INFO-2141 Primljeno / Received: 2015-05-03 UDK 316.42:339.138(497.4) Original Scientific Paper / Izvorni znanstveni rad

# DEVELOPMENT OF SOCIAL INNOVATIONS AND THEIR MARKETING: A SLOVENI-AN CASE STUDY

# RAZVOJ SOCIJALNIH INOVACIJA I NJIHOV MARKETING: ANALIZA SLUČAJA SLOVENIJE

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#### Abstract

Social innovations complement economic innovations and are focused primarily on achieving social welfare. The essence of social innovation is the simultaneous action to create public good by detecting and identifying social problems, as well as using entrepreneurial principles to achieve positive social changes. These include new ideas, organisations or ways of functioning that more effectively meet social needs than previous alternatives and improve social wellbeing. The European Union supports and encourages social innovation; in fact, innovation is 'the heart' of the Europe 2020 strategy. The paper aims at reviewing studying the development of social innovations as an important phenomenon in today's real economy, with an emphasis on building a supportive environment for social innovations and marketing social innovations in Slovenia. In the EU the level of development of social innovation differs from country to country, whereby Slovenia is still in its beginnings. The authors believe that social innovation development is of vital importance for overcoming the economic crisis in the Slovenian setting. The purpose of this paper is to show the current state in this field in Slovenia in terms of the extent to which this phenomenon is researched and the level of development in practice. In terms of methodology, the authors of the article reference the findings from the research of literature, analysis of relevant documents and in-depth interviews, as well as a secondary analysis of statistic data. In Slovenia, social innovations are important in numerous fields, especially in social inclusion, demographic changes, healthcare, education, finance, political

#### Sažetak

Socijalne inovacije nadopunjuju ekonomske inovacije te su prvenstveno usmjerene na ostvarivanje socijalne skrbi. Suština socijalne inovacije je simultano djelovanje u cilju stvoriti javno dobro pomoću otkrivanja i prepoznavanja socijalnih problema, kao i korištenje poduzetničkih načela za postizanje pozitivnih socijalnih promjena. One uključuju nove ideje, organizacije ili načine funkcioniranja koji učinkovitije zadovoljavaju socijalne potrebe za razliku od prethodnih alternativa i poboljšavaju socijalno blagostanje. Europska Unija podržava i potiče socijalne inovacije; inovacija je, u stvari, 'srce' strategije Europa 2020. Cilj ovog rada je usmjeren u pregled i proučavanje razvoja socijalnih inovacija kao važnog fenomena u današnjem realnom gospodarstvu, s naglaskom na izgradnji potpornog okruženja za socijalne inovacije i marketing socijalnih inovacija u Sloveniji. Stupanj razvoja socijalnih inovacija razlikuje se od zemlje do zemlje u EU, pri čemu se Slovenija još uvijek nalazi na samom početku. Autori vjeruju da je razvoj socijalnih inovacija od ključnog značaja za prevladavanje gospodarske krize u slovenskom okruženju. Svrha ovog rada je prikazati trenutno stanje u tom području u Sloveniji u smislu u kojoj mjeri je taj fenomen istražen i u smislu stupnje razvoja u praksi. Što se tiče metodologije, autori članka navode nalaze koji proizlaze iz istraživanja literature, analize relevantnih dokumenata i produbljenih intervjua kao i sekundarne analize statističkih podataka.

U Sloveniji društvene su inovacije važne u brojnim područjima, posebice u zapošljavanju, socijalnom uključivanju, demografskim promjenama, zdravstvu, obrazovanju, financijama, političnim strukturama i socijalnoj integraciji. Kod uvođenja

structures and social integration. When introducing social innovation into society, the greatest difficulties are a lack of financial resources, a weak support environment, a lack of marketing knowledge and lack of inter-sectoral connection.

socijalnih inovacija u društvo najveće su poteškoće nedostatak financijskih sredstava, slaba podrška okoline, nedostatak marketinških znanja i nedostatak međusektorske povezanosti.

