International Journal of Business and Management; Vol. 11, No. 5; 2016
ISSN 1833-3850 E-ISSN 1833-8119
Published by Canadian Center of Science and Education

Factors Stimulating Social Innovation in Entrepreneurship: An Empirical Evidence of Inter-Organizational Alliances in Italy

Lamberto Zollo[1], Riccardo Rialti[1], Cristiano Ciappei[1] & Massimiliano M. Pellegrini[2]

[1] Department of Sciences for Economics and Business, University of Florence, Florence, Italy

[2] Department of Business Administration, University of West London, London, UK

Correspondence: Lamberto Zollo, School of Management, University of Florence, Florence, Italy. Tel: 390-552-759-011. E-mail: lamberto.zollo@unifi.it

Received: February 4, 2016 Accepted: March 1, 2016 Online Published: April 18, 2016

doi:10.5539/ijbm.v11n5p12 URL: http://dx.doi.org/10.5539/ijbm.v11n5p12

Abstract

This article will focus on the meaning of social innovation, which could represent the tipping point of the modern entrepreneurship phenomenon, allowing it to reach a larger scale and increase its social benefits. After having described the definition of social entrepreneurship and how it may be influenced by inter-organizational social arrangements, we will analyze the Italian scenario, which is particularly significant for investigating inter-organizational alliances and their social outcomes. Specifically, the focus will be on inter-organizational alliances in the Region of Tuscany, underlining how the Third Sector is capable of creating both direct and indirect effects on social innovation, thus becoming a possible turning point for modern societal evolution. Consequently, the article will conclude with theoretical propositions concerning the direct and indirect effects that inter-organizational alliances have on social entrepreneurship, thus emphasizing the positive outcomes that such interactions have both on the financial equilibrium of the organizations and on their organizational structure.

Keywords: entrepreneurship, social partnership, inter-organizational interactions, social innovation

1. Introduction

Modern economic and financial crises have recently questioned the traditional profit-oriented business model (Blundell-Wignall et al., 2012). Recently, such a for-profit model has actually failed in developed countries markets, thus creating financial disequilibrium and economic crises (Lazonick, 2009). Therefore, new stereotypes of business model have increasingly become popular, above all the so-called 'social entrepreneurship', which is rapidly spreading worldwide (Tan & Williams, 2005; Martin & Osberg, 2007; Short et al., 2009). In this context, one of the main recent important topics of research deals with individuating new methods of creating economic, social, and environmental value for society and organizations (Austin & Seitanidi, 2012). Our research will be addressed to social innovation and social entrepreneurship as modern economic vehicles through which to achieve value for modern society. In particular, this article aims at contributing to literature trying to underline the effectiveness of social partnership in improving and innovating economic business models and paradigms (Seitanidi, 2010); above all, we will focus on inter-organizational alliances among non-profit associations, underlining how social entrepreneurship evolves and improves through social partnership.

We will analyze a significant example of Italian social partnership (Antoni & Mele, 2009), which is characterized by most important features of entrepreneurship, but with a social connotation. Tuscan most important voluntary associations are Misericordia, Red Cross, and Anpas: we will investigate their inter-organizational alliances and embeddedness within Tuscan regional context, in order to understand the impacts that social partnerships have on organization, structure, and strategy of these associations. The focus on the Tuscan scenario allows us to emphasize the social partnership's capability of combining the two important aspects of the modern economic scenario, which are innovative change and societal benefits. Specifically, this topic allows us to focus on social partnership's capability of creating social and innovative value for the community. Moreover, from the analysis of the collaborative social value creation deriving from Tuscan inter-organizational interactions, two propositions concerning the effects that partnership may have on social entrepreneurship will be proposed: firstly, the partnerships can improve directly social entrepreneurship reducing the economic and financial tensions that are present in a social enterprise business model (Chell, 2007; Massetti, 2008; Alegre, 2015); secondly, the collaboration can improve indirectly the social entrepreneurship structuring better non-profit organizations (Tracey et al., 2004; Foster & Bradach, 2005; Austin & Seitanidi, 2012).

