

Generating Social Innovations: Some Recent Experience from Abroad

Inovace ve společenské sféře: některé zkušenosti ze zahraničí

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Abstract

Innovation is without doubts one of the key production factors. The aim of this paper is to analyze the recent development in the field of social innovation and, more importantly the practical impact of this concept to society. As we may observe, currently, the cheap and highly developed information technology in our open society is readily available to broad population. It is, therefore, ready to be used in both technical and social fields. The easiness with which the technology is now used may bring in some social patterns that are reflecting in communication and human conduct. Many developed countries have nowadays problems of funding the essential public needs like running public services or building necessary infrastructure. After touching on the concept of public private partnership and its feasibility our paper deals with explanation of the new notions: the Big Society recently introduced in the UK and Collective impact developed in the US. We also look in their impact on creating opportunities for authorized and legal reduction of services to citizens in some developed countries.

Keywords

innovation, open innovation, social innovation, Big Society, collective impact

JEL Codes

O31; O33; O38

Abstrakt

Inovace jsou nyní bezpochyby jeden z nejdůležitějších produkčních faktorů. Cílem tohoto článku je analýza vývoje na poli sociálních inovací a jejich praktického dopadu ve společnosti. Levná a vysoce kvalitní informační technologie je v dnešní otevřené společnosti široce dostupná. Proto je možné ji využívat jak v technických oborech, tak i v oblasti společenských potřeb. Dostupnost, s jakou se informační technologie nyní využívá, vytváří určité vzorce chování, které se odrážejí v komunikaci a ve společenském chování. Mnoho rozvinutých zemí má v současné době problémy s financováním společenských potřeb, jako jsou veřejné služby nebo budování infrastruktury. Tento článek nejprve vysvětluje koncept veřejno-soukromé partnerství (public private partnership) a hodnotí jeho účinnost a potom vysvětluje nové koncepce: britský projekt „the Big Society“ a americký projekt „Collective impact“. Tyto koncepce jsou hodnoceny z hlediska jejich účinnosti a dopadu na snižování výdajů na veřejné služby ve vyspělých státech.

Klíčová slova

inovace, otevřené inovace, společenské inovace, Big Society, collective impact

Introduction

As the basic production factors defined in classical political economy (Marx, Ricardo, Smith) are capital, labour, land and entrepreneurship (eg. Sojka, 2010). These factors enable individuals or companies to produce goods and provide services. Entrepreneurship is often interpreted as the driving force – innovation, most often understood as technological innovation. The aim of this article is to present the concept of social innovation in its current practical form and assess the implication to the general public.

Innovations are the key drivers in any developed country and nowadays even in less developed economies. These days, innovation and effectiveness became important survival conditions of future existence of every company. The main reason is that a timely implementation of innovations helps the country to reach the necessary competitive advantage and create economic strength in today's demanding international competition. A vast number of innovations are generated by private sector but due to the high start-up costs this activity is much more difficult these days without an appropriate access to funding. This is the reason why many states formulate their own pro-innovative strategies to promote so useful and fruitful activity.

The main hypothesis of this article is that although active dissemination of innovation spreads quickly to society and thus it can bring positive social values to all members. However, mechanical repetition of use of initially innovative ideas through certain cost saving governmental initiatives may bring unintended damage.

Before we approach this discussion on innovation and competition, we need to highlight that an important underlying presumption of this discourse is that more innovation is good for society because innovation is undoubtedly one of the key determinants of the welfare of humankind (Baker, 2007, p. 4). In addition, the benefits of innovation to society as a whole greatly exceed the benefits to those firms that originally develop particular innovation.

Competition brings in efficiency and forces price to converge to marginal cost. Technological innovations are crucial for further advances as well as for simple reproduction and development of human society. We can often see an argument that the primary generation of innovative ideas and patents remains in the domain of small and medium sized enterprises (SMEs), however elsewhere we have seen an argument that it is easier for big successful firms to explain to the suppliers of financial capital why their own research and development projects have selling potential (Schumpeter, 1934).

