Chapter 1
The Business of Social and Environmental Innovation

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Abstract Innovative responses are necessary to address persistent and intertwined problems such as poverty, resource degradation, or food insecurity. There is a growing expectation for business to play a proactive role in this, but there are still remarkable gaps in our understanding of how exactly business can generate social and environmental innovation. This book focuses on the business of social and environmental innovation in the African context, where these issues are particularly relevant but even less well understood. The following chapter sets the scene by introducing the key concepts and issues at stake. We argue that the emergence of social and environmental innovation is often associated with individual efforts of social entrepreneurs, organizational transformation in incumbent businesses, and/or cross-sector partnerships as collective efforts. This is reflected in the sequence of the chapters in this volume. We identify four cross-cutting themes which are addressed in some way or other by each of the contributing chapters: (1) social innovation as a process or outcome; (2) mapping and scaling up innovations; (3) tension between social purpose and profit generation; and (4) socio-economic and institutional context.

Introduction

Trying to gain a better understanding of the role of business in developing innovative responses to complex social and environmental problems is becoming more urgent and more popular. As national and multilateral efforts in meeting some of the Millennium Development Goals or addressing climate change and resource degradation make only limited progress, increasing attention is paid to harnessing the entrepreneurial, innovative, managerial and financial capacities of business,

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at various scales, for improved social and environmental outcomes. A more proactive role for business in sustainable development is especially pertinent in sub-Saharan Africa, which has been plagued by conflict and poverty but is showing some signs of a brighter future as the world's second-fastest-growing region.[1] Traditional business models aimed purely at economic growth will not suffice, however, to tackle the amplitude of social and environmental challenges lying ahead. With this book we seek to contribute to the growing scholarly work on social and environmental innovation with the two-fold aim of studying the role of business in creating such innovation and focusing the analysis to the African context, where these issues are particularly relevant, but even less well considered.

Different facets of the role of business in social innovation, such as social entrepreneurship or business models that achieve "shared value" (Porter and Kramer 2011) or "inclusive growth" (George et al. 2012), are going mainstream, and they show no sign of losing their appeal for managers, policy-makers or students. The excitement, perhaps, is due to the obvious need for new sources of innovation and systemic change in the face of wicked problems (Rittel and Webber 1973), such as food insecurity, growing informal settlements or inner city decay, many of which are characterized by complex socio-ecological interrelationships (Liu et al. 2007). Besides this apparent *societal relevance*, social and environmental innovations are also of high *business relevance*. Even in the face of considerable degrees of uncertainty, such innovations may offer new market opportunities for businesses (Hart 2005; Thompson and MacMillan 2010) and may become critical for businesses to cope with and thrive in intractable problem contexts.

This poses the 'simple' question of how social and environmental innovation actually emerges. On one hand, social innovations are often linked to the individual efforts of social entrepreneurs. Some of these entrepreneurs rise from the grassroots to international prominence, such as the Grameen Bank's Muhammad Yunus, while many others struggle to make ends meet. Yet others operate within established businesses to affect change in corporate strategy or international value chains, going well beyond traditional corporate social responsibility (CSR) to develop new business propositions blending financial and social value. On the other hand, social innovations can emerge out of collective efforts when businesses join forces with NGOs, local communities and government agencies to address societal problems. Those initiatives may rely on informal networks (Wheeler et al. 2005) or constitute formalized cross-sector partnerships (Rivera-Santos et al. 2012). Such partnerships illustrate the benefits derived from combining complementary competencies and resources of unlikely allies. Individual and collective efforts for social and environmental innovation are often interdependent: Social entrepreneurs can be vital to foster partnership processes and vice versa, partnerships can provide important stimuli for social entrepreneurship to evolve. Business contributions to social and environmental innovation are thus very diverse and can differ with regard to, for instance, thematic orientation, strategic intent, organizational scale and design, and geographic scope.

[1] Fine, D., van Wamelen, A., Lund, S., Cabral, A., Taoufiki, M., Dörr, N., Leke, A., Roxburgh, C., Schubert, J. and Cook, P., 2012. Africa at work: Job creation and inclusive growth. McKinsey Global Institute.

Business and Social and Environmental Innovation – Making the Connections

Social innovation has turned into a popular buzzword in recent years, although a commonly accepted definition has yet to crystallize. Broadly speaking, the term refers to innovative approaches of dealing with social problems "for which the value created accrues primarily to society as a whole rather than private individuals" (Phills et al. 2008: 39). Other definitions stress the transformative aspect of social innovation in changing basic routines and norms as well as resource and authority flows within a given social system (Moore and Westley 2011). Common to all definitions, however, is that societal challenges are considered as opportunities – not problems – to make societies more inclusive and sustainable (Grimm et al. 2013). This signals an intentionality of social innovation that distinguishes it from social change as something that "just happens" (Franz et al. 2012: 4).

