



**BRITISH ACADEMY  
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**3RD-5TH SEPTEMBER**

**ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM**

This paper is from the BAM2019 Conference Proceedings

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# **Developing innovation routines in social enterprises: Evidence from a multi-activity support programme**

**Track:** Innovation

## **Abstract:**

This paper explores the role of support programmes in helping social enterprises (SEs) to develop innovation routines and capabilities. In doing so, it aims to contribute to addressing the lack of attention currently paid to the management of innovation in the social enterprise literature. It is based on evidence collected from a multi-activity support programme that was part of a major cross-regional European-funded project. This programme involved the participation of 75 SEs in a range of activities, including one-to-one coaching, specialist training, international visits, access to online resources and networks, and peer-based action learning. The main aim of the paper is to explore the varying implications of these different interventions for the development and/or transformation of innovation routines among the participating SEs. Distinguishing between agency-based, network-based, and informational forms of support, we argue that the disruptive or transformative capacity of each is different depending on the configuration of existing routines and capabilities, and the nature of the support interventions themselves..

**Submission type:** Developmental paper

**Word count:** 2394

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## **Introduction**

This paper explores the role of support programmes in helping social enterprises (SEs) to develop innovation routines and capabilities. In doing so, it aims to contribute to addressing the lack of attention currently paid to the management of innovation in the social enterprise literature. Although research on social enterprise has, according to some, reached a new level of maturity, both theoretically and empirically, there are still a number of important gaps (Doherty, Haugh & Lyon, 2014; Young & Brewer, 2016). Thus, while things have moved on somewhat from earlier controversies about how to define social enterprise (Austin, Stevenson & Wei-Skillern, 2006; Chell, 2007; Dato-on & Kalakay, 2016; Galera & Borzaga, 2009) and now include a wider range of theoretical perspectives and thematic areas of interest (Dey & Steyaert, 2012, 2018; Maibom & Smith, 2016; Nyssens, 2007; Pinch & Sunley, 2015), there has been little systematic research specifically on the nature of innovation in social enterprise, how far this differs from innovation processes in other domains, and what policy, institutional, and other conditions are relevant for supporting social enterprise innovation.

This paper focuses on the nature and implications of innovation support for social enterprise, using evidence collected from a multi-activity support programme that was part of a major cross-regional European-funded project. This programme involved the participation of 75 SEs in a range of activities, including one-to-one coaching, specialist training, international visits, access to online resources and networks, and peer-based action learning. The main aim of the paper is to explore the varying implications of these different interventions for the development and/or transformation of innovation routines among the participating SEs. The remainder of this developmental paper considers the theoretical background to the study, outlines the methods used, provides some preliminary findings from the ongoing data collection and analysis, and concludes with a plan for how we are hoping to develop the paper.

### **Theoretical background**

Multiple definitions of social enterprise abound, but as Doherty *et al.* (2014, p.420) suggest, they typically "draw out ... two defining characteristics of SE: the adoption of some form of commercial activity to generate revenue; and the pursuit of social goals". The relative balance between commercial activity and the pursuit of social goals has been a major theme in the SE literature and one that the study of innovation in this sector needs to pay close attention to (Moss, Short, Payne, et al., 2011). However, this is not something that has been tackled in any great depth thus far. This is not to say that the SE literature has been silent on the issue of innovation. On the contrary, frequent reference is made to the innovativeness of SE in the achievement of their social and/or environmental mission (Di Domenico, Haugh & Tracey, 2010). For some, innovation is a defining feature of being an SE. For example, Austin *et al.* (2006, p.2) argue that "the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth ... and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices". The assumption is that there is something almost innately innovative in supporting the creation of social value through commercial enterprise, as underscored by the closely related literature on social innovation (Mulgan, 2006; Murray, Caulier-Grice & Mulgan, 2010).

However, beyond the more general presentation of SEs as socially innovative, there has been very little discussion of the specific forms and outcomes of innovation in the SE domain and how SEs can be supported in developing their capacity to innovate (Doherty, Haugh & Lyon,

2014). While SEs exhibit specific characteristics and challenges setting them apart from other organisations, particularly regarding their attempt to meet both commercial and social/environmental missions simultaneously (Billis, 2010; Cornforth, 2014; Maibom & Smith, 2016; Moreau & Mertens, 2013), they also share many similarities, typically relating to size and the sectors in which their commercial activities are undertaken (Austin, Stevenson & Wei-Skillern, 2006). Thus, for example, small- and medium-sized SEs, which represent the vast majority, face similar innovation challenges to the wider population of SMEs, such as limited time, knowledge, and resources, lack of systematic innovation capabilities, problems with developing, implementing, and capturing value from potentially good ideas, and difficulties with scaling-up and diffusing innovations (Desouza & Awazu, 2006; Massis, Audretsch, Uhlaner, et al., 2018; Hoffman, Parejo, Bessant, et al., 1998).