In the following paragraphs, we will firstly describe the theoretical background, focusing on the modern literature debate about social entrepreneurship and social innovation. At the end of this section, we will analyze the types of value and the steps that characterize inter-organizational interactions. Then, the stress will be on the Italian scenario, specifically on the Tuscan social partnership evolution. Finally, we will formulate two propositions referring to the partnership's effects on social entrepreneurship.

2. Theoretical Background

According to traditional economists, three main concepts describe the term entrepreneurship: value, change and opportunity. These three elements represent the Say-Schumpeter-Drucker theoretical cornerstone (Dees, 1998). Therefore, it is possible to define entrepreneurial innovation as follows: the activity to change the 'status quo' by exploiting the opportunity of creating new value (Colwell & Narayananb, 2010). This definition implies the well-known Marxian notion of 'creative destruction' (Smart, 2012), reinterpreted by Schumpeter (1934) according to whom entrepreneurs' main goal is to overcome existing economic suboptimal equilibrium characterized by its products, services and rules, by creating a new equilibrium that satisfies in a better way customers' needs and providing better quality and wealth (Boschee & McClurg, 2003). Consequently, entrepreneurship is the attitude to combine change and innovation (Dean & McMullen, 2007; Pacheco et al., 2010), by altering the present economic system and forging a new equilibrium pursuing a precise objective and mission, thanks to opportunities never exploited before. However, in the present historical context, it seems necessary to add an element of significant value to the aforementioned definitions: the social connotation (Korosec & Berman, 2006). This is how the definition of social entrepreneurship has emerged, referring to the creation of products, services, and quality for a social mission and in a socially responsible way (Fiet et al., 2006; Weerawardena & Mort, 2006).

Two elements can be put together. The first one is innovative change, with its strategies, meanings, concepts, ideas, and organizations. The second one, instead, is social mission, which aims at creating societal benefits by helping disadvantaged and under-served populations (Dorado, 2006; Van Slyke & Newman, 2006; Tracey & Phillips, 2007). In this scenario, the Schumpeterian 'creative-destruction' axiom has to be interpreted differently. Actually, the traditional economic and financial markets during crises have failed in a large segment of the international trading system and, as a consequence, a lot of investors and disadvantaged people have been progressively marginalized (Dees, 1998). This *status quo* is no longer sustainable (Peredo & McLean, 2005; Martenson, 2011), therefore social entrepreneurship should be the main framework of entrepreneurship able to create a new economic 'ecosystem', focused on solving economic problems through socially responsible investment and business (Adner & Kapoor, 2010).

Apart from the different missions, one of the most distinctive traits of social enterprises is the uniqueness of their business models (Tracey, 2004; Foster & Bradach, 2005). In fact, social enterprises can be positioned in a sort of 'hybrid' continuum, which delineates the nature of their business, going from one extreme, non-profit organizations, to the opposite one concerning for-profit organizations (Massetti, 2008). This continuum creates a social and economic tension in social enterprises that can be classified according to their social mission (Alegre, 2015). Therefore, there is a spectrum ranging from purely philanthropic organizations to commercial ones (Harding, 2004). In particular, one of the business models along the continuum refers to social enterprises that pursue a social goal but also exploit their incomes in order to assure their financial sustainability (Chell, 2007). According to this theory, the social enterprise is not anymore only a charitable and non-profit organization, but it has particular commercial features that continuously create value that may be reinvested in the business (Dees, 1998; Tracey, 2004; Foster& Bradach, 2005). So, the underlying model for new social enterprises is likely to include a mix of different economic sources which may be instrumental in providing future sustainability and self-sufficiency (Dorado, 2006).