Each firm needs to react to competition. The result of competition is cheaper and better produce and/or more efficient organization of production. Competition is good because it leads firms to make more and/or higher quality goods and sell them for less. A firm can reduce its price after a close rival cuts price – so can be expected to lower price for final consumers in response. Or the firm can attract buyers by making improvements in product attributes closely related to price and add value for by consumers, like providing more rapid delivery, offering higher quality product, offering more colours or styles or other

additions to product variety, or by providing additional post-sale services. It can also alter its financial conditions.

There is distinction between so called *static* and *dynamic competition*. Firm dynamics during their life cycle make an integral part of dynamic competition. Dynamic competition selects out less efficient firms from more efficient ones and reallocates productive resources. New features of dynamic competition (or, competition between different systems to become the recognized standard in a market based on new technology) raise new challenges to policymakers. Policymakers should aim at insuring dynamic efficiency, rather than just static one at present (Ahn, 2002, p. 8).

With increasing globalization more contemporary thoughts on innovation are also pointing out the fact that there is significant shift in 'value proposition' or how innovations (especially those from product area) are perceived by customers. In the past the innovation usually meant delivery of better product that somehow naturally costs more, but nowadays in most cases it means to deliver better and usually also cheaper product. Value proposition is one of the core ideas of modern organization of production technology. It describes how much value the customer can expect from the goods or service. This concept is relevant today in the era of globalization and cost cutting justified by economic crisis, even though the original ideas of 'better and cheaper' product, better organization of work and improvement in production technology started with Japanese miracle during the period of record economic growth following the World War II.

With cheap and generally available communication technology the innovation spreads out in the community and resonates as a rapidly growing social innovation. Innovation potential of social networks is being explored and various social networks are spontaneously emerging to connect professionals with their customers to bring social innovation to diverse groups. This enables rapid dissemination of innovation to society as a whole. This again corresponds with the general idea of open innovation introduced in technology as classified by Erich von Hippel (Baker, 2011).

1 Definition of Innovation

The exact notion of innovation is not unambiguous. "A plethora of definitions for innovation types has resulted in an ambiguity in the way the terms 'innovation' and 'innovativeness' are operationalized and utilized in the new product development literature. The terms radical, really-new, incremental and discontinuous are used ubiquitously to identify innovations. One must question, what is the difference between these different classifications?" (Garcia, Calantone, 2002, p. 110).

From another standpoint the innovations are understood as not only a new product or service offered to customer. The classification is broader and the degree of innovation also depends on particular discipline.

Table 1.1: Generic classification of innovation in a knowledge creation perspective

	Knowledge creation	
Market knowledge	Tacit knowledge Socialization and externalization (Exploration)	Explicit knowledge Combination and internalization (Exploitation)
New market knowledge	Architectural innovation Radical innovation Major product/service innovation Radical innovation	Niche innovation Modular innovation Architectural innovation Market breakthrough
Existing market knowledge	Revolutionary innovation Architectural innovation Major process innovation Technological breakthrough	Regular innovation Incremental innovation Incremental product, service, process innovation Incremental innovation

Source: Popadiuk, Wei Choo (2006).

When we speak about social innovations on a company level we are usually concerned with accountability of managers and with corporate social responsibility. This is customary understanding of corporate ethics and corporate governance – referring managers' behaviour to some criteria of good conduct and acceptable performance. On the level of the whole society decision makers and innovators strive for better organisation and more efficient and ethical use of limited resources. To illustrate, nowadays, frequently even municipalities and town authorities call themselves 'information mediators' enabling communication between citizens, thus relying on their own "clients" to provide correct information to neighbours and fellow citizens. Is this still an innovation? The main hypothesis of our paper is that due to active dissemination innovation nowadays spreads quickly to all corners of community and as such it can bring positive social values to all members. On the other hand, mere mechanical repetition of use of initially innovative ideas through some cost saving governmental initiatives could initiate deterioration.

