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Creating Entrepreneurship through Social Innovation: The Case of I-Box Create

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ABSTRACT

Social innovation enriches cities and drives their development by enabling improvements to products, services, processes, and methods. In this article, we define the concept of social innovation and explain which factors are essential to the social innovation process. We also examine the stages of this process. To do so, we present findings from a case study of I-Box Create, a socially innovative company based in the Region of Valencia (Spain). We thus put into practice the theory that is presented in the literature. Finally, we present the conclusions and practical implications of the study.

KEY WORDS:

Social innovation, Case study, Social entrepreneurship, Region of Valencia, I-Box Create, Startup

JEL Classification: O35, L31, M13

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1. Introduction

According to The Organisation for Economic Co-operation and Development (OECD) (Mortensen & Bloch, 2005), innovation is the result of making an improvement, be it small or significant, to a product, service, process, or method. Accordingly, innovation is related to development (Arsenyeva, Litvinova, & Kozenko, 2016; Baker & Mehmood, 2015; Hsu, Tian, & Xu, 2014; León, Baptista, & Contreras, 2012; Ribeiro Soriano, 2003; Schumpeter, 1911). Therefore, to ensure social and economic growth, cities must invest in innovation and influence the actors that participate in their development.

One specific type of innovation is social innovation. Like other forms of innovation, social innovation can be defined in a range of ways. All these definitions are nonetheless based on a single idea: the creation

of value. Phills, Deiglmeier, and Miller (2008) define social innovation as a solution that is more effective, efficient, or sustainable than any solution that has previously been proposed to solve a problem that relates to products, production, or technology. Crucially, this new solution should benefit society rather than any individual.

León et al. (2012, p. 36) affirm that “social innovation can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or a combination of these things.” An innovation is fully social if social benefits take precedence over economic profit (Mulgan, 2006). Nevertheless, firms need financial resources to survive, so if a firm implements a social innovation, it may also make a profit from this innovation.

Social entrepreneurship is also based on outcomes rather than revenues. Social entrepreneurship is about creating new combinations by providing new services, enhancing the quality of what is already on offer, producing products using new methods, reorganizing the firm, or entering new markets (Dees, 1998; Defourny & Nyssens, 2012). Thus, social entrepreneurship pro-

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vides society with constant social innovation. For example, social enterprises were the first to hire socially excluded individuals. This action can be considered a form of social innovation (Defourny & Nyssens, 2012).

For a firm to fully capitalize on innovation, it must first evaluate its strengths and weaknesses (such as employee training, quality control systems, new information and communication technologies, statistical tools, networks, and innovation systems). Meanwhile, the firm must also be aware of consumer needs and the needs of the region where it operates (León et al., 2012). Rather than resulting from the acquisition of machinery or new technologies, competitiveness often results from the social and cultural changes that the firm achieves through these acquisitions (Albuquerque, 2003).

Social innovation is everywhere in today's society. It is the focus of public policies, new entrepreneurs, incumbent firms, and universities (Cajaiba-Santana, 2014; Baker & Mehmood, 2015; Sinclair & Baglioni, 2014). Improving the current situation depends on all agents of society. Citizens drive social improvement through individual and collective ventures; firms are the most important actors because they have the greatest resources to propose and implement solutions; educational institutions influence young people; finally, without renouncing their profitability, financial institutions can contribute to fair and balanced development and achieve social benefits and economic profit.

The relationships among the agents of society are therefore crucial for the development and profitability of social innovation. Figure 1 shows how all agents must learn from one another. For example, nonprofit organizations and new social enterprises need business management skills to learn how to run a business; public administrations and firms must learn from nonprofit organizations and social enterprises' awareness of social problems and experience in solving these problems; finally, nonprofit organizations and social enterprises must interact with public administrations to contribute to public policies that address social problems (León et al., 2012).

In response to the issues discussed herein, the goal of this study is to demonstrate the relevance of social innovation and apply this concept to a case study to offer guidance to other firms that pursue social innovation. This study also offers proposals to improve social innovation for all agents.