Social innovation can be driven by the actions of diverse role-players, among which the social entrepreneur takes a place in the spotlight. Drawing on prominent authors' work on entrepreneurship and applying these concepts to the social sector, Dees views social entrepreneurs as change agents with a mission to create and sustain social value through relentless, bold and accountable action serving this mission (Dees 1998: 4). As Dees concedes, this is an idealized definition, but it reflects the high expectations vested in social entrepreneurs and builds on Schumpeter's view of entrepreneurs as change agents in the economy: "The function of entrepreneurs is to reform or revolutionize the pattern of production" (quoted in Dees 1998: 2). Hence, social entrepreneurs are suggested to be able to reform or revolutionize the social sector. They often target local problems but may have much wider, even global relevance if innovative solutions get replicated elsewhere (Zahra et al. 2009). A further defining feature is the social mission of social entrepreneurs (Dacin et al. 2011), which is driven by the motivation to create value for society rather than to capture (financial) value for individuals (Santos 2012). This has elicited criticism from others, who have argued that leaving out viable financial income generating mechanisms from the definition of social entrepreneurship is "not only conceptually flawed, but psychologically crippling" (Boschee and McClurg 2003: 2). It is apparent that this tension between social mission and financial returns is a key feature of the role of business in social innovation. It has been fruitfully analysed conceptually in terms of competing institutional logics of hybrid organization's dual social and commercial purpose (Pache and Santos 2010; Mair and Martí 2010). This suggests that rather than seeing this tension as a definitional argument (for academics) or a vexing strategic problem (for practitioners), it can also be seen as an opportunity for innovation – in effect, this tension between differing priorities can provide fertile ground for creativity and innovation.

While the explanations above are helpful in sketching the ambitions of social entrepreneurship, all too often this romanticizes the role of social entrepreneurs as "heroic, energetic, and impatient individuals" (Mulgan 2006: 148). Such individuals may in fact be the "carriers… rather than originators" of ideas that emerge in a wider institutional setting (op cit.: 149). Mair and Martí (2006) criticize the focus on the personality of the social entrepreneur and give expression to the growing interest in the activities underlying social entrepreneurship. Social entrepreneurship is "a process resulting from the continuous interaction between social entrepreneurs and the context in which they and their activities are embedded" (Mair and Martí 2006: 40). Narrowing our view of social entrepreneurs to heroic individuals may also blind us to the important organizational aspects of social innovation, including strategic, operational, and institutional dimensions (George et al. 2012; Chowdhury 2012). This is echoed in recent studies underlining the importance of collaborative relationships of social entrepreneurs with commercial and non-commercial partners as a means to operate a social networking strategy (Zahra et al. 2009; DiDomenico et al. 2010). In fact, much of social entrepreneurship appears to be collaborative and collective, drawing on external resources to effect change (Montgomery et al. 2012).

These findings articulate that social innovation extends beyond social entrepreneurship and the boundaries of the firm, and includes new ways of organizing and new types of interactions between non-traditional partners. The wide-spread emergence of cross-sector partnerships, understood as collaborative arrangements between actors from different societal sectors, is largely a testimony to their potential for change (Seitanidi et al. 2010) – in other words, their ability to collectively generate innovative practices to pressing social and environmental problems. Underlying this premise is the basic recognition that many of today's extraordinary challenges, such as food insecurity, environmental degradation or child labour, by far exceed the scope and resources of individual actors and demand a coordinated and collaborative approach. Different societal actors are critical in co-creating innovation, ranging from businesses and governmental agencies to NGOs and other civil society organizations. At least in theory, the cross-sector nature of partners allows for the convergence of economic, social and environmental goals. From a resource-based perspective, partnerships are heralded as innovative mechanisms that bring together actors with diverse resources and capabilities to overcome single actor failure and create social value (Austin 2000; Selsky and Parker 2005). Processes of social learning are stimulated as organizations share information and co-create knowledge and skills (Murphy et al. 2012). Partnerships are thus not ends in themselves, but rather instruments to exploit the interdependencies in the relationships between actors necessary to jointly create social innovation.

A variety of studies have documented the importance of partnerships in 'base of the pyramid' (BoP) markets, where the need for social innovation – often also termed frugal or inclusive innovation in this context – is particularly acute in the face of general market failure, lacking institutions and infrastructure, and poor, disenfranchised communities (George et al. 2012). Whereas initial BoP writings concentrated on the question of how to meet the latent consumer needs of the poor, a recent shift has seen an emergent focus on the co-development of productive innovations through participatory processes between businesses, local communities and other stakeholders (Simanis and Hart 2009; Arora and Romijn 2012). For instance, by engaging in partnerships, businesses may receive access to contextualized knowledge on formal and informal institutions (Webb et al. 2010) and on specific needs of people at the BoP (Hahn and Gold 2014). Their partners, on the other hand, may benefit from the managerial and technical know-how of businesses as well as from access to capital and global production networks (Dahan et al. 2010).

However, the challenge of collaborative alliances lies in managing the complexity involved in having partners with fundamentally different institutional logics and operating principles. Whereas businesses are associated with a market-based, profit-seeking logic, NGOs are typically rooted in a social welfare, non-profit logic. This creates a situation of institutional dichotomy (Vurro et al. 2010) which makes collaboration for social innovation vulnerable to tensions and conflict unless trust is created (Le Ber and Branzei 2010). High degrees of institutional complexity may also translate into increased difficulties to recognize the value of external knowledge (Murphy et al. 2012). Geographical and cultural distance may further limit the ability of partners to "speak the same language" (Manning and Roessler 2014). This showcases some of the challenges in facilitating authentic interaction and fostering relational capacity for social innovation (Le Ber and Branzei 2010; Murphy et al. 2012).