2 Innovation, Business Ethic and Sustainability

As for the ethical aspects, firstly, the major interest has came up from the area of *role of business in society* – social theory that originated in the middle of the 20th century together with concepts of environmental reporting and sustainability.

The basic model of role of business in society was inspired by several streams of thinking: sociology, political economy, theory of organization and role of business in society. Seminal work in the area of sustainable development of ever rowing population was the book of Donnella Meadows *The Limits to Growth* (1972)¹. Her work was the first warning piece on the sustainability of increasingly growing population on the planet. The area of

¹ On Club of Rome, see <http://www.clubofrome.org/eng/about/1/> [consulted on 15. 10. 2011].

business ethic was firstly interconnected with agency theory that formulated different approaches to corporations' lives (Jensen, Meckling, 1976). Later on, the *agency theory* changed its focus from purely social discipline into financial theory and it was capturing the role of different stakeholders mainly owners – principals and managers – agents.

At the present time, the relevance and importance of social innovation is highly acknowledged with an emphasis on the potential positive effects on the social community. Social innovation is understood as application and creation of social networks in a community using modern technology. "It is understood that social capital is held by individuals. The other is the 'sociocentric' model in which social capital is still held by individuals, but has more to do with the added value of their position in the structure of a firm or society than with their interpersonal relationships, per se. But there is arguably another form of social capital that is of particular relevance... 'social innovation capital' (SIC)." (McElroy, 2001, pp. 2–3).

3 Social Innovation Initiatives – the UK, the US and Europe

In couple of the last decades due to the shortage of public funds the Public-Private-Partnership methods of financing public facilities (PPP) became popular in almost all developed countries (Štědroň, Halířová, 2011). At the beginning of 2009, the newly elected president of the United States, Barack Obama, announced the establishment of a new office for social innovation at the White House and allocated USD 50 million to a fund for *social innovation* in the 2010 budget. It was dedicated to socio-political priorities, namely education and health care.

On 16th and 17th March 2011, the *Social Innovation Europe initiative* was launched in Brussels. The initiative is funded by the European Commission, and its goal is to create a dynamic, entrepreneurial and innovative new Europe (European Commission, 2011).

Figure 2.1: Different examples of social innovation



Source: European Union/The Young Foundation (2010, p. 15).

The main objectives of *Social Innovation Europe* are:

- connecting projects and people who can share experiences and learn from each other;
- developing an easily accessible resource bank – to be able to find about other projects, organisations and ways of working;
- developing a resource bank of up to date policies at local and national levels and provide information on funding opportunities;
- facilitating new relationships between civil society, governments, public sector institutions and relevant private sector bodies;
- developing concrete recommendations in financing and in up scaling/mainstreaming of social innovation in Europe.

All innovations are relevant nowadays, especially taking into consideration the context of globalization, where innovations of all kinds have a powerful impact on society, whether we are referring to civil society, public administration, or professional associations. Certain authors particularly acknowledge the relevance of social innovations that, at present and in the future, will become indispensable (Hochgerner, 2011). "A social innovation is new combination and/or new configuration of social practices in certain areas of action or social contexts prompted by certain actors or constellations of actors in an intentional targeted manner with the goal of better satisfying or answering needs and problems than is possible on the basis of established practices." (Howaldt, Schwarz, 2010, p. 4)

The UK's *National Endowment for Science, Technology and the Arts* (NESTA) views the concept of social innovation in relation to the sources and purpose of social innovation. Social innovation may come from the private market, public sector, third sector or household.

According to the *Forum on Social Innovations*, 'Social innovation' seeks new answers to social problems by:

- identifying and delivering new services that improve the quality of life of individuals and communities;
- identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

From this perspective, social innovation is seen as a means to provide solutions for individual and community problems. It is equally important to identify factors that support social innovation in various areas of the society. In business for example, the key factors that are able to drive social innovation relate to competition, open cultures and accessible capital (Mulgan et al., 2007).

However, not enough attention is paid to social innovation as a lot of money is spent by business on innovation to meet both real and imagined consumer demands and far less money is spent by governments or NGO's or foