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SOCIAL INNOVATION AS A PART OF ENTERPRISE MANAGEMENT STRATEGY

Summary. In the paper the author will present the concept of social innovation and social entrepreneurship. The author will explain how these concepts are linked with quality of life and how social innovation can improve enterprise management.

Keywords: social innovation, social entrepreneurship, quality of life, management, financial crisis.

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Streszczenie. W niniejszym artykule zostaną przedstawione kwestie innowacji społecznych i społecznej przedsiębiorczości. Autorka wytłumaczy, w jaki sposób te koncepcje są powiązane z jakością życia i w jaki sposób mogą ulepszyć proces zarządzania przedsiębiorstwem.

Słowa kluczowe: innowacje społeczne, społeczna przedsiębiorczość, jakość życia, zarządzanie, kryzys finansowy.

1. Crisis and quality of life

It is not easy to define quality of life; it is often measured by many different indexes, such as Human Development Index, Happy Planet Index or, Economist Intelligence Unit's quality-of-life index. Since it is a qualitative concept, it is easier to illustrate it through examples and in-depth analysis, than by using statistics and indexes. In her analysis, author will focus on the quality of life as a combination of two major elements - personal life satisfaction and community well-being.

As personal life satisfaction is a very wide idea, the author will restrict it to one indicator, which has been shown in various studies to have significant impact on whether an individual perceives their life as satisfying – having a job. In the First European Quality of Life Survey

summary we read that “One aspect of the analysis showed that having a job was more likely to improve life satisfaction than having no job (...). However, such findings could be further substantiated by proving that life satisfaction is lowest among unemployed people”¹.

Community’s well-being can also be measured in a variety of ways. The author would follow the approach represented for example by Cook, who used an analysis of factors influencing community quality of life. In this analysis, the factor taken into consideration will be the lack of severe unemployment problem.

Since 2008 the world has been struggling with the financial crisis, which is claimed to be the most severe recession since the Great Depression of the 1930s. As a result, the unemployment rate has gone up to approximately 12% in the EU, and even up to over 25% in countries like Greece and Spain. It is the highest among people under 25 years of age – 23.2% in the EU, 58.7% in Greece and 56.1% in Spain².

As the job market is unstable, even people who have jobs fear that they might lose it anytime. The employers seek to cut costs by introducing non-standard forms of employment, such as “flexible” job contracts. This means that very often employees are given fixed-term contracts which give them no job security or career development prospects.

This growing group of people, who oscillate between unsecure job and unemployment, is called by the researcher precariat. Precariat can be described as follows: “ (...), it consists of a growing number of people living and working in conditions of insecurity, without an occupational identity or career”³.

Although unemployment and precarity are one of the most striking problems of current recession, their roots go much deeper - to the nature of postindustrial/capitalistic/consumer society itself.

Capitalism as well as, industrial and postindustrial era have been described before by such authors as Daniel Bell and are too broad subjects to be discussed here. The author would like to emphasize just one important aspect. As Zygmunt Bauman stated in his “Work, consumerism and the new poor”, the efficiency grows with the development of new technologies and lowering job costs (the latter is possible due to relocation of factories to the countries allowing cheaper workforce). This means that rising unemployment and job market instability is an inherent feature of the capitalistic/ consumer society, as its objective is to produce more, earn more, and consume more⁴.

Quality of life of people who are affected by unemployment or precarity is significantly low, not only for financial reasons, but also due to insecurity, instability, lack of career prospects, and general dissatisfaction. As E. F. Schumacher said:” If a man has no chance of obtaining work he is in a desperate position, not simply because he lacks an income but because

¹ (<http://www.eurofound.europa.eu/pubdocs/2006/95/en/1/ef0695en.pdf>).

² (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics_).

³ Standing G.: The precariat. Bloomsbury Academic, 2011, p. 5.

⁴ Bauman Z.: Work, consumerism and new poor. Open University Press, 1998.

he lacks this nourishing and enlivening factor of disciplined work which nothing can replace”⁵.

Low life quality of individuals has significant impact on the well-being of the whole community, bringing poverty and social problems and weakening social bonds.

For many years welfare state was the remedy to the worsening quality of life. However, recently it has been facing a crisis. The institution of welfare state has been weakening all over the world. Zygmunt Bauman underlines that this is a natural consequence of consumerism. In the industrial era, welfare state was necessary to protect and keep strong and healthy workforce reserve. Nowadays, as the need for workers decreases, welfare state is becoming less useful. The money invested in the unemployed people and precariat is lost from the business point of view, as the job market needs less, not more human resources (Bauman, 2004).

In the light of these facts, people started to search for an alternative way to guarantee stable jobs and good quality of life. However, they understood that this attempt has to be made beyond state’s structures. Being deceived by the welfare state, several social innovators decided, that they have to create a sustainable job environment on their own.

2. Social entrepreneurship

In 1981, Bill Drayton founded Ashoka, a nonprofit organization with an aim to support social entrepreneurship. Although the idea of social entrepreneurship had been known before, since the foundation of Ashoka the concept has been introduced to the wider public. Nowadays there are over 3000 social enterprises across 70 countries associated with Ashoka, as well as many others, independent or linked with other organizations⁶.

The key difference between a standard enterprise and a social one is that the latter not only seeks economic profit, but also strives to create “social value”. It promotes sustainable development, production and consumption. Also, social enterprises are strongly focused on implementing social innovation in their actions. Social innovation can be explained as “new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations”⁷.

Social entrepreneurship can be perceived as an aftermath of earlier intellectual concepts and practical endeavors, such as utopian socialist communes of Robert Owen and Charles Fourier, or cooperative movement. A very interesting example of such endeavor is Israeli kibbutz.