#### 1. Introduction

In recent decades, we have witnessed remarkable technological innovations, scientific discoveries, and progress in the educational and social fields. But, all the progress is usually accompanied by an intensification of social problems, which is reflected in income inequality, unemployment, the proportion of the population living below the poverty line, and environmental pollution. /1/ establish that these challenges are interconnected and represent a symptom of a larger unbalanced global system. As soon as we come to understand that, our perspective of the issue will shift and we will be able to see the extraordinary potential for innovations. It is not surprising that social innovation is becoming increasingly important. Even though the understanding of innovations has shifted in the course of time, innovation theories are still focused on the economic effect of innovations and innovation's contribution to economic growth. Nevertheless, in recent times, the belief that innovations should be implemented into every aspect of social and economic life - including the private and public sector, as well as social welfare - is gaining traction, partly on account of the increase in innovations in the service sector. Social innovations can and should come from any sector, the public and private sector, civil society and households. The fact is that successful innovations are largely the result of mutual collaborations of more than one sector /2/, /3/ state that there are different types of corporate involvement with regard to social innovations such as corporate social responsibility, hybrid business models that combine business capacities and social objectives, partnerships between social enterprises and corporations. An important reason for the emergence of social innovation is apparently the incapacity of the existing structures and policies to solve the most pressing economic and social problems. The authors also point out that many social innovations are conceived in informal life within a network of acquaintances. Nowadays, it is hard to imagine that a successful company could keep up

with other companies in the long run without innovations. A successful company that is oriented towards sustainable development leverages technological and social innovations, which are largely the result of entrepreneurship. In terms of methodology, the authors of the article reference the findings from the research of literature, analysis of relevant documents and in-depth interviews with a focus group, as well as a secondary analysis of statistic data. The article initially endeavours to define social innovations and introduce the development process of social innovations and their significance in society. Then it demonstrates the role of social marketing, ICT and social media and goes on to introduce social innovations in the EU and Slovenia. The article closes with a conclusion and the prospects for the future.

# 2. The Meaning of Social Innovations Development

# Definition of social innovations

There is no uniform definition of social innovations in the European Union, but they are commonly defined as a process of developing ingenious solutions in a social enterprise setting in order to find solutions to social needs and issues, which the market and public sector failed to provide. "Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means." /4/. Social innovations are thus innovations that are not only good for society but also enhance society's capability to act. For the /5/ social innovation implies conceptual, process or product change, organisational change and changes in financing, and can deal with new relationships with stakeholders and territories. They

cover a wider range - from new types of childcare, home healthcare and internet social networks, to the development of a global fair trade chain and encouraging city dwellers to use bicycles instead of cars. According to /6/, social innovation represents new solutions to existing social conditions or issues and influence the process of social interactions. However, not every new way of resolving social issues can be considered a social innovation. Just as technical innovations are considered innovations only after they can be marketed, social innovations must bring users permanent benefits. Social innovations are new ideas, organisations or modes of operation, which are more efficient than previous alternatives in meeting social needs and improving social welfare.

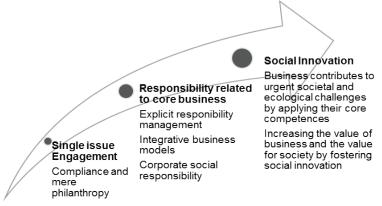
Therefore, it follows that social entrepreneurship is innovation, because social enterprises demonstrate how successful the combination of business with social and environmental topics can be. /7/ believes that there are new and fascinating opportunities for implementing social enterprises in the market, and the market is becoming increasingly interesting, attractive and competitive. Rather than focusing on generating profit, social enterprises aim at a good cause, in this way acting as a vector of change. They provide products, services, customers, markets, inflows and outflows; however, their underlying guideline is social usefulness. Yunus provides an alternative option - companies geared toward maximizing profit, but owned by poor people.

For a social entrepreneur and social innovation, a group of people from different fields and with

different competences, working together toward a particular idea and realizing it by means of support mechanisms is key. /8/ summarise that social innovation is:

- cross-sectoral, i.e. it is not restricted to any one sector or field;
- cross-disciplinary, i.e. it can take the form of a new service, initiative or organisation, or is a new way of thinking about the role of the social in innovation /9/; and
- cross-geographical, i.e. it can address issues at the level of society, broad communities and regions, the nation state, regional areas within countries, local communities, organisations, and within families and groups

Innovation is social when it is socially acceptable and diffused widely throughout society or within certain societal groups; transformed or complemented depending on the circumstances; and ultimately institutionalised as a new social practice or made routine /10/, /11/. As with any innovation, "new" does not necessarily mean "good", but in the case of social innovation this at least implies "socially desirable". Occasionally, economic innovation that generates consumer goods can contribute to the development of human welfare just by expanding and diversifying the offer, e.g. by introducing new medications. If such innovations provide users long-lasting benefits, they are deemed social. It follows that social innovations are not exclusive to the non-profit sector. Owing to the increase of corporate social responsibility, they are more and more prominent in successful companies. The future of a global society lies in social innovations (see Fig. 1).



**Figure 1:** Stages of socio-economic management thinking *Source:* Osburg and Schmidpeter (2013, 320).

The development of social innovations can be powered by the government by means of concrete actions through various policies (e.g. new public healthcare models), markets (e.g. open source

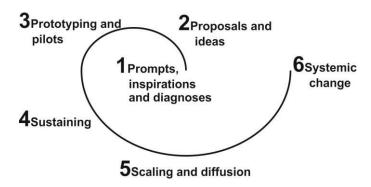
software or organically grown food), movements (e.g. fair trade) and academia (e.g. teaching models for childcare), as well as through social enterprises (e.g. microcredits and homeless people's magazines). In the opinion of /12/, social innovation will add more and more to the social or responsible dimension to company innovations.

#### The process of social innovation

The process dimension of social innovation is one of the least studied theoretical aspects in the literature about social innovation /13, 14/, and the "absence of a sustained and systematic analysis is holding back the practice of social innovation" /15/. Social innovations are not necessarily new;

they often draw on existing ideas or models from different fields and transform them to create something new or apply them in novel contexts.

The whole process from idea to market, the success of a particular product/service requires a great effort in terms of energy and time of the (social) entrepreneur /16/ propose six steps (Fig. 2) how to realise a social innovation: prompts, proposal, prototypes, sustaining, scaling and systemic change. The steps are not always sequential and sometimes it is necessary to leave time between two steps to gather feedback on the progress. Despite this, they make up a useful scheme of supportive activities which innovators and innovations need in order to grow and flourish.



**Figure 2:** The process of social innovation *Source:* Murray et al., 2010, p. 11.

Prompts, inspirations and diagnoses: At this stage, we outlined all the areas that require innovation/improvement. We identified the problem and, rather than just identify its symptoms, we found its real source. Asking the right questions is the first step towards finding the right answers. Proposals and ideas: Next, we generated ideas. There are several methods to develop creativity and new ideas. It is crucial for the ultimate success of social innovation to include a wide circle of actors as early as possible in the inception process. Prototyping and pilots: It is essential that ideas be refined through trial and error. The key in this stage is to act swiftly, operate at low costs and obtain feedback from potential buyers/users and experts.

Sustaining: Only a small portion of ideas will survive this entire process and ultimately flourish. When we start to address a certain problem in a new way – with a new idea, we often come across various alternative ways to solve the same prob-

lem. Therefore, improvements continue to be important. The main factor is naturally the response of the target audience, but we also cannot disregard different evaluation methods. In the public sector, maintaining an innovation means integrating it into the budget. Beyond the public sector, it means that the idea must be viable on the market – so that the company can cover its expenses with the service/product.

Scaling and diffusion: At this stage, there are different possible strategies on to how to disseminate the innovation e.g. via licensing or franchising. Alternatively, if the idea is inspiring or someone else simply copied it, it can be disseminated in an unorganised way. Perhaps the potential of social innovation will be recognised by decision-makers and the new idea will become a successful model for solving particular problems – normally, this is associated with more available public finances. Above all, dissemination relies on an exchange of ideas and knowledge with other organisations.

The diffusion of innovation is enhanced because the participating actors will act as ambassadors and disseminate information on both the content and advantages of the innovative practices.

Systemic change: This is the ultimate goal of social innovation. A change in the system is usually an interchange of social movements, business models, legislation and regulations, data and infrastructure and, of course, a completely new mindset and course of action. Here, we are often confronted with the previous regulation in the respective field. For the success of an innovation, it needs to be economically viable, supported with new technologies, supply chains, institutions, knowledge and regulatory fiscal support.

/17/ argue that managers have to consider three things in the process of social innovation:

- see the bigger systems in which companies operate;
- cooperate with the internal and external environment of the organisation; or to collaborate across boundaries; and
- focus on what really matters to create the future they truly want.

The innovation-development process begins by recognising a problem or need and it consists of all the decisions, activities, and their impacts that occur from recognising the need/problem, through research, development, and the commercialization of an innovation, through diffusion and the adoption of the innovation by users, to its consequences /18/. The principal stages of the social innovation process are: initial planning, formative research, strategy development, program/product/service development, implementation, and monitoring and evaluation. The core marketing principles, the four Ps, are at the heart of this process because they are used at the initial planning stage.