The article has the following structure: Section 2 provides a literature review to define the concept of social innovation and underscore its importance within society. Section 3 presents the stages of social innovation and the conditions that must hold for social innovation to take place. Section 4 describes the case study method that we applied in this study. Section 5 presents the findings from the case study of the socially innovative Valencian firm *I-Box Create*. Finally, in section 6, conclusions are presented, and a proposal for social innovation practices for the city of Valencia is provided.

2. Factors that Determine Social Innovation

Adopting a dual perspective, Morales Gutiérrez identified the features that characterize social innovation in terms of the social perspective and the innovation perspective. Morales Gutiérrez (2009) thus established the characteristics that are inherent to each perspective.

The first group of characteristics relates to the innovation perspective. a) Social innovation should be original and novel, fundamentally from the point of view of effectiveness. b) Social innovation should principally deal with intangibles because of its social goal and the social interaction that is used to pursue this goal. Neumeier (2012) refers to the nonmaterial structure of social innovation, as opposed to the material structure of technical innovation, which seeks new products or processes. Technical innovation is tangible and easily quantifiable, whereas social innovation is intangible and is therefore less easy to quantify (Westley & Antadze, 2010). c) Social innovations should be imitable, transferable, and reproducible. They are open innovations that tend to spread because of their nature as drivers of social change. In this diffusion process, globalization strategies (general public policies) are mixed with localization policies (adaptation measures at the local level).

The second group of characteristics relates to the social perspective. a) Social innovation is oriented to solving social problems. Morales Gutiérrez (2009) considers human needs as the origin of social innovation, defining three axes along which certain dynamics arise (see Figure 2). b) Social innovation is intensive in social-relational capital. This characteristic refers to the need to take collective and cooperative

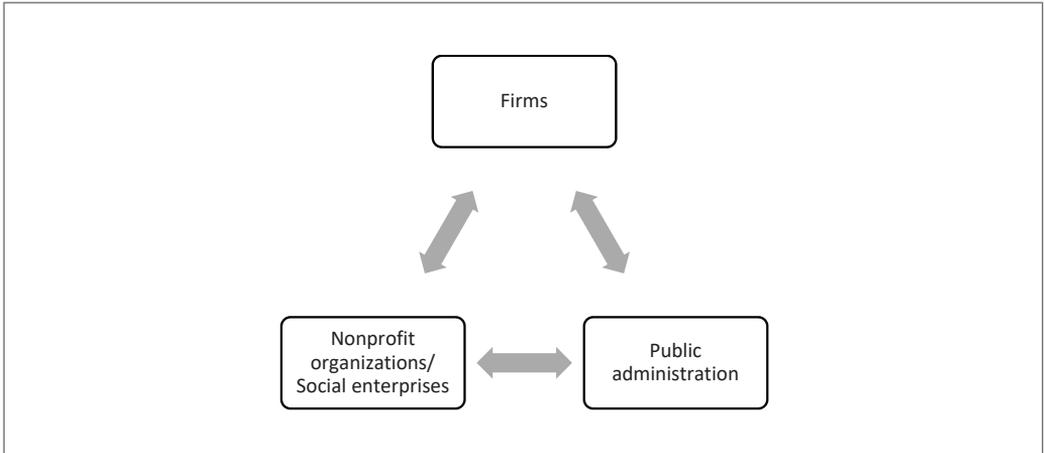


Figure 1. Relationships between agents of social innovation
 Adapted from “La innovación social en el contexto de la responsabilidad social empresarial” by M. F. León, M. V. Baptista, H. Contreras (2012). Forum Empresarial, 17(1), 31-63.