Thus far our review has concentrated on social innovation, i.e. efforts targeted at social problems. However, bearing in mind the close inter-relationship between many social problems, such as poverty and marginalization, and environmental change and degradation, particularly in large parts of Africa (cf. Hamann et al. 2002; Kates and Dasgupta 2007), we emphasize the close links between 'social' and 'environmental' innovation. Indeed, the blurring and sometimes obsolete boundaries between social and environmental innovations have found recognition in the term 'sustainability innovation' to indicate different types of complementary innovations that together create ecological, economic and social value (Boons et al. 2013).

Even many 'social' entrepreneurs explicitly seek to address not just one particular category of either social or environmental issues, but try to address a range of inter-related social and environmental concerns. Indeed, finding innovative means of making such linkages between social and environmental concerns can be an important aspect of sustainability entrepreneurs' business models. This confluence of explicit social and environmental goals is also apparent in more recent definitions of social enterprises as "businesses trading for social and environmental purposes" (SEC 2009: 8). This does not mean that some social innovation efforts may not identify themselves as being more specifically concerned with a particular social or environmental issue. More significantly, it should not blind us to the possibility that there may be trade-offs between social and environmental consequences. Indeed, a heightened consciousness of the possibility for such trade-offs and unintended outcomes, and the need to proactively address them, ought to be a defining feature of sustainability entrepreneurship and indeed of social innovation more broadly.

Objectives of the Book

The topic of social and environmental innovation has gained momentum in recent years. Yet, despite growing interest in this topic and a growing amount of literature, there are still remarkable gaps in our understanding of both the processes and outcomes of social innovation. Especially when compared to the 'traditional' study of business innovations, research on social and environmental innovation "rarely goes beyond anecdotes and vague generalizations" (Mulgan 2006: 146), which has created a hype around the topic whilst many of the most pressing questions about the practices of social innovation remain unanswered (cf. Seelos and Mair 2012; George et al. 2012). Similar concerns have been voiced about social entrepreneurship research, which, according to Dacin et al. (2011: 1205), "portrays a largely stylized picture of what social entrepreneurs actually do". In the face of numerous unmet social and environmental challenges, there is a dire need to get a better understanding of how businesses – through entrepreneurial initiatives and/or collaboration with other stakeholders – can contribute to processes and outcomes of social innovation, and how organizations can address the challenge of combining social and economic value creation. This may not only inform theory but also serve as a guide to practice and help spur targeted investments in social innovation.

The research gap on social innovation is particularly acute in Africa, even though the needs are perhaps greatest in this region. At the same time, there are manifold examples of home-grown social (and environmental) innovations in IT services, mobile technology, banking, microcredit, agriculture and nature conservation all across Africa – most of which have received little or no attention from research. To begin to address this gap is an important objective of this book.

While social innovation per se has received relatively little dedicated scholarly attention, there are, of course, a broad array of narratives and scholarly traditions to draw upon. This also brings with it the risk of these discussions developing as disconnected narratives. One narrative focuses on poverty and poverty traps in the 'developing world' with increasing emphasis on Africa (e.g. Collier 2008; Sachs et al. 2004); a second looks at social entrepreneurship and its potential in 'emerging economies' such as Brazil and India (e.g. Bruton et al. 2008); yet another is focused on the 'third sector' in the 'developed' economies of Europe and North America (for example, the 'Big Society' agenda in British politics) (e.g. Maguire et al. 2004). In addition, a rather separate conversation is being held on eco-innovation and social transitions, with a common focus on industrialized economies (e.g. Rennings 2000; Nill and Kemp 2009). There is also a pertinent literature highlighting risks and opportunities of new forms of governance that place greater emphasis on the private sector in addressing social and environmental issues (e.g. Moon 2002), and this is arguably especially relevant in circumstances where states cannot fulfil expectations (Risse and Lehmkuhl 2010). Hence, a related, second objective of this book is to foster some cross-fertilization between these narratives and strands of thought related to the role of business in social and environmental innovation.

We are also interested in the role that academics, particularly in business schools, play (or can play) in equipping their students with the required skills to contribute to social and environmental innovation. However, even though "social entrepreneurship conferences are invariably the best attended events for students at leading business schools" (*The Economist*, 14 August 2010: 51), arguably most business school academics still have an overwhelming focus on the firm itself, without much understanding of the social and environmental context in which firms operate, much less the complex dynamics and inter-relationships between social and ecological systems (Liu et al. 2007), between society and science (Kates et al. 2001), or between communities and national or international policy regimes (Brunner and Lynch 2010). This gives rise to another specific objective of this book, which is to expand the debate among business and enterprise scholars to learn from, and perhaps also contribute to, related fields of inquiry in other disciplines.

The various terrains of social innovation outlined thus far encompass four cross-cutting themes, which are addressed in some way or other by each of the chapters of the book. These are introduced below, as the 'frontiers' in the business of social and environmental innovation, both from a theoretical and practice-oriented perspective.

Frontiers in the Business of Social and Environmental Innovation

Social Innovation as Process and Outcome

The term innovation can pertain to both the process of innovation and the outcome of innovation. One of the most widely used definitions postulates that innovation is "an on-going process of learning, search and exploring, which result in new products, new techniques, new forms of organization and new markets" (Lundvall 2010: 8–9). This reflects a shift in thinking on innovation which has occurred over the past few decades, from a purely outcome-oriented perception to the recognition that innovation is also a "process of learning and knowledge creation through which new problems are defined and new knowledge is developed to solve them" (Lam 2005: 124).

