Guerzoni, Marco. (2008). Incentives and uncertainty: an empirical analysis of the impact of demand on innovation. *Cambridge Journal of Economics,* 32(6), 927-946.

Freeman, Christopher. (1979). The determinants of innovation: Market demand, technology, and the response to social problems. *Futures, 11*(3), 206-215.

Georghiou, Luke. (2007). Demanding innovation: *Lead markets, public procurement and innovation.* Provocation 02. London: NESTA.

Gladwell, Malcolm. (2002). *The tipping point. How little things can make a big difference.* New York, NY: Back Bay Books.

Health Canada. (2005). What is social marketing. URL: http://www.hc-sc.gc.ca/ahc-asc/activit/marketsoc/whatis-qui-eng.php [December 24, 2008].

Jacobs, Jane. (1992). *The death and life of great American cities.* New York, NY: Vintage Books.

Leadbeater, Charles. (2007). Social enterprise and social innovation: Strategies for the next ten years. A social enterprise think piece for the Office of the Third Sector. URL: http://www.eura.org/pdf/leadbeater_news.pdf [October 10, 2008].

Marhdon, Michelle, Visser, Fiona, & Brinkley, Ian. (2008). *Demand and innovation.* Interim report. Working paper: October 2008. London: NESTA.

Martin, Roger. L. & Osberg, Sally. (2007). Social entrepreneurship: the case for definition. *Stanford Social Innovation Review,* 5(2), 28-39.

Mintzberg, Henry. (1987). The strategy concept I: Five Ps for strategy. *California Management Review,* 30(1), 11-24.

Mowery, David & Rosenberg, Nathan. (1979). The influence of market demand upon innovation: a critical review of some recent empirical studies. Research Policy, 8(2), 102-153.

Mulgan, Geoff., Ali, Rushanara., Halkett, Richard & Sanders, Ben. (2007). In and out of sync. The challenge of growing social innovations. URL: http://www.socialinnovationexchange.org/files/event/attachments/In%20and%20Out%20of%20Sync%20Final.pdf [April 14, 2008].

Patton, Michael Quinn. (2010). *Developmental evaluation: Applying complexity concepts to enhance innovation and use.* New York, NY: The Guilford Press.

Perloff, Jeffrey M. (2001). *Microeconomics.* (2nd ed.). Boston: Addison Wesley.

Weinreich, Nedra Kline. (1999). *Hands-on Social Marketing: A step-by-step guide.* Thousand Oaks, CA: Sage Publications.

Westall, Andrea. (2007). How can innovation in social enterprise be understood, encouraged and enabled? A social enterprise think piece for the Office of the Third Sector. URL: http://www.eura.org/pdf/westall_news.pdf [October 10, 2008].

Westley, Frances & Antadze, Nino. (2010). Making a difference. Strategies for scaling social innovation for greater impact. *The Innovation Journal: The Public Sector Innovation Journal,* 15(2), article 2.