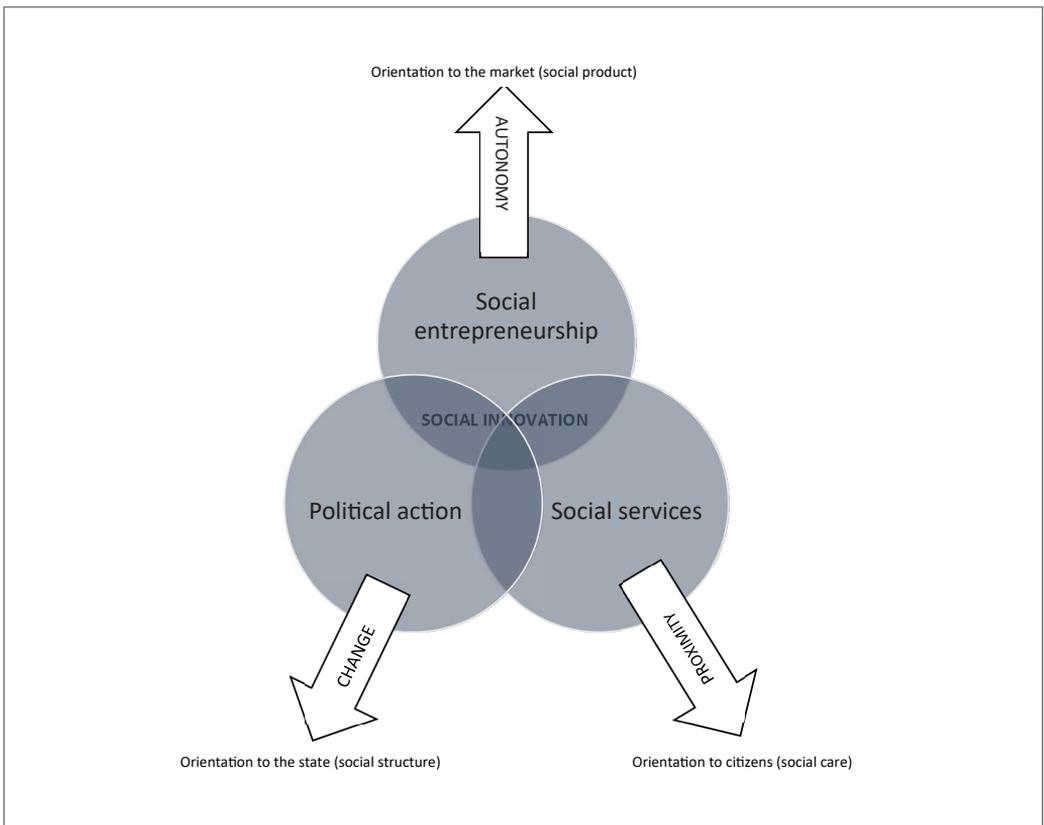


Figure 2. Axes of social innovation
 Source: Morales Gutiérrez (2009)

Table 1. The stages of social innovation

Stage	Basic characteristic
(1) Prompts, inspirations, and diagnoses	Identifying the need for innovation
(2) Proposals and ideas	Creating an innovative idea
(3) Prototyping and pilots	Testing the innovative idea in practice
(4) Sustaining	Sustaining legal, financial, and production foundations that enable innovation
(5) Scaling and diffusion	Spreading the innovation within the organization and throughout society
(6) Systemic change	Establishing new forms of thinking and doing (resulting from the innovation) that involve all agents of the economy and society

Note: Adapted from "The open book of social innovation" by R. Murray, J. Caulier-Grice and J. Mulgan (2010). London, UK: NESTA/Young Foundation.

action at the micro level and the organization of citizens at the macro level. Nevertheless, the local focus must never be lost. The cooperation networks among the agents who participate in social innovation are more effective if they are closely linked to one another (Morgan, 2005).

To define the concept of social innovation, it is crucial to identify characteristic traits to determine the processes or improvements that can be classified as social innovation. Firms sometimes undertake actions that resemble social innovation, even though it is not actually so.

3. Stages of Social Innovation

Identifying the stages of the social innovation process is important. Doing so enables us to determine the strengths and weaknesses at each stage, thereby highlighting actions that could incentivize successful social innovation. Similarly, the economic risk that is involved with this social innovation must be quantified, and the long-run sustainability of this social innovation must be justified because access to financing represents a major problem facing firms that seek growth (Romero-Martínez, Ortiz-de-Urbina-Criado, & Ribeiro Soriano, 2010). In 2009, the experts of the Future Trends Forum, which belongs to the Bankinter Innovation Foundation (León et al., 2012), identified innovation planning as a key success factor.

The stages of social innovation have been described by Rodríguez and Alvarado (2008), Mulgan (2006), Mulgan, Tucker, Rushanara, and Sanders (2011), and Wheatley and Frieze (2011). In our study, however, we adopted Murray, Caulier-Grice, and Mulgan's (2010) definition of the social innovation process. Thus, the social innovation process has six stages that often overlap, with feedback loops present among them (Murray et al., 2010). Table 1 summarizes these stages.