Similarly, social innovation is often used in two distinct ways, as observers tend to focus either on the process of innovation or on the outcome of innovation. This duality reflects in some of the recently suggested definitions of social innovation. Dawson and Daniel propose that "social innovation refers to the *process* of collective idea generation, selection and implementation by people who participate collaboratively to meet social challenges" (Dawson and Daniel 2010: 16; own emphasis). This view relates social innovation to changes in the societal and relational aspects of a given socio-technical system (for instance, a firm), as opposed to changes in the technical aspects. Others, however, concentrate on the outcome of social innovation and its distinctiveness to other types of innovation. An innovation is a social innovation "if the implied new idea has the potential to improve either the quality or the quantity of life" (Pol and Ville 2009: 881).

The latter view is also the most dominant in studies on social innovation, which not only renders the locus of social innovation – the where, why and how – a black box, but also underestimates the importance of new processes for new solutions (cf. Seelos and Mair 2012). Sally Osberg, president and CEO of the Skoll Foundation – one of the world's most well-known social entrepreneurship foundations – recently told how she used to view social entrepreneurs as "individual actors" whose ideas led to the "creative destruction" necessary to bring about systemic change. "But over recent years", she added, "I've come to see how the 'social' that characterizes their purpose also characterizes their way of working. In other words, social entrepreneurs don't just pursue a social end; they pursue that end in a fundamentally communal way."[2] This puts the spotlight on new management practices and new managerial capabilities needed for social innovation to emerge; in other words, the "intervention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals" (Birkinshaw et al. 2008: 825).

Ultimately, social innovation encompasses both aspects – process and outcome – revolving around "new social practices with new social ends and new social means" (Franz et al. 2012: 6). Thus, 'new' and 'social' are the key words in this context. The aspect of newness relates to the character of an innovation as something that is perceived as new in a particular locality or by particular actors – rather than referring to a worldwide novelty. The social aspect pertains to the overarching goal of achieving positive social change.[3] Phills et al. (2008) consider this a matter of improved effectiveness or efficiency as compared to the pre-existing situation.

The contributions in this book mirror the dual character of social innovation. While some chapters emphasize the outcome orientation of social innovation, others go in-depth to explore the process aspects of social innovation. Yet, it is not a matter of 'either or' and important overlaps and complementarities between these two approaches can be observed, which can be captured in the phrase "innovative processes for innovative outcomes" (see Balkema and Romijn 2015; Hamann et al. 2015; Kuenkel and Aitken 2015). McLachlan et al. (2015) present the case of the Southern Africa Food Lab which aims to contribute to improved food security precisely by implementing a novel process of facilitating uncommon conversations and self-reflection among a diverse range of role-players in the food system. These innovative processes feature two main dimensions. Firstly, there is a *relational* dimension in that these processes often entail the collaboration among actors that are not used to dealing with each other – actors that are coming from different organizations and from different societal sectors. These reciprocal relationships constitute the foundation of social innovation, Moore (2015) writes, as they facilitate the development of 'value capital', which not only focuses on restricted economic capital but comprises more distributed social value. Secondly, innovative processes entail a dimension of knowledge exchange and *learning*. Initially, this refers to the challenge of learning how to collaborate. Moore shows that new relationships with non-traditional partners – for instance, relationships between public and private actors – cannot draw on existing templates of behaviour and require new organizational capabilities in order to deal with contradicting problem frames and to align differing value propositions. Concurrently, learning needs to go beyond such a focus on organization-specific

[2] Quotations taken from http://opinionator.blogs.nytimes.com/2012/11/13/the-rise-of-social-entrepreneur/

[3] Depending on the type of innovation, the word 'social' can also be replaced or supplemented by the word 'environmental'.

capabilities. McLachlan et al. suggest that social innovation aiming at systemic transformation requires ‘triple loop’ learning which reconsiders the underlying values, norms and protocols in which actors and policies are embedded (Armitage et al. 2008; Pahl-Wost 2009). Especially in complex situations where there is no clear right or wrong course of action, the knowledge and learning space needs to be intentionally widened to make socially responsible and appropriately reflective choices, Hall (2015) argues. Nilsson et al. (2015) specify that learning should encourage a shift from a corrective mind-set, attempting to fix problems, to a transformative mind-set, challenging widely accepted logics, practices and relationship patterns.

Seen from this perspective, one of the challenges of social innovation is ensuring inclusivity. Kuenkel and Aitken caution that excluding important stakeholders threatens the legitimacy of innovative processes. At the same time, this does not denote that everybody has to be included, pointing to the intricate task of finding out “which stakeholders can help to create the change in thinking” required for innovative processes to come to life, the authors argue. Even within a given organization, the question arises of how to ensure that new practices aiming at social and environmental innovation are inclusive in a way that encourages individuals (e.g. employees) to support the change. In their analysis of a large incumbent business, Hamann et al. accentuate the importance of involving different parts of the organization to create a type of ‘folklore’ within the company in support of social innovation.

Mapping and Scaling Up Social Innovations

Beyond the conceptual distinction between social innovation in terms of purpose or process, it is clear that social innovation can take a wide variety of forms and can be implemented with a range of ambitions. Innovation studies commonly group innovations according to type; for instance, new products, new processes, new services, new markets or new organizations. Furthermore, innovations can be mapped with regard to the degree of novelty and magnitude of change which they introduce. Authors typically make a distinction between incremental versus radical innovation. Incremental innovations feature a relatively low degree of novelty and operate within existing windows of opportunity. Since they do not trigger any disruptions at the macro level, they are also referred to as “sustaining” innovations (Bower and Christensen 1995). Radical or disruptive innovations are characterized by a high degree of novelty and cause for discontinuities both at micro and macro levels. They often involve a ‘package’ of innovations, e.g. product, process and organizational innovations.

Innovations may trigger systemic transitions on two levels. Firstly, impact can be created in the form of changes of the technology system, i.e. far-reaching changes in technology, which affect several branches of the economy (Geels 2005). Secondly, innovations may provoke changes in the techno-economic paradigm (Freeman and Perez 1988), denoting pervasive changes that influence the behaviour of the entire economy.

This typology indicates a spectrum of innovation types depending on their impact on society and the economy. Such categories and approaches are also often used in social innovation research. Hubert (2010: 36–39), for instance, suggests framing social innovations by qualifying their particular social dimension. On the most basic level, 'grassroots' social innovations respond to pressing social demands of vulnerable groups in society which are not addressed by the market. On a broader level, 'societal' social innovations address greater social and environmental challenges, in which boundaries between social and economic are blurred. Finally, 'systemic' social innovations generate fundamental changes in behaviour, values, strategies and policies. This category corresponds to what Christensen et al. (2006) term "catalytic" social innovations: fundamentally new approaches which are scalable and set in motion long-term social change.

In practice, we can probably find most social and environmental innovation initiatives to be located somewhere on the first two levels. This is what the contributions of this book seem to indicate, which largely deal with initiatives that aim to change existing practices in particular settings. We may identify such innovation through a change in business models, as the chapters by Smith and Seawright, Balkema and Romijn, and Hamann et al. illustrate. For instance, Balkema and Romijn describe an innovative smallholder outgrower model for Jatropha biofuel production in Tanzania, which seeks to combine profit making (tapping into the growing global market for biofuels) with social objectives (providing additional income to impoverished communities) and environmental benefits (reducing pressure on natural resources through crop diversification, among others). However, not only do doubts remain as regards the economic efficiency of the described model, the authors also detail the significant challenges to up-scale this model and achieve wider, long-term change.

Other times the potential to achieve catalytic change may be at odds with the potential to reach scale. In such cases, power dynamics become important in influencing which options eventually gain precedence, unless innovative, alternative options can be developed. In the case of the Southern Africa Food Lab, discussed by McLachlan et al., the decision to include some of South Africa's dominant retail companies in the initiative creates opportunities for far-reaching impact, but it may also be seen to restrict the ability to develop radical innovation, such as community-based food systems that effectively circumvent the present role of large retailers in food value chains. Radical or disruptive innovation necessitates purposeful engagement in institutional work through challenging the fundamental features and relationships of entire systems, Nilsson et al. posit. To what extent this is possible with powerful actors who benefit from current conditions and who may not be prepared to invest in social innovation with uncertain outcomes is thus open to debate.

The close and possibly tense relation between the degree of innovation and the scale of innovation has taken a prominent place in the debate surrounding social innovation. Given the dimension of social-ecological challenges facing us at local and global levels, much attention has been paid to how initially small, locally pertinent innovations can be grown or adapted to make a larger, broader impact. A range of options has been described. One possibility is for the initiative or organization itself to grow organically; for instance, when there is effective demand and effective supply with respect to a specific social innovation (Mulgan et al. 2007). Replication and diffusion, for instance of ideas and business models, is often mentioned as the option at the other end of the up-scaling spectrum (Mulgan et al. 2007). One example of such a diffusion strategy is provided by McLachlan et al. in their analysis of the Southern Africa Food Lab which uses prototyping projects to test ideas and practices on a small-scale before replicating.

Yet, going to scale remains inherently difficult. In their chapter on social and environmental enterprises in Africa, Littlewood and Holt (2015) use data on over 270 social innovation organizations across 19 African countries and found only very limited evidence of up-scaling. Most organizations appear to be localized in their operations, with only few of them being active in more than one country. Balkema and Romijn identify the growing tensions between profit making and societal objectives as a key impediment to enhancing the scale of operations. Limited skills and expertise of entrepreneurs are another plausible explanation for the lack of upscaling, following Smith and Seawright (2015). While promoting social entrepreneurship as an ailment to different types of societal problems has been a popular mantra over recent years, the lack of higher success rates and greater impact are often grounded in a lack of capacity and resources. Smith and Seawright also show the difficulties for grassroots social entrepreneurship to escape the confines of the informal economy and to access formal supply chains as a gateway to enhancing scale. In these instances, they suggest that "development franchising", i.e. "franchising that begins at a micro scale in developing economies", can be deployed to assist potential entrepreneurs to acquire the skills and resources necessary for increased scale as well as overcoming the challenge of scale diseconomies. This confirms the general tenor in the literature on social innovation that scaling requires substantial resources, regardless of which strategy is chosen (Dees et al. 2004).