In addressing these challenges, a key issue concerns how organisations develop and deploy innovation routines and capabilities and, importantly, the extent to which they have purposive agency in doing so. Much of the existing literature on organisational routines (innovation-related or otherwise) emphasises their gradual and often informal development and change (Becker, 2004; Feldman, 2000; Nelson & Winter, 1982). Regardless of whether they are conceptualised as manifested behaviours (Cohen, Burkhart, Dosi, et al., 1996; Nelson & Winter, 1982), behavioural potentialities (Hodgson, 2008; Hodgson & Knudsen, 2004), sets of cognitive rules (Cohen & Bacdayan, 1994), socially-shaped collective practices (Dewey, 1922; Pentland, Feldman, Becker, et al., 2012), or a mixture of these (Becker, 2005; D'Adderio, 2008), organisational routines are usually portrayed as slow to develop and difficult to embed, but once established, resistant to change in anything more than an incremental way.

Some have criticised this depiction for underplaying the role of purposeful agency, especially in terms of managerial direction (Cohendet & Llerena, 2003). In comparison, the literature on dynamic capabilities offers a much more transformative perspective, whereby managers are able to change organisational resources, routines, and capabilities in response to existing or anticipated changes in their environment (Teece, 2012; Teece & Pisano, 1994; Teece, Pisano & Shuen, 1997; Zollo & Winter, 2002). However, the danger in this case is to go too far in endowing managers with extensive foresight and autonomy. Adopting a more contingent approach, while the degree of purposive control over the formation and change of routines is certainly not unlimited, neither are routines purely the result of collective and distributed

patterns of activity without any central control. This is likely to vary according to the nature of the routines and influences on the capacity of actors, individually or collectively, to shape them.

Although the routines and capabilities literature has not generally paid too much attention to questions of policy support, the position one takes on this debate clearly has important implications for what types of supporting interventions may or may not be appropriate for encouraging the development of innovation routines. For the socially distributed, incrementalist view of routines, suitable policies are likely to be aimed at encouraging supportive framework conditions and learning environments. Alternatively, where the degree of managerial agency over routines is considered higher, relevant policies are likely to be targeted at improving the capacity of managers to sense opportunities and/or threats and enact appropriate changes to routines and resources. The contingent approach, as might be expected, would suggest that different policy interventions are appropriate depending on the types of routines and their shaping conditions.

This more pluralist perspective is particularly helpful for exploring our empirical context of a multi-activity innovation support programme for social enterprise because it opens up an opportunity to compare different types of intervention side-by-side without assuming a uniform influence on the innovation process. This paper, thus, seeks to explore the role alternative innovation support activities play in developing innovation capabilities and routines in SEs and the extent to which there is fit between the type of intervention and the characteristics of particular innovation routines. An important element of this is the extent to which support activities have the potential to reinforce existing routines or disrupt them and encourage the formation of new routines.

### **Research method**

The data for the study are from a major comparative study investigating the dynamics of SE innovation in three different European regions within Belgium, The Netherlands, and the UK. Three main sources of data were used. Firstly, interviews were conducted with SE owners and managers (n=90), policy makers and stakeholders with an interest in SE (n=45), and SE support organisations (n=30) in each of the three countries, with an even split in the number of interviews. Secondly, baseline and exit questionnaires have been administered to 75 SEs across the three regions that participated in an innovation support programme delivered by

the project. The exit questionnaire is still in the process of being collected and analysed. The purpose of these surveys is to assess changes in the business and innovation capabilities of the SEs, their networks of relationships and knowledge, and their innovation activities and outcomes. Thirdly, data is also being collected in the form of notes made by the coaches providing one-to-one support for these innovation programme participants. The qualitative data from the interviews and coaching notes is being analysed using Atlas.ti qualitative data analysis software.

### **Initial findings**

Data collection and analysis are still ongoing. However, from the findings so far there are a number of angles which we wish to pursue as we develop the paper further. The most important of these concerns the differences between innovation support practices that we classify as: 1) Agency support, which involves the purposeful and, at least to some extent, structured intervention of a party external to the organisation. This involves one-to-one coaching in the case of our study, but could include interventions such as mentoring, consultancy, and facilitation. 2) Network support, which includes interventions to encourage interactions with a range of network contacts, including competitors, collaborators, suppliers, customers, users, and so on. These are usually less formalised than agency-based support, although, as illustrated by the network activities reported in the research, there are variations in the degree of structuring between peer-based action learning, international visits to interact with other SEs, and participation in online networks. 3) Informational support, which includes more passive and one-directional communication compared to the other types of support which are more interactive. Examples from the programme studied include the e-learning hub and specialist innovation training.

The initial data suggest that the influences of these different types of intervention on the innovation routines of the participating SEs are rather different with regard to how far they are disruptive of existing routines and/or generative of new ones. Network interactions, especially where they are based on similarity, tend to emphasise cohesion and limit disruption that could come from exposure to different perspectives (Burt, 1992; Granovetter, 1973). This obviously depends on the nature of the network, but informal networks are thus likely to encourage the incremental development of existing routines rather than their radical transformation. Potentially more disruptive are managed learning networks (Bessant & Francis, 1999; Bessant & Tsekouras, 2001; Marshall & Tsekouras, 2009) and peer-based

action learning, although again the balance between similarity and difference cohesion and disruption, is likely to be more towards incremental than radical change. Informational support activities may in some instances be transformational, just as network interactions can be in some circumstances, but again are more likely to reinforce or extend existing routines as new information is assimilated to existing knowledge and ways of doing things (Cohen & Levinthal, 1990; Zahra & George, 2002). In contrast, the evidence from our study suggests that agency-based support, specifically one-to-one coaching in our example, has the potential to be more disruptive. This depends on the skill of the coaches – their ability to challenge depends on building up a good relationship with the participating SE and providing suitable advice and encouragement – but overall the coach can act as an external ‘irritant’ pushing the managers of SEs to explore new avenues and discouraging them from slipping back into familiar routines.

A clear theme coming out of the initial interview survey, was that many SEs are highly effective at coming up with new ideas and identifying opportunities, often drawing on extensive networks of personal and professional contacts. However, they experience major challenges in developing and capturing value from these ideas. This is consistent with the results of the baseline questionnaire survey. In response to a question asking how confident they are about a range of innovation-related practices, the majority of responding SEs were more confident about routines relevant for the earlier stages of innovation and less confident about those related to the later stages and repeating the innovation process. Thus, while 69% of respondents were either ‘Very Confident’ or ‘Confident’ about coming up with novel ideas, this drops to 50% for developing new products, services, or processes; and 39% for launching and implementing them. Respondents were least confident about ensuring the long-term benefits of new products, services, and processes (20%) and commercialising and capturing value from them (15%). Acknowledging the limitations of such self-reported confidence measures, they nevertheless provide an interesting foundation for us to explore in more detail how far the different activities of the programme have influenced the innovation practices and routines that the SEs perceive as being more or less developed in their organisations. This is our emphasis as we collect and analyse the remaining data, including the exit survey and especially the qualitative data collected during the programme, to see how their innovation practices have changed over the course of their participation.

## Conclusion

Using the example of a multi-activity support programme targeted at promoting innovation in social enterprises, the focus of this paper is on the influence of particular types of policy intervention on the innovation routines and capabilities of participating SEs. Conceptually we position this relative to the literatures on organisational routines and dynamic capabilities, with their differing perspectives on the role of managerial agency in shaping and transforming organisational practices. Adopting a contingent approach, whereby the types of innovation routines, their shaping conditions, and degree of embeddedness influence the transformative capacity of agents, individually or collectively, we consider the varying potential of different support activities for creating, reproducing, and transforming innovation routines. Distinguishing between agency-based, network-based, and informational forms of support, we argue that the disruptive or transformative capacity of each is different depending on the configuration of existing routines and capabilities, and the nature of the support interventions themselves. Although we have identified some interesting initial patterns, the data collection and analysis are still ongoing and so it is too early to offer more definitive findings. Consequently, the main priority for developing the paper is on the empirical side, continuing our exploration of the data and what they reveal about the varieties of influence of different support approaches on the development trajectories of innovation routines in SEs.

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