Kibbutz is a fascinating historical phenomenon. First commune was set up in 1910 in the Northern part of Israel (Galilee), and was named Dagania Alef. This agricultural, socialist

⁵ <https://www.ashoka.org/>

⁶ (<https://www.ashoka.org/sites/www.ashoka.org/files/2013-Impact-Study-FINAL-web.pdf>)

⁷ Mulgan G., Simon J., Murray R.: *Open Book of Social Innovation*. Young Foundation, 2010.

community was perceived by the socialist Zionist movement as a perfect way to establish a base for the Jewish state in Palestine. First kibbutzniks not only aimed to create a fair, egalitarian commune, but also to pave the way to independence for the future State of Israel. For this reason, kibbutzniks were given due respect and were perceived as the elite of the country. Many politicians, army officers and intellectuals, such as David Ben Gurion, Moshe Daian, Golda Meir, Shimon Peres, Ehud Barak, or Amos Oz, have kibbutz background. It should be also emphasized that these Israeli communes not only played an important political role, but also had a significant impact on the economic development of the young Jewish state. Communal agriculture is listed by many authors as one of the three elements that contributed to the economic growth of Israel, along with high rate of the immigration and foreign capital influx⁸.

Until the 1980s the kibbutzim were very successful. However, the end of the 20th century was the time of the most severe crisis the kibbutzim had ever experienced. Not only did the communes suffer from financial problems, but also, and probably most importantly, from a demographic and ideological crisis. This resulted in a number of debates on the necessary changes within the kibbutz movement. Although first reforms started long before the 1980's financial collapse, the idea of a real revolution appeared in the 1990's. In 1993 Yehuda Harel, a kibbutz movement activist, published "The New Kibbutz", a book which proposed a new model of the kibbutz management and turned out to be a breakthrough moment for the majority of the communes. Harel was inspired by Anthony Giddens' idea of the socialist Third Way and decided to implement it in the kibbutz movement. Just at the author of "Beyond Left and Right", Harel postulated the necessity of finding a compromise between rules of the free market and socialist ideals of the Israeli communes. According to Harel, kibbutz could combine socialist and capitalist principles. He suggested that production and distribution of goods should be separated. As the capitalist models succeed in production, kibbutz's factories and enterprises should be based on free market rules in order to gain income. However, proceeds should be equally distributed between kibbutz members⁹.

Nowadays, most kibbutzim are run in accordance with Harel's model. Moreover, the kibbutz movement has flourished since the reform was implemented - a huge influx of newcomers has been observed and the financial situation has improved significantly. The new kibbutz reflects cultural changes within the Israeli society. Moreover, its success proves that there is a need for a certain type of community and for a non neo-liberal way of entrepreneurship. The conclusions drawn by from the author's research conducted in the Israeli kibbutzim are presented below. The biggest emphasis is put today by the kibbutzniks on the quality of life. Members of the kibbutz wish to live in a commune, where relations between people are more intimate, less instrumental. They aspire to build Tönnies' *Gemeinschaft*, where solidarity is a crucial value. New kibbutz, according to them, is a place where people support

⁸ Lewin A.: Kibuce w Izraelu. Utopia czy rzeczywistość, Warszawa 1992.

⁹ Satt E.: Introducing differential wage rates in the kibbutz economy: is it the end of the kibbutz? Theory and New data, Bingley 2007.

one another and help weaker individuals, but which also allows getting fulfillment in the professional life. They perceive their community as a socialist one, but socialist in the way the representatives of the Third Way would do it. In this meaning socialism “(...) refers to a cluster of issues concerning the quality of the physical and social environment (...)”¹⁰.

In the light of the above, it can be concluded that a new kibbutz is a social enterprise. On one hand it aims to gain income, but on the other it has strong, humanistic values. They are inspired by the ideals of Ernst Friedrich Schumacher, who was in favor of entrepreneurship, where slight lowering of efficiency and financial profit would be rewarded with humanistic values.

3. Conclusion

Ashoka and Israeli kibbutzim are examples of successful social enterprises and social innovators. The concept of social entrepreneurship is particularly interesting nowadays, in the time of the crisis and redefinition of basic economic notions. In the light of social entrepreneurship ideals, this type of enterprises put creating job opportunities for the surrounding community before increasing profits through cost reduction resulting in layoffs. Promoting and empowering social entrepreneurship not only would mean reducing unemployment and poverty, but also thanks to being a reliable and stable employer social enterprises could improve well-being and quality-of-life of a surrounding community.

However, social enterprises should not only inspire other social endeavors, but also classical businesses. Author believes that social entrepreneurship concept can provoke a broader discussion, on such issues as social responsibility of enterprises in general. Enriching corporate social responsibility policy with significant elements from social entrepreneurship ideals will create more balanced, community and quality of life oriented enterprises. And this is nowadays, in author's opinion, the most interesting and important challenge of enterprise management.

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Omówienie

Powyższy artykuł tłumaczy koncepcje społecznej przedsiębiorczości i społecznych innowacji. Ukazuje szczególną ważkość tych kwestii w czasach kryzysu ekonomicznego i w momencie redefinicji kluczowych pojęć gospodarczych.

Społeczni przedsiębiorcy są istotni *per se* jako promujący społeczne innowacje, tym samym przyczyniający się do poprawy jakości życia. Dodatkowo, ten typ aktywności gospodarczej jest także interesujący dla „normalnych“ przedsiębiorstw jako inspiracja do wdrażania społecznie zaangażowanej polityki.