Value Creation and Appropriation, and Competing Logics Within Social Innovation

The tension between social purpose and income (or profit) generation has already been mentioned above as a defining feature of the social entrepreneurship debate. Two conceptual lenses can be applied to analyse this tension more closely. The first is in terms of business plan innovation, in which the business model literature that has developed around the emergence of e-business, in particular, can be fruitfully adapted to the analysis of social innovation activities. Zott et al. (2011: 1020) provide a comprehensive literature review on the concept of business model, finding that:

> Despite conceptual differences among researchers in different silos (and within the same silo), there are some emerging themes. Notably, (1) there is widespread acknowledgement–implicit and explicit–that the business model is a new unit of analysis that is distinct from the product, firm, industry, or network; it is centered on a focal firm, but its boundaries are

> wider than those of the firm; (2) business models emphasize a system-level, holistic approach to explaining how firms “do business”; (3) the activities of a focal firm and its partners play an important role in the various conceptualizations of business models that have been proposed; and (4) business models seek to explain both value creation and value capture.

The tension between social purpose and income generation in social innovation activities can be framed in terms of the relationship between value creation and value capture, especially because Zott et al. note that “value” can be defined in a variety of ways, including also “social value”. For instance, Seelos and Mair (2007: 53) approach the notion of business model as a “set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives” (see also Thompson and MacMillan 2010). Social innovators developing business and market-linked approaches are in effect challenged to develop a business model that creates social value, while at the same time capturing at least some financial value. Obviously this is a particularly demanding combination for business model design. Not only is this design difficult because of the requirement to create both social and financial value, but a careful balance needs to be struck between value creation and value capture – too much emphasis on the ‘capture’ side of the coin may imperil the ‘creation’ side. Yet, if no value can be captured through the core activities of the social innovation initiative, it will rely on grants or ancillary activities, which will hamper the scaling of the initiative.

Such is the experience of the biofuel production scheme in Tanzania discussed by Balkema and Romijn (2015). This social entrepreneurship initiative has been struggling to strike an adequate balance between profit making and social/environmental objectives, with the result that it did not manage to make profits and relied heavily on external subsidies for several years. In order to become profitable, the initiative decided to expand its activities which, however, appears to lead to increasing tensions with the realization of social and environmental gains.

The chapters by Bland and Hamann (2015) and McKague et al. (2015) suggest that these contradictions within the business model may be less pronounced in base of the pyramid (BoP) initiatives. There seems to be no necessary tension between doing business and servicing BoP markets if there is continuous alignment to the business imperative (though difficulties arise due to the cultural distance between the targeted customers and corporate managers and their organizations), Bland and Hamann write. McKague et al. propose that it might help to reduce tensions between value creation and value capture when businesses conceptualize the multiple roles that the poor can play beyond simply producers or consumers of goods and services.

The second lens is that of institutional logics, or patterns of rules, norms, cognitive frames and habits, which provide structure to individual and organizational action (Thornton et al. 2012). When discussing the tension between social purpose and financial income generation, this lens gives attention not only to overt struggles of power in organizational decision-making, but also to the more subtle processes through which people and organizations define themselves. Jay (2013) applies an institutional logics perspective in an ethnographic study of an intermediary organization promoting energy efficiency, arguing that the organization went through a process of grappling with competing definitions of its purpose (as providing services either to clients or to the public). This 'service paradox' could lead to conflict or an oscillation between the two logics, or to an alternative, hybrid form of purpose definition. A likely precondition for the latter is the ability of social innovation leaders to grapple with paradox, rather than shy away from it.

However, in practice this may be far from simple. In the African Cashew initiative, illustrated by Kuenkel and Aitken (2015), different institutional logics came to play despite the considerable experience of the lead organization – a public development agency – in engaging in and facilitating cross-sector partnerships. After the initiative navigated through the initial stages of collaboration relatively smoothly, the different implementation styles of the partners, stemming from their different missions and core functions, turned out to be difficult to reconcile. Similarly, Moore notes that the fundamentally different missions of the three organizations involved in a cross-sector partnership for regional development – a government agency, a university and a private business – and their discrepant interests in the partnership gave rise to conflict which threatened the fragile equilibrium which the partnership had managed to build. A re-organization of the partnership was necessary to establish the ground for a renewal of the social innovation; yet, due to limited adaptive capabilities of the partners involved, "the partners failed to formulate the kind of game-changing innovation that might have promoted a shift in the socio-economic regime of the region".

Socio-economic and Institutional Context

Finally, given that a key objective of this book is to contribute to our understanding of social innovation in the African context, it is important to explicitly consider the role of this context, looking at least at economic and institutional factors, and their interaction. In translating some of the concepts and practices of social innovation from developed to developing country contexts, a range of issues need to be considered. Two of these will be highlighted here.

First, the socio-economic and political priorities in Africa are often dominated by stark poverty, lacking access to public goods and services, and other relatively short-term development objectives – even though local and global environmental changes are likely to affect the poor in poor regions, such as Africa, particularly hard (Davidson et al. 2003). This socio-economic context will, of course, influence the objectives of social innovators, and indeed it may influence our definition of what we mean by social innovation. For instance, the distinction between 'normal' entrepreneurship and 'social' entrepreneurship may not be all that clear in developing country contexts – establishing a business in extremely resource-constrained environments may well entail social innovation in terms of both purpose (in terms of generating jobs and giving hope), as well as process (given the challenges of creating viable business models and implementing them in such a context).

The second factor has to do with the limited ability of states in many developing countries to enforce commonly binding rules and provide public goods and services. In areas of limited statehood (Börzel and Risse 2010), therefore, it is questionable whether the implicit or explicit role of states in creating socio-technical niches (Loorbach 2007) or facilitating deliberation on societal priorities (Meadowcroft 2005) is feasible. Again, developing viable businesses in "institutional voids" (Mair and Martí 2010) fulfils a range of social innovation criteria related to both purpose and process.

Indeed, all contributions to this book emphasize the critical influence of 'context' on social and environmental innovation, both directly, for instance by shaping the business model underlying such innovation, and indirectly, by offering a difficult operating environment, including inefficient or non-existing supporting infrastructure, lacking credit opportunities, and a low education and skills base. Bland and Hamann describe how such a context creates significant barriers to investing in social innovation in BoP markets, while Balkema and Romijn show that even when entrepreneurship initiatives have overcome these high barriers to entry, contextual conditions continue to shape the content and development of entrepreneurship; for instance, by making it difficult to expand and upscale activities.

At the same time, the socio-economic context in Africa creates an enormous need for social and environmental innovation which acts as a key driver for new initiatives to emerge – through entrepreneurial activities (Littlewood and Holt), organizational innovation in incumbent businesses (Hamann et al.) or cross-sector collaboration (McLachlan et al.). In their case study of a large South African retailer, Hamann et al. note that this retailer increasingly recognized the interdependence between company performance and the challenging socio-ecological context, and identified a strong commitment to organizational innovation as a significant potential source of competitive advantage. Littlewood and Holt also detect how the African context gives rise to an increasing convergence of social and environmental innovation. Whereas in developed economies these are relatively discrete, the interconnectedness of many social and environmental problems in Africa contributes to a burgeoning group of 'hybrid' sustainability enterprises that combine social and environmental imperatives (Littlewood and Holt).

Finally, Nilsson et al. remind us that context is not only an external variable imposing institutional barriers which need to be overcome and changed. While acknowledging that these external institutions, such as rules, governance structures or explicit norms, are important, the authors propose that it is necessary to reflect on how our internalization of these external institutions are mirrored in our behaviour and manifested subtly in day-to-day interactions. "This internal emphasis reminds social innovators that we embody the institutions we are trying to change and that self-reflection and community dialogue offer some of the most immediate access to deeply tangled and sedimented institutional patterns" (Nilsson et al.).

A Brief Guide to the Book

Part II – An Entrepreneurial Lens to Social Innovation

Social entrepreneurship is still a nascent field of inquiry which so far poses more questions than it has been able to answer. The lack of definitional and conceptual clarity (Mair and Martí 2006; Martin and Osberg 2007; Dacin et al. 2011) limits our understanding of what social entrepreneurship actually means and what value it can bring to society. Social entrepreneurship is riddled with tensions and little is still known on how entrepreneurs manage to combine social and business objectives or how they can upscale their activities. In an African context, entrepreneurs additionally have to face "the reality of everyday challenges" (DeBerry-Spence and Abbam Elliot 2012). These knowledge gaps are some of the issues addressed by the three chapters in Part II of this book.

Littlewood and Holt (Chap. 2) provide an overview of the landscape of social and environmental entrepreneurship in Africa. Utilizing quantitative data on 270 social and environmental enterprises operating in Eastern and Southern Africa, they discover that social and environmental enterprises are often not discrete, but form a burgeoning group of 'hybrid sustainability-oriented enterprises' clustered on the intersection between social and environmental objectives. The authors suggest that this convergence can, to a large extent, be linked to the contextual setting, where it is often futile to address social concerns without adequately paying attention to environmental issues, and vice versa.

The following chapter by Smith and Seawright (Chap. 3) introduces the concept of 'development franchising'. Whilst promoting micro-entrepreneurship has become a popular strategy for poverty alleviation, the authors observe that not all would-be entrepreneurs are endowed with the necessary skills and expertise to become successful in their endeavours. Moreover, microenterprises are often confined to the informal economy with limited access to formal supply chains. As one potential solution for overcoming these two major challenges, Smith and Seawright propose that development franchising – franchising that begins at a micro scale in developing economies – can be employed as a social innovation.

Romijn and Balkema (Chap. 4) focus on the tension between income generation and social and environmental purpose in social entrepreneurship. They present a case study from Tanzania, where a foreign investor introduced a smallholder outgrower model for Jatropha biofuel cultivation to conjoin profit making with social and environmental goals. The chapter analyses how this business model is adapted to survive through the different stages of the innovation process. The authors observe that, as the enterprise starts to become more efficient and tries to upscale, profit making objectives take precedence over social and environmental objectives and trade-offs between social and environmental goals become increasingly visible.

Part III – Strategies for Incumbent Businesses to Engage in Social Innovation and BoP Markets

Social innovation can also emerge through the efforts of incumbent, large businesses, where it may be labelled "corporate social entrepreneurship" (Austin and Reficco 2009). In this context, social innovation is not achieved by adjusting existing business models, but requires a values-based organizational transformation of the way the company works (Austin and Reficco 2009). This not only implies that businesses need to seek new ways of engaging with other societal actors, but that the overall roles of business, government and NGOs in society also shift. The chapters of Part III of this book therefore examine how organizational transformation of companies may look like, and how this contributes to a broader re-configuration of the relations among actors in society.