Due to their different missions and scopes, it is clear that social enterprises, which are able to create economic innovation and can allow customers and market actors to be better understood and satisfied (Kirzner, 1985; Gaglio, 2004), may be a key opportunity to increase the sustainability of the economic system (Martin & Osberg, 2007). While traditional entrepreneurship has to reach customer satisfaction, social entrepreneurship aims to 'customer social satisfaction' (Lichtenstein et al., 2004). Then, products' innovation, offered services and prevalent activities have to pursue the goal of meeting social needs and have to create societal welfare (Luo & Bhattacharya, 2006). However, despite apparent similarities between traditional and social enterprises, in the latter ones the notion of innovation acquires the features of ‘social innovation’. Social innovation can be present in non-profit organizations through charity and voluntarism (Van Til & Ross, 2001), in markets through fair trade and open source software (Howse & Trebilcock, 1996), but also in governmental institutions through public health and first aid towards disadvantaged people (Seitanidi, 2010). The common goal is to have a social mission, which explains why the idiomatic phrase ‘Social Silicon Valley’ has been coined, referring to organizations that exploit both resources and energies to cope with social problems and the creation of ‘social value’ (Mulgan, 2007). Social enterprises need to find a hospitable territory for implementing their activities, above all for reaching societal benefits. This implies a partnership with local institutions that have to facilitate social enterprises work (Seitanidi, 2010); that is why social entrepreneurship is usually linked to ‘civic innovation’, referring to new structures, institutions, and relations aimed at citizens’ support (Fowler, 2010). If this innovation is merged with organizations, economic activities, and practices sustaining social benefits, or in other words social entrepreneurship, it will be possible to achieve the creation of ‘social value’ innovation (Seitanidi, 2010; Austin & Seitanidi, 2011).

As of today, one of the most important examples of social value innovation can be identified in the venture of Muhammed Yunus, the father of microcredit, who started from a simple but very innovative idea: lending small sums of money to poor Bangladeshi people who repaid loans by creating their own value, and spawning a new global network of social organizations that replicate such a credit system (Martin & Osberg, 2007). This is a renowned example of ‘social value’ innovation, and it has all the features of social engagement (Seelos & Mair, 2005): (a) direct action to solve situations that create hardship and discomfort towards poor and disadvantaged people; (b) innovative and effective solutions to societal problem, trying to create new and sustainable outcomes and securing permanent benefits for communities (Martin & Osberg, 2007).

Considering the growing social inequalities generated by recent financial crises, the role of traditional organizations and government in the creation of social value has proven to be unsufficient (Visser, 2011). In this context, then, as an answer to the decrease of surplus value available for communities, the number of social partnerships between non-profit organizations, public institutions and for-profit has grown rapidly (Berger et al., 2004; Kourula & Laasonen, 2010). The principal outcome of these social partnerships can be identified in the creation of new ‘social value’ innovation (Austin, 2000). Thanks to such arrangements, there has been a shift from ‘sole creation’ of value to collaborative social value creation, or co-creation of ‘social value’ (Austin & Seitanidi, 2012). This newly generated social value may proceed from four types of ‘source value’. Firstly, we have resource complementarity through which the partners can achieve numerous advantages (Andrioff & Waddock, 2002). Secondly, resources’ nature that refers to the partners’ capability of sharing specific resources, such as know-how and distinctive competencies, thus increasing the creation of value. Then, resource directionality that shows partners’ level of interaction in exploiting their resources; finally, linked interests that refer to the collaboration towards co-creation of ‘social value’ (Austin & Seitanidi, 2012). From this ‘source value’ framework follow the most important steps characterizing the social partnership’s creation of value (Austin, 2000). In fact, cross-sector interactions have recently evolved into social partnership’s context through different collaboration stages thus creating the so-called ‘collaboration continuum’(Seitanidi 2010; Le Ber & Branzei, 2010; Kourula & Laasonen, 2010). According to this continuum, the first relationship stage is philanthropic collaboration: the level of engagement is low, the interaction activity is infrequent, the co-creation of value and social innovation is single and seldom, the transfer of resources is unilateral (Porter and Kramer, 2002; Godfrey et al., 2009; Austin & Seitanidi, 2012). The second step is called transactional collaboration: in this case we have an improvement of interaction, in fact the exchange of resources is reciprocal, there is a higher level of resource complementarity and organizational compatibility and the created ‘social value’ is greater (Googins & Rochlin, 2000; Austin & Seitanidi, 2012). The third relationship stage is called integrative collaboration: mission, values, and strategies become more congruent, we have creation of higher level of synergic value and innovative solutions, the social partnership becomes more complex and implies higher organizational integration and co-creation of value (Kanter, 1999; Holmes & Moir 2007; Le Ber & Branzei, 2010; Austin & Seitanidi, 2012). Finally, we have the transformational collaboration: ‘Social Issues Platform’ is created (Selsky & Parker 2010), which refers to shared social needs and partners’ roles in the partnership; in this last higher level of collaboration, the engagement is high, the interaction activity is intensive, the co-creation of value is conjoined, and the innovation is frequent; but, most of all, the aim of this kind of partnership is to create “disruptive social innovations” (Christensen et al., 2006; Nelson & Jenkins, 2006; Austin & Seitanidi, 2012).