#### The role of marketing

The definition of social innovation is rooted in finding solutions to social needs and problems, which has a remarkable parallel to the role of marketing in society. While definitions of marketing are abundent, the American Marketing Association conceptualises it as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that

have value for customers, clients, partners, and society at large" /19/. Marketing social change is a big business and a social opportunity today. The use of "social marketing" is growing although it has been around as a concept for some time beginning with /20/. They defined it as the design, implementation, and control of programmes calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research (p. 5).

Social marketing develops and applies marketing principles and techniques to create value for individuals and society /21/. "The organisation's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and society's well-being." /22/. It is attracting a great deal of attention from customers, investors and employees. These stakeholders experience an increase in their own spiritual value scale by satisfying aspirational needs in achieving their higher purposes. If the basic objective of corporate marketers is to satisfy shareholders, the bottom line for social marketers is to meet society's desire to improve quality of life /23 /. An innovative idea without buyers is not worth much. Marketing is a key function in the process of developing social innovation, which identify social problems, customer's needs, design solutions with stakeholders, communicate the solutions and ultimately include them in the overall product or service portfolio of the firm. Marketing social innovation is a system consisting of four processes extraction, representation, dissemination and implementation of social innovation. According to /24/ the principles of marketing and stakeholder centricity are of extreme relevance to the development and implementation of social innovation. He describes three concepts - co-creation, communication, and calibration - that should be applied to existing social innovations as well as to future social innovations. This leads to the maximization of value creation in the business as well as in the socio-environmental field. The author emphasises that communication is needed in all stages of the social innovation process to facilitate the mainstreaming of the social innovation.

#### The role of ICT and social media

ICT and social media are important drivers for social innovation, which become even more important if we acknowledge that information and communication are vital resources in rendering specific services, in developing and implementing programmes as well as in monitoring and enforcing the outcomes of these programmes. The innovative potential of ICT and social media refers to a number of characteristics that are embedded in technologies:

- the ability to process large amounts of data in more sophisticated way,
- the ability to improve the access of relevant information and knowledge across all kinds of functional, geographical boundaries,
- the power to improve the transparency of all kinds of processes, behaviour and organisations,
- the ability to monitor and control these processes and behaviours as well as the potential to communicate, to visualise and to facilitate all kinds of interactions.

Moreover, ICT and social media can operate as an open information exchange and communication infrastructure in order to support the exchange of ideas, knowledge, as well as learning. Especially its ability to explore and connect different people and various sources of knowledge and information implies that new knowledge can be created and mobilised /25/. Technologies are transforming the world in which we live. The spread of networks and global infrastructures for information and social networking act as facilitators of new social practices /26/, and blurred boundaries between production and consumption and the emphasis on collaboration and on repeated interactions /27/, all contribute to bring forth social innovation.

Recently, social innovations have become prominent because they represent an alternative to the existing methods on how to overcome a crisis, offering long-term solutions to current issues and new development opportunities. Social innovations should be equal to any other innovations and they need to be measured like any other innovation. This is certainly more challenging than for traditional innovations. The bottom line is that impact is harder to detect and the external impact can often only be seen after several years.

### 3. Metodology

At the moment, there is no generally accepted methodology for measuring social innovation. Problems with establishing uniform measures and procedures start with the lack of a generally accepted definition of social innovation, a method for establishing variables, and the issue of measuring the performance or effect of social innovation. Due to the restrictions imposed by national or international standards, e.g. IFRS and US-GAAP, the financial accounting can only be made up from transactions that have a direct influence on the organisation within the boundaries of its system. Another issue when measuring social innovation is the lack of objectivity (e.g. what is good for society) and the inability to standardise procedures, etc. (see examples /28, 29/). The article is based on primary and secondary data sources. Secondary sources are technical articles from academic databases and electronic documents (e.g. analyses, reports, estimates, proposals, etc.) of national and European institutions and literature. Primary data was obtained by means of performing in-depth interviews with a focus group of relevant people from the state, private and civil (non-profit) sector and social entrepreneurs in Slovenia. The interviewees were as follows: secretary-general of the Slovenian Forum of Social Entrepreneurship and director of the INEA Institute for South Eastern Europe, director of the Novo mesto Development Centre, project manager at the League of Youth Guild, entrepreneur and founder of Jason d. o. o., president of the eTRI Cooperative, and three social entrepreneurs and two managers from the private sector.

The article builds on the assumption that social innovations provide one way to achieve the sustainable development of society. Social innovations complement economic innovations, and their focus lies primarily on assuring social welfare. We believe that their development is of key importance for overcoming the economic crisis in the Slovenian setting.