Hamann, Methner and Nilsson (Chap. 5) pick up the debate on how and why companies make strategic commitments to sustainability and develop the organizational capabilities for achieving them in innovative ways. They present an in-depth case study of a South African retail company which has recently implemented an organization-wide sustainability programme. The authors trace the different innovations linked to the implementation of this programme and explore how novel organizational and relational capabilities, including new relationships with stakeholders, were necessary to conceive and realize such innovations.

The contribution by Bland and Hamann (Chap. 6) shifts the focus to BoP markets, which have recently been portrayed as opportunities for new markets and sources of innovation. The chapter therefore aims to understand how companies respond to the recommendation of developing BoP strategies and specifically what some of the key obstacles are for them to do so. The authors identify six inhibiting factors and explore them through case studies of food manufacturing and retail companies in South Africa. As these constraints are often connected, Bland and Hamann identify a set of interrelationships which can help managers develop priorities for strategic actions and timeframes.

The chapter by McKague, Wheeler and Karnani (Chap. 7) develops an integrated framework to map the roles of the private sector, government and civil society in poverty alleviation. For private enterprises and social entrepreneurs, strategies to engage with the poor include working with them as sources of information, as suppliers, as employees and as distributors. Governments' functions include the provision of an enabling environment, while civil society is suggested to act as a catalyst and watchdog to ensure that both the private sector and governments live up to societal expectations. The authors conclude that understanding the various roles of societal actors can help social entrepreneurs make realistic progress in developing social innovation.

Part IV – Cross-Sector Collaboration and Social Innovation

The previous chapters have revealed the importance of social entrepreneurs' and companies' relationships with other organizations from civil society and government for promoting social and environmental innovation. Especially for developing inclusive business models and reaching BoP markets, cross-sector collaboration may well be necessary to combine business interests with social objectives and mitigate constraints arising from institutional voids (Mendoza and Thelen 2008; Webb et al. 2010; George et al. 2012). To understand how partnership models enable innovative solutions to complex societal problems, the following three chapters of Part IV give dedicated attention to the partnering processes, i.e. the innovations in the relational aspects of working together, and the implications thereof for the resulting innovation outcomes.

The chapter by Moore (Chap. 8) traces the trajectory of a regional development partnership in South Africa which seeks to address poverty in an economically underdeveloped region while simultaneously advancing the interests of the actors involved. This reflects the two dimensions of social innovation: generating social and economic value and re-ordering sectoral relationships to achieve this shared social purpose. The thrust of this case study is an analysis of the evolving relationships between the chief protagonists in the partnership. Thereby the chapter seeks to locate the various actors within a sociological frame of discussion and proposes a conceptual language that can be used to account for the dynamics observed in social innovation partnerships.

The chapter by McLachlan, Hamann, Sayers, Kelly and Drimie (Chap. 9) extends the discussion on the interplay between the two perspectives on social innovation, i.e. process vs. outcome. The authors approach this interplay by analysing their experiences as convenors, facilitators and participants of the Southern Africa Food Lab as a social innovation effort to address food insecurity. The chapter focuses particularly on the challenges and opportunities involved in developing such an initiative. After providing a rationale for transformative change in the South African food system, the authors highlight key elements of the Lab's change theory and how this helped to deal with conflicting dynamics in social innovation.

Chapter 10 by Kuenkel and Aitken traces the development of a large multi-stakeholder partnership in Africa – the African Cashew initiative – to understand the key factors for the successful implementation of such partnerships. This is based upon the recognition that any attempt to initiate, implement or facilitate collaboration processes between different stakeholders is an intervention into a fragile and often controversial system of actors. By drawing on two years of practical experience with the African Cashew initiative, the authors discuss eight key factors for the success of complex partnerships in four successive phases and illustrate their relevance with examples from the initiative.

Part V – Social Innovation and the Role of Higher Education

The preceding chapters of this book have underlined that "The Business of Social and Environmental Innovation" is not equal to "business as usual". Be it through social entrepreneurship, explicit corporate engagement, or cross-sector collaboration, social innovation entails a new approach to business in society. Then what does this imply for business schools and higher education institutions which are charged with the task of training students on business and management? The final two chapters of this book offer some thoughts on how the topic of social innovation can be institutionalized in the teaching curriculum and how higher education's relevance to society can be strengthened.

In Chap. 11, Nilsson, Bonnici and Griffin-EL offer an overview of the 'Social Innovation Lab', a course for MBA students enrolled in the University of Cape Town's Graduate School of Business. The ambition of this Lab is to catalyse deep social change. It is admittedly an ambition that sets course participants up for immediate and assured failure in the short term. However, the authors propose that a long term view to benefits is more appropriate in this case. They surmise that the course prepares students and faculty alike to become more engaged, creative and sanguine contributors to the larger currents of change and inquiry at work in the world.

The final chapter of the book (Chap. 12) by Hall is based on the premise that the provision of education – at all levels – is one of the key elements in addressing both poverty and inequality. However, Hall argues that the current market-centred approaches to providing education are inappropriate for this purpose, since they render educational attainment as a positional good that may exacerbate inequality and restrict access to education to elite groups. The purpose of the chapter is to challenge this assumption, and to draw debates about education policies into the nexus of work on sustainable, social and environmental innovation.

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