Identifying the stages of social innovation highlights the actions that can ensure effective implementation at each stage. Accordingly et al. (2010) propose specific methods for how to proceed at each stage. These stages need not necessarily be successive. However, they always start with the identification of a social problem whose solution culminates in systemic change and social impact.

4. Method

To apply the theory expounded in the literature and understand social innovation, we conducted qualitative case study analysis. The findings from this case study allow us to explain the process and outcome of social innovation in a specific context from an entrepreneur's perspective (Zainal, 2017). We studied a socially innovative firm located in the Region of Valencia (Spain). Using a structured interview based on open-ended questions, we interviewed the company's

Head of Innovation. This interview consisted of questions that were gathered from the literature on social innovation and the process of social innovation that the firm had undertaken.

5. Case Study: *I-Box Create*

Based in the Region of Valencia (Spain), *I-Box Create* is an engineering firm that was founded in 2013, although its relationship with social innovation began in 2015. Primarily operating in sectors related to construction, renewable energy, and natural resource management, *I-Box Create* designs and undertakes R&D and social innovation projects for itself and its customers. Thus, *I-Box Create* specializes in the strategic management of innovation for third parties. This management covers the birth of the idea, the search for private or public financing to develop the idea, and the technological transfer of the innovation outcome. *I-Box Create* also offers consultancy services and specific social innovation training. Currently, *I-Box Create* is participating in five ERASMUS+ projects, four of which are devoted to social innovation. *I-Box Create* is also participating in a European project within the Horizon 2020 program. Based on the structured interview with the Head of Innovation at *I-Box Create*, the remainder of this section links the literature presented in the previous sections of the article to the knowledge, strategies, and actions of *I-Box Create* in terms of its social innovation.

We first address the novelty that is provided by innovation in the firm. The Head of Innovation explains that a process of proposals and ideas is always necessary. This process entails a selection based on different resources (time, personnel, and costs) and leads to the selection and implementation of the best alternative. The goal is to provide a real, workable solution to a problem and thereby effect improvements. Regarding the intangibles and processes that are used during innovation, the firm's contribution to society depends on each specific project. For example, one project's goal was to train people to help with their integration in society. This project offered psychological improvements by giving these people the tools they needed to improve in a professional capacity and by enhancing their cognitive skills. For the Head of Innovation, the principal intangibles are the creativity and commitment of the people who are involved in the projects and who

enable their implementation. Without these intangibles, the social innovations would never get past the idea stage. The effect of this innovation on society is difficult to quantify because of its nature and because *I-Box Create* has not been operating long enough for analysis of historical data.

I-Box Create primarily operates in the Region of Valencia, although it also has customers in Madrid (Spain) and Andalusia (Spain). These customers have provided a gateway for the firm to operate at an international level.

In reference to the aforementioned axes of entrepreneurship, economics, and social innovation, *I-Box Create* lies on the social and environmental axes. Therefore, its impact is twofold: it improves people's quality of life through training (consultancy) and renewable energies (engineering).

As an innovative firm in R&D and social innovation, *I-Box Create* has an advantage in that no competitor has yet imitated its activities. Other consultancies have limited their activities to seeking public financing or tax deductions for traditional projects, without entering into the field of social innovation related to training. Alternatively, these firms focus on a single aspect of social innovation. Accordingly, *I-Box Create* has a highly attractive niche in the market.

Regarding the open nature of innovation, the Head of Innovation explains that the firm shares its innovation with partner firms only on specific occasions to promote social development. Such partners include training centers or freelancers that *I-Box Create* collaborates with under partnership agreements. In this case, the structure of innovation in the analyzed firm is open social innovation. The firm's innovation is used by other companies to achieve social benefits. In addition, by participating in different projects in which the open nature of the method should be certified, these socially beneficial methods are shared in the seminars or forums in which the firm participates. Nevertheless, the Head of Innovation explains that typically only the outcome, and not the method, is shared. The method constitutes the firm's know-how, which is the product or service that the firm sells to its customers. The Head of Innovation of *I-Box Create* also acknowledges that institutional collaborations are essential for success. Without the support of the University of Valencia and Florida Universitaria, it would have been impossible to

start the development of social innovation. Therefore, the firm highlights the importance of help from mentors in knowledge transfer.