Testing of the thesis was narrowed down to the Slovenian perspective; we were interested in how social innovations are developing in Slovenia, the current state of affairs in Slovenia in this field and whether it is justified to expect the systemic development of social innovation by the state. In a time when social and economic issues are getting

more and more severe and when old problemsolving methods are failing to work, social innovations seem to be a new suitable option or alternative.

# 3.1 Starting Points of Research

The EU is faced with large budget restrictions, demographic changes and globalisation. Competitiveness, the ability to create jobs and a decent living standard of EU citizens, are relying more and more on the capability of encouraging innovation in terms of products, services, business and social processes and models. Innovations, whether classic such as technological, service and organisational, or new social innovations, are at the heart of the new Europe 2020 strategy, as they are supposed to represent the best way to successfully overcome economic and social issues. Europe 2020 gives priority to knowledge and innovations (smart growth) and promotes a more competitive and green economy (sustainable growth), enhancing the economy with a high employment rate which strengthens social and territorial cohesion (inclusive growth). We can say that innovation in the EU is the concept of it functioning.

The framework of Europe 2020, the flagship initiative of Innovation Union, the European platform against poverty and social exclusion and the Single Market Act are documents, which also relate to social innovations. The Commission is focusing on a social economy and social innovation, both in terms of territorial cohesion and in terms of finding original solutions for social issues, especially regarding the fight against poverty and social exclusion, in order to promote a "highly competitive social economy" /30/. EaSI, the new pan-European programme for employment and social policy, starting in January 2014, will help the EU deliver policy that is more coherent, encourage job mobility and provide targeted microfinance to the more vulnerable. Merging PROGRESS, EURES and PROGRESS Microfinance into one umbrella programme, EaSI will help deliver new jobs and sustainable growth more efficiently by putting the emphasis on social innovation /31/. The Comission supports the following most common methods in the field of social innovations /32/:

- knowledge-sharing and dissemination;

- participative processes for stakeholders in the preparation and implementation of policies;
- policy coordination and capability building; supporting studies, research and evidence for good practice for policy planning and policy development and for advancing knowledge on social innovation;
- support of social experiments;
- support of social entrepreneurs and enterprises; infrastructure and enabling factors to support and nurture social innovation.

We are drawing closer to an age when companies will be limited by costs on one hand and by sustainable development and environmental requirements on the other. Innovation opens up great potential for sustainable business operations. In practice, the concept of sustainable development requires greater macroeconomic stability, political and economic power of citizens and therefore a fairer treatment of both sexes, progress in public healthcare. Also, the greater inclusion in the education system, easier access to housing, more efficient public transport, safer jobs, greater material and energy efficiency, less use of toxic chemicals, etc. are all ingredients of sustainable development /33/. Sustainable development requires multidimensional thinking which takes into account not only economic factors but also ecological and sociological development factors the interdependency of society and the environment at large /34/. This is precisely the mission of social enterprises. Their operations contribute to smart growth, because they respond to yet unanswered needs with social innovations. As their emphasis lies on people and social cohesion, they create sustainable growth, which takes into consideration the impact on the environment, and promotes inclusive growth. In addition to the social benefits, social enterprises pursue sustainability in the field of environment and economy. This means that social enterprises generate at least one portion of its revenue in the market so they are not completely dependent on national funds and subsidies. In other words, it is essential that social innovations are in the market and bring added value.

Furthermore, we should also not forget that profit-oriented companies or entrepreneurs could also contribute to the implementation of broader social objectives if they incorporate the *corporate social* 

responsibility standard in their quality standards. This means that as their mission they take on a commitment to donate part of their generated profit for the realization of wider community needs, of the community in which it operates. Entrepreneurs are increasingly aware that they can attract clients and enhance their image through socially and environmentally friendly operations. This has led to a series of collaborations between businesses and third or public sector organisations; developments in the field of corporate social responsibility; increased private sector provision of public services in some countries and; the development of new social business models /35/.

Social economy is currently one of the fastest growing sectors of business activity in the EU, employing, according to some data, more than 14.5 million people, which is 6.5% of the total number of persons employed. Approximately one out of four newly founded businesses is supposedly a social business. The largest share can be found in Belgium, Finland and France. Social economy enterprises in the EU make up 3 million organisations or 10% of all European companies, employing 6% of the total working population. With a staggering 70%, the largest share is employed by non-profit organisations, followed by co-operatives with 26% and mutual societies with 3%. Social economy enterprises are present in almost every economic sector such as banking, insurance, agriculture, crafts, various commercial services, healthcare and social services etc. /36/. According to a study conducted by /37/, the social economy sector in Slovenia employs a meagre 0.74% of the workforce. This means that this sector in Slovenia has the potential to provide jobs for almost 48,000 people.

#### 3.2 Social Innovations in Slovenia

As a developed country and EU member, promoting innovations is in the forefront of Slovenia's economic and social recovery strategy (e.g. National Reform Programme 2014–2015, Resolution on the National Research and Development Programme 2011–2020). From a traditionally economic point of view, understanding innovations in these documents comprises— emphasizing products, processes, organisation and marketing. The role of social innovation is less prominent, as it is

only found in indirect connections and methods with which social innovation can contribute to implement national objectives. The reason for this may be that in Slovenia the structure of the social security system and public services has not really changed that much from socialist times. The economic crisis put pressure on the state with regard to public finances, which has additionally hampered the payment of social benefits and other expenses (public sector wages, pensions, employment subsidies, etc.).

A step forward in the development of social innovations in Slovenia is the Social Entrepreneurship Act /38/, which entered into force in early 2012. This document is the most direct instrument for promoting the development of social innovation by promoting the development of social enterprises. According to the act the spheres of social innovation are:

- care (social care, family care, disabled care etc.), rescuing and protection
- nature conservation, environmental protection, animal protection; organic food production
- ensuring social inclusion, promoting employment
- protection and promotion of health, amateur sports
- trade (social, fair), social tourism
- science, research, education, youth work
- renewable energy sources, green economy

The fields and activities of social enterprises include all the vital elements for ensuring social and economic welfare where social innovation can play a crucial role.

Social innovations are also less prominent due to their relative recentness and distinct features. An important feature of social innovations is their double process dimension, acting from the bottom up and from the top down. In addition to cooperation and carrying out activities at an international community level, there is also a need for regional, national and local incentives. The most social innovations come about at the grass-roots level.

According to interviewees, social innovations are *important for Slovenia and beyond*, for the whole world even, as pointed out by /39/, adding that social innovations are even more important for those people who are marginalised by technologi-

cal innovation. In particular, interviewees highlighted youth employment, the pension and health care system and self-sufficiency as those areas where Slovenia needs social innovations the most. /40/ when thinking in terms of social economy provided an interesting perspective. Social economy plays an important role in the association with the local and national structure. It connects profit-making with solidarity (ethical economy); generates high-quality jobs adjusted to individuals (ergonomics); supports sustainable development - environmental and technological innovations (ecology); strengthens social, economic and local/regional bonding, generates social capital, promotes active citizenship and, most of all, puts man into the forefront of all this. All three principles are the pillars of the eTRI business model, which enables sustainable implementation of social entrepreneurship in Slovenia in the form

of eTRI franchises. Their mission is to create green jobs for vulnerable groups. This is a concrete example of social innovation, which offers a new innovative solution and an alternative to existing business models.

Interviewees believe that the *supportive environment for social innovations in Slovenia is poorly developed* (Figure 3 depicts the supportive environment schematically). If we want an advanced society, we really need continuous innovations in politics, public administrations, NGOs – in all social events. Partners for social marketers can be non-profit organisations (at the local, national, or international levels), private sectors, governments, media organisations, local communities or online communities, and even individuals (such as volunteers).

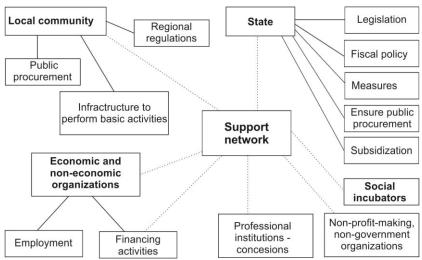


Figure 3: Supportive environment for social innovation

In addition to some public funds and foundations, which are not specifically aimed at social innovations, the Social Entrepreneurship Act opened the door to the first social incubators (promoters and intermediaries between the demand and supply of social innovations) and other similar support services for social innovations, even though they are still lacking any real financial support and investments. There are several companies, organisations and individuals in Slovenia, which act socially innovatively without defining their operations as such. However, it is evident from the records on social enterprises that there were 51 social enterprises registered in Slovenia as of 7 October 2014. According to European standards,

around 18,000 operational societies, 250 foundations, 250 private institutes that are defined as non-profit companies, 150 companies for the disabled and a few tens of co-operatives that could be classified as such in the social economy sector /41/. Since in Slovenia the state plays the main role in providing public goods and services, this might be the reason for the underutilised potential of social innovation in the country.