In the next paragraph, we will present a significant example of an Italian regional social partnership.

3. The Italian Social Partnership's Context

The Italian context represents an ideal research scenario in order to analyze the phenomenon of social partnership; actually, in Italy the context has historically been favourable to the development of non-profit organizations. In particular, the Italian context has been favourable in terms of cultural background (Prychitko & Boettke, 2002), public assistance has always received help by institutional governments to evolve and become what it is today, and in terms of collaboration and social economic exchange with institutions. The Italian welfare system is very important in the European scenario, and our local object of research, which is the Tuscan social partnership, can stress the importance of this type of interaction and collaboration: its social and collaborative value innovation demonstrates the development of humanitarian, philanthropic, and ethic values in new business models, above all in social partnerships between non-profit associations and public collaborators (Brinkerhoff & Brinkerhoff, 2002). The most important element that allowed Tuscan social partnership to be successful refers to regional governmental institutions' efforts in structuring and contextualizing a favourable framework, which has been able to induce non-profit foundations to achieve positive socio-economic results (Antoni & Mele, 2009). Such a social context represents a prerogative for non-profit organizations growth and represents the reason why the Tuscan voluntary system stands for a case of excellence in inter-organizational partnerships. Tuscan voluntary associations are well-known for their high level of cooperation, development and international solidarity (Antoni & Mele, 2009); as a matter of fact, voluntary associations in Tuscany reach a significant dimension and importance, allowing them to implement a considerable part of the regional emergency services and transports, exemplifying the perfect meaning of non-profit organization (Van Tulder et al., 2007; Seitanidi, 2010). This type of social partnership complies perfectly with the social entrepreneurship function, which relates to associations engaged in a process of entrepreneurship involving a segment of society with the altruistic objective that benefits accrue to that segment of society (Tan et al., 2005). From this definition, three elements emerge: the actor, the process, and the objective. In our case, the main actor is the regional Third Sector operating in the Tuscan social system. The process is represented by implemented activities that aim at social innovation and at the creation of value for local community, in our example first aid service and assistance for poor and disadvantaged people. This represents the creation of 'social value' for a precise segment of society (Nahapiet & Ghoshal, 1998). Tuscan government has recognized the important role that these associations have at a local level, mainly because political and institutional efforts have failed in satisfying disadvantaged people's needs by creating a gap between their needs and existing services. Such a phenomenon has been traditionally referred to as 'government failure' (Salamon, 1987). In order to reduce such criticalities, Tuscan non-profit organizations intervene with their social activity to fill this gap, providing a great diversity and customization of services characterized by high levels of efficiency (Brinkerhoff & Brinkerhoff, 2002). For example, Tuscan Misericordia association defined a new standard and 'status quo' of regional public assistance~~,~~ which political and governmental activities would have never reached. Thanks to the regional social partnership, it becomes possible to unify less bureaucratic and more flexible voluntary associations with fundraising and resources, thus providing institutional partners. This arrangement implies a sort of regional isomorphism (DiMaggio & Powell, 1983) that represents the key value of partnership effectiveness, especially in creating 'social value'. It is clear that partnering with community organizations generates better policies which are more sensitive to local needs and enhances opportunities for social inclusion and improvement (Andrews & Entwistle, 2010).

In the following two sub-paragraphs the analysis will focus on the main effects that the social partnership has on the organizational structure of the partners and on the 'social value' created.

3.1 Direct Effect of Social Partnership

One of the most interesting issues of inter-organizational interactions refers to organizational and structural changes that occur during the social partnership (Seitanidi, 2010). In this section we will focus on the direct effect that social partnership has on social entrepreneurship: this effect is called 'organizational genesis' (Barnett & Carrol, 1995; Martin & Osberg, 2000; Seitanidi, 2010), and refers to substantial changes in the partnership's organization. This effect directly influences the essence of the organization, its core elements, redefining both the strategy and the organizational essence of the collaboration. In our research, this innovative change is very significant and it allows us to make an important consideration about the relationship between the partnership and social entrepreneurship. In fact, one of the main problems in defining social entrepreneurship is its collocation along the continuum from non-profit to for-profit enterprise, which creates a sort of socio-economic tension between the pure philanthropic organization and the traditional commercial enterprise (Tracey, 2004; Foster & Bradach, 2005; Chell, 2007; Massetti, 2008; Alegre, 2012). Building on these consideration and evidence, thus, we propose:

Proposition 1: The more intense social partnership is, the less tension between economic and philanthropic goals social enterprises experience.

Social partnership makes it possible to conciliate both the charitable and philanthropic aims and the financial gains of the organization, and the Tuscan social arrangement exemplifies it very well: on the one hand, the Region of Tuscany collaborates with voluntary associations in order to provide better public emergency and urgency services that could not be possible without this collaboration; on the other hand, the Third Sector has a solid financial flow assured by public grants, and this financial resources guarantee a stable economic equilibrium for the associations. Thanks to the social partnership, the non-profit association can relieve its economic and financial tension that we have seen through the 'collaboration continuum' (Harding, 2004; Alegre, 2012), thus maintaining its philanthropic and voluntary nature.

3.2 Indirect Effect of Social Partnership

After having described the direct effect of social partnership, it is now interesting to focus the analysis on the indirect effect that the partnership has on social entrepreneurship: we can call this effect 'organizational kinesis', referring to non-core changes of process or outcomes of the partnership collaboration (Tracey, 2004; Foster & Bradach, 2005; Chell, 2007; Massetti, 2008; Alegre, 2012). These types of changes refer to know-how sharing, network opportunity, better performance of the partnership and capacity opportunity (Seitanidi, 2010). It is important to underline that, although this indirect effect implies a formalization and an operating improvement of the non-profit association, this effect is not pursued by the collaborators of the partnership: these changes do not represent a specific target of the social partnerships, but they are unintentional and due to the collaboration process of the partners. The 'organizational kinesis' effect, then, allows us to propose:

Proposition 2: The more intense social partnership is, the more pressures social enterprises receive towards institutionalization and rationalization of process.

The indirect effect that the interaction has on social entrepreneurship refers to quality of the partnership: therefore, in our Tuscan example we observe this indirect effect during the most advanced steps of the collaboration, that are the integrative and the transformational relationship, thanks to a better institutionalization and rationalization of the partnership that implies a better process and performance, thus increasing quality and quantity of the outcomes. Through the institutionalization of the voluntary association, it becomes possible to compound less complex non-profit organization with fundraising of regional institution: in this way the inter-organizational interaction can improve the partnership's effectiveness, especially in creating 'social value' innovation. The voluntary association has to maintain its structural autonomy and self-sufficiency, exploiting the rationalization of the institutional partner but avoiding the mistake of becoming too bureaucratic.