The first stage of *I-Box Create's* innovation process entails identifying the problem and formulating a proposal with several alternative solutions. Next, the proposals and ideas stage consists of selecting ideas depending on the available resources (e.g., budget, time constraints, and personnel). The best proposal is chosen after a consensus has been reached. Next, the process of implementation begins with a pilot group of people. After feedback has been received, the corresponding improvement actions are adopted, and a solution is developed for implementation. The Head of Innovation underscores the importance of the team throughout this innovation process.

During this process, *I-Box Create* is confronted with a series of financial and legal barriers. As in any innovation process, be it technological or social, there is a financial risk. However, the Head of Innovation at *I-Box Create* notes that this risk should not necessarily pose a problem as long as the cost is correctly quantified from the outset. The Head of Innovation at *I-Box Create* adds that the goal of technological innovation is to seek results, whereas in social innovation, other goals are pursued. For example, the goal of social innovation might be to train socially excluded individuals to allow them to improve their quality of life by finding work. Thus, the Head of Innovation affirms that the expectation of achieving the goal is higher in social innovation than in technological innovation, so the risk is lower.

The legal barriers that *I-Box Create* faces fundamentally relate to the qualifications that are required to apply certain methods. To overcome this problem, firms delegate certain tasks to partner firms that are qualified to apply a given method that is required to impart key courses. Currently, the controls regarding the justification of qualifications are lax, but the Head of Innovation believes that these controls will tighten as social innovation becomes more systematized. In fact, qualifications should be a requirement to avoid infiltration and prevent others from purporting to offer social innovation when they actually do not.

Finally, in terms of the implementation of innovation in the firm and in society, it must be stressed that *I-Box Create* was initially created as a startup that ac-

quired technological knowledge transfer from another firm. Therefore, innovation has been fully integrated into the firm from the outset. All employees were aware of this, and there were no adjustment-related issues. This activity gradually led to the undertaking of social innovation activities. The firm transfers its innovations to society through courses, training, reports, and so forth. This implementation of the innovation has been gradual, but it has encouraged a change in the way people think and act. Accordingly, society and particularly firms are increasingly soliciting *I-Box Create's* services to embrace social innovation.

6. Conclusions

In this study, we first analyzed the literature to determine the implications and stages of social innovation. To compare the theory presented in the literature with the practice, we analyzed a firm from the Region of Valencia (Spain). Since its creation, this firm has used a system of social innovation to improve the quality of life of society.

According to the literature review and the findings from the case study, a key property of social innovation is that it must address and alleviate a problem. To do so, tangible resources such as funds must be invested, yet the most important resources are intangible resources such as time, creativity, and commitment by all members of the organization.

There is a lack of awareness of the potential that the agents of society offer. Therefore, promotion of the assistance, support activities, and strategies that are on offer should be enhanced. The search for assistance should be made easier so that support instruments reach their targets.

The risk of a social innovation is lower than that of a technological innovation, and social innovations achieve their goals more often than technological innovations do. Therefore, social innovations should be promoted more to enhance improvements in society.

Social innovation focuses on people, but diffusion should focus more on firms and institutions. Firms and institutions could thus access the resources offered by different administrations so that these resources effectively incentivize social innovation strategies and projects. For example, they should work with business associations to involve member firms by using work committees and by establishing a roadmap for social

innovation. In short, better communication between the agents that participate in the development of social innovation must be promoted.

While this study has certain limitations, these limitations offer opportunities for future research. One of the clearest limitations is that the study considered only one firm located in the city of Valencia (Spain). A multiple regression analysis of a sample of firms from the Region of Valencia could determine whether the same process of social innovation is always adopted. Similarly, in future research, an empirical study could be carried out to investigate the relationships between the agents that participate in the market to strengthen these connections and detect measures that would help entrepreneurs innovate. Finally, this study focused on social innovation, so it would be useful to study the differences between different types of innovation. Doing so would help delineate these concepts and establish links that would allow firms to undertake clear innovation processes without excessive costs yet with positive social, technological, administrative, and financial outcomes.

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