Interviewees agree that the concept of social innovation *in Slovenia has not yet been generally accepted,* largely due to the word "social". Alluding to the past socialist system, it creates terminological confusion and leads to the inadequate under-

standing by many decision-makers about the added value of social innovations – which is an active and dynamic contribution to comprehensive economic development – seeing "social" only as passive rescuing of vulnerable groups. An important pillar for the development and implementation of social innovations is the development of the civil sector. Social innovations provide great opportunities for addressing the needs of residents (e.g. recycling and home assistance), even though there are many factors hampering their development through the actions of civil society (and social enterprises). These factors are mostly a legacy from the past and include the following /42/:

- conceptual confusion;
- stigmatisation of entrepreneurship and a lack of positive vision of entrepreneurs and entrepreneurship;
- a lack of entrepreneurial capabilities of social economy organisations;
- no clear role for the social economy in the Slovenian social system;
- strong stigmatisation of certain target groups;
- a distance between the social economy, the state, and their low level of communication.
  The state does not consider social economy organisations as serious partners in meeting the needs of people or does not consider their contribution to general social welfare important; and
- a lack of intermediary public bodies between municipalities and the state – incomplete decentralization, which is particularly important for meeting regional needs in the light of Slovenian regional diversity.

The consensus of the interviewees is that social innovations are not only important for society and the environment, but also for saving the economy. Addressing social and environmental problems actually means saving the economy, as all three elements are interconnected. /43/ highlights the strategic importance of social responsibility and at the same time the innovative embedding of social responsibility in the corporate context of a company trying to find its competitive edge in this process. Nearly all activities in this value chain of the company touch on various communities in which the company operates, generating either positive or negative effects. Many times employees of a company and clients are much more aware of sustainable actions and impacts on the

social environment. In other words, a company, which is aware of the significance of social innovations, can find a great source of inspiration in its employees and users who are keen to participate. According to /44/, values are mainly left to us in that we maintain and improve the quality of life. Against this background, the rural environment and local self-sufficiency are crucial. Possibilities for entrepreneurship, for the inclusion of partnerships and development of social innovations are numerous in these spheres; we just need to pursue them actively, instead of waiting for state incentives or others for funding. /45/ lists Google and Facebook as two examples of classic (economic) social innovations, which revolutionised communication in society. He believes that social innovations create a better world by efficiently solving existing cultural, social, environmental and economic challenges. Individuals, groups or organisations develop them, and they may take place in the non-profit, profit or public sector. In fact, experience has shown that social innovations successfully connect all three sectors and marketing is the link between them. The latter means that social marketers must not only seek to provide value to people we might call beneficiaries or customers, but also to other organisations in this networked system of ideas and behaviours /46/. /47/ points out co-operatives and corporate social responsibility as an important link between social innovation and the economy. An example from the UK is given, where volunteerism and social responsibility are highly cherished, unlike in Slovenia. Perhaps a greater emphasis on social innovations in Slovenia in the future could turn this situation around. The interviews also reveal that social innovators in Slovenia collaborate, encourage and help each other, but mostly operate on an individual basis. Cooperatives in Italy, Spain and the UK are given as examples in terms of collaboration.

Among the problems of social innovations, interviewees highlight the lack of funds, failure to grasp the significance of social innovation, unwillingness to take risks and lack of inter-sectoral connection. They all agree that marketing is a key function in the process of developing social innovation through primarily promotion activities. However, they emphasise that social innovators have insufficient marketing knowledge. Their views on the role of sectors in encouraging and

implementing social innovation, however, differ. Most believe that a civil society is the initiator and executor, as it is in direct contact with the field and is therefore capable of quickly identifying opportunities or issues as they arise. The education sector could play a more decisive part, mostly with regard to illuminating this topic, raising awareness and encourage youngsters; if it was more flexible and socially responsible, it could also implement social innovation. Teaching about the significance of the social and environmental dimension starts as early as in the kindergarten where children are taught to save water and separate waste for recycling. The state can promote innovation by eliminating bureaucratic obstacles, in addition to including the economy - also through state measures. Successful companies have figured out that without social innovations there is no chance for long-term growth and de-A study conducted by GEM /48/ velopment. showed that Slovenian society expects companies to give part of their profit back to the community by supporting important social and environmental projects. Additionally, companies should invest more into corporate social responsibility activities if they want to restore public trust, which they lost because of the global crisis. It is also interesting to note that entrepreneurs more than the government - something that all interviewees agree with, can in general address social and environmental issues and community issues more effectively.