In Figure 1 we will describe the conjoined effects of social partnership on social entrepreneurship: it is clear that both the direct and indirect effects of the partnership increase the organization, the process and strategy of the non-profit organization, which has the possibility to become an efficient social enterprise with a solid economic structure through the social partnership. The relief of the financial tension, the so-called 'genesis', and the rationalization of the association's structure, the so-called 'kinesis', make it possible to achieve better economic results, that in our research refer to 'social value' innovation for the community.

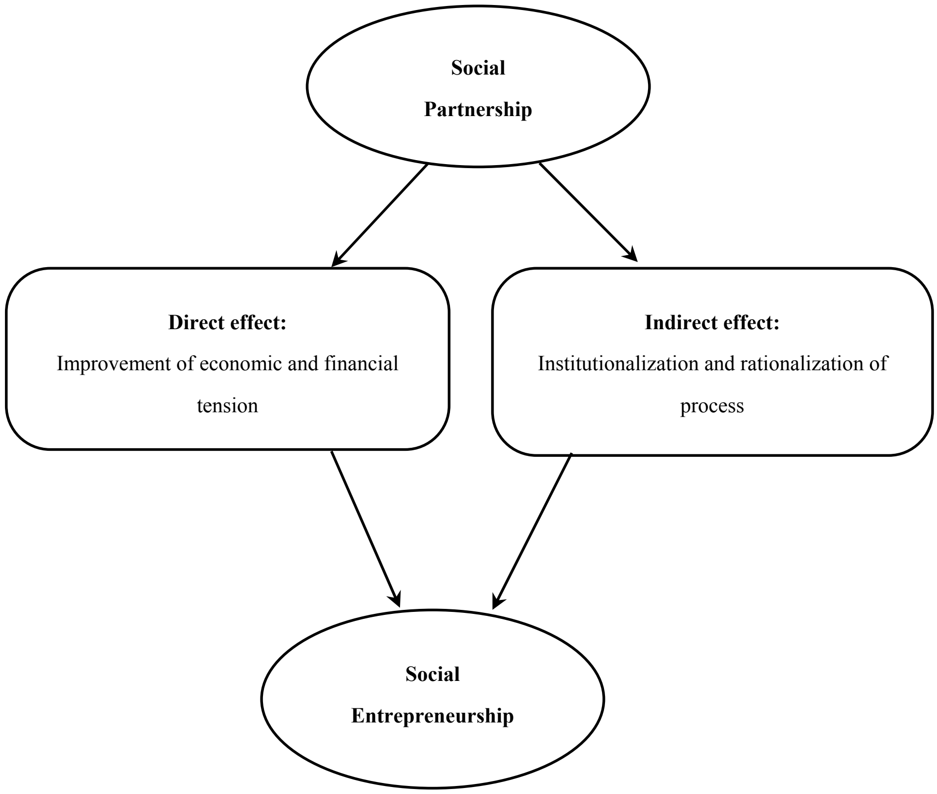

Figure 1. The partnership's effects on social entrepreneurship

4. Discussion

Despite their crucial social role, it is important to underline that non-profit organizations do not exist as a substitute for services provided by public institutions, but instead they exist in partnership with public sector to form a 'third party government'. Consequently, due to this complementarity between non-profit and public institutions, it is possible to consider non-profit organizations in an effective partnership with governmental institutions, thus forming the so-called 'third party governance' (Salomon, 1997). This type of cooperation adds a higher level of 'social value' to the community in which it is implemented, mainly because it allows a mutual exchange of knowledge and capabilities. In particular, firstly non-profit organizations, thanks to voluntarism, can efficiently increase 'social value' in a determined area, having the knowledge and the expertise in helping and assisting poor and disadvantaged people (Mitchell et al., 2000). Secondly, public institutions have the means to facilitate non-profit organizations services, simplifying their activity at a local level. In fact, non-profit organizations hardly endeavor to achieve their social objectives, coping with many types of environmental pressures; a social partnership with a public institution allows to benefit from financial sources, political favors and economic advantages (McDonald & Warburton, 2000). On the basis of these considerations, it is possible to assume that due to inter-organizational interaction the two partners may profit from a social collaboration that aims at finding a mutual solution. Specifically, owing to collaboration the two entities in fact are able to pursue goals they could not achieve working alone (Seitanidi et al., 2010). This synergic value is gained through equal participation in decision making and problem solving, mutual respect and transparency. In effect, as we have seen in the most advanced phases of the collaboration continuum, that is the *integrative* and *transformational* relationships between Tuscan non-profit organizations and public institutions (Austin & Seitanidi, 2012), a perfect model of social partnership needs both a high level of mutuality and a high organizational identity (Brinkerhoff & Brinkerhoff, 2002). In this way, socio-economic value added can be created, coping with societal issues in a determined community, defining a new social business model (Seitanidi et al., 2010). Therefore, interactions between non-profit organizations and public institutions co-create economic, environmental and 'social value' only if social business model is mutually shared and carried forward by the partners (Austin, 2000). For that reason, social partnership can create social innovative value if it is characterized by structural and procedural isomorphism (DiMaggio & Powell, 1983). The process of 'social value' creation could be the following: transferring the value of resources from one partner to the other; then creating an interacting value that allows joint problem solving, coordination and conflict resolution; finally, exploiting synergic value that enables to create more and better value together rather than separately. In this way, collaborative value creation can be defined as ‘‘enduring benefits generated by interaction of the collaborators to accrue societal and individual value’’ (Austin & Seitanidi, 2012). This type of value shows an intrinsic innovative change and, since it creates an innovative standard of capitalism paradigm, it is definable as the new engine for societal change. Thus, entrepreneurship involving social purposes represents a higher form of capitalism, one that creates a positive cycle of community prosperity by stimulating both business and social innovation (Porter & Kramer, 2002). Although non-profit organizations and public institutions create economic and ‘social value’ on their own, social partnerships represent a vehicle through which generate ‘social value’ innovation with a higher impact on the community (Seitainidi et al., 2010). Social partnership is capable of generating value if collaborators not only create a ‘Social Issues Platform’, that is an agreement on significant social issues pursued by their business mission (Selsky & Parker, 2010), but also if they share the intention of altering the earlier ‘status quo’ and improving it with ‘social value’ innovation, creating ‘disruptive social innovation’ (Christensen et al., 2006).

5. Conclusions and Suggestions for Future Researches

In this article the main topic was how social partnerships can innovate and improve entrepreneurship. The analysis has been focused on inter-organizational interactions in a particular Italian regional context; our object of research has been the direct and indirect effects that social partnership has on social entrepreneurship in the Region of Tuscany. These effects allowed us to suggest two propositions that underline the effectiveness of the collaboration. The first proposition refers to social partnership’s relief of economic and philanthropic tension concerning social enterprises. The second proposition refers to social partnership’s improvement of process and performance. The Tuscan inter-organizational alliances represent an example of social partnership’s effectiveness in creating ‘social value’ and innovating social entrepreneurship: thanks to this kind of collaboration, non-profit organizations evolve into effective social enterprises, contributing more efficiently in public services and emergency assistance at a local level.

We think this article may have contributed to add an element of discussion in the modern literature debate, that is the significant role of social partnership in social innovation and creation of societal value, which could represent the new engine for economic system change and improvement. Future research could better analyze the strategy, organizational structure and business model of the social partnership, stressing analytical and empirical results through quantitative analysis. It would be very interesting to study the strategies that partners use in the social partnership: in our Tuscan example, further research should be conducted on the business strategies used by managers of the partners. It would be significant to empirically test our theoretical propositions and to analyze how the organizational structure of the non-profit organizations will change after the institutionalization of their structures: the voluntary associations’ final goal should result in defining their business model as a social enterprise, therefore it will have to achieve the social value creation through the partnership and interact efficiently within the regional context in order to create ‘disruptive social innovation’.

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