#### 3.3 Findings

In Slovenia, social innovations are important in various fields, especially employment, social inclusion, demographic changes, healthcare, education, finance, political structures and social integration. In general, interviewees showed great awareness and support for social innovations, so one might say that social innovations in Slovenia are to an extent fairly well developed. They agreed with /49/ that on a practical level, social innovation hampered is by insufficient knowledge about the processes that give rise to and sustain it, limited support of grass-roots and social entrepreneurship activities, lack of adequate finance and financing models, little scale-up and poor diffusion of good practices, and poor methods to evaluate social inovation's impact and effectiveness. The greatest difficulty with the implementation of social innovation into the social setting is the weak supportive environment, lack of funds and unwillingness of the state and other important actors to take risks and make changes. Compared to other European countries, the civil sector in Slovenia is poorly developed and/or supported by the state and companies. There are also only a handful of examples of marketoriented civil society organisations. The Social Entrepreneurship Act is expected to boost the growth of this sector. The private sector is witnessing a trend of social innovation or, at least, social responsibility. At the state level, the trend of social innovation is existent but not specifically aimed at this field. The existing entrepreneurial supportive environment requires a thorough overhaul and upgrade by developing social enterpreneurship incubators and co-working spaces. The key is to create an understanding supportive environment, which is aware of the significance of social effects/impact brought on by social innovations. With this goal in mind, the Ministry of Labour commissioned a study to measure its social effects. Setting up rules on how to measure social effects might help companies to prove such effects and help users to make purchases of products and services offered by e.g. social enterprises. Considering the answers we obtained and the reflections on the significance of social innovations for the economy, all the surveyed individuals displayed a great consensus with regard to the fact that social innovations are necessary for the sustainable development of society and key for Slovenia's journey towards overcoming the economic crisis.

# 4. Conclusion and Prospects for the Future

The economy is faced with the fact that economic growth cannot exploit nature and people indefinitely. The time has come when the existing development model that prefers the financial system and economy to society and the environment needs to be changed. Against this backdrop, social innovations provide the answer and opportunity to establish synergies between the economy, society and the environment, which would give rise to comprehensive economic development and social welfare. In this sense, social innovations should complement economic innovations and should be equal to any other innovations. Social development is a continuous process of transformation and improvement with social innovation

being its integral part. Social innovations do not always directly influence economic growth and development, but rather indirectly contribute to a successful economy and sustainable growth through functioning social conditions, good living conditions, a clean environment and satisfied and healthy residents. In Slovenia, there are several social innovation activities under way and the potential for social innovation is there - still, the development of social innovation lags behind. The near future holds great expectations in terms of the development of social entrepreneurship, however, every sector will need to contribute its own share and make sure that positive changes indeed come about. Social innovation will be most effective when many different actors from different sectors of society participate. This means that the reluctance among important groups will endanger the potential successes of social innovation. /50/. Marketing social innovations has an essential role through primarily promotion activities (inform about particular issues, introduce new products, compete with competitors' products, create a brand, increase sales, and improve the company's image).

While reviewing the EU's perspectives in the field of social innovation, the authors have established that there are two fundamental reasons why the EU supports social innovation. First of all, constituting a new approach to address current issues, social innovations can help remedy the situation in the EU and steer it back on the path of successful economic development. Secondly, should this strategy succeed, it could provide a new groundwork in the global economy so that the EU can once again become competitive and successful at an international level. This is why it has adopted a new strategy, prompting member countries to attempt to remedy the situation in their respective areas in line with their circumstances and resources. However, the EU has also assumed a part of the responsibility upon itself by promoting and funding individual countries or local activities, projects, programmes, etc. The EU's innovation policies support the authors' thesis that social innovations importantly drive forward the sustainable development of society and that their development is also crucial for Slovenia's way out of the crisis. The thesis, however, can be confirmed only in part. There is no uniform methodology in place for the purpose of studying the

influence and success of social innovations that could demonstrate their actual success through numbers and indicators. We need to pursue further research in the field of social innovations, particularly in view of measuring the impact of social innovation; therefore, it would be necessary to establish quantitative and qualitative tools for measuring their social impact including the rate of return of social investments, as well as a balanced indicator system. Increasing knowledge and understanding of the key elements within social innovations is crucial, as is defining the conditions for their establishment, development and promotion. Measuring the impact of social innovations is crucial to successfully integrate social innovations in profit and non-profit organisations. We need to raise awareness of decision-makers and the public about the great untapped potential of social innovations for the economy, society and the environment. Therefore, innovative accounting as well as marketing approaches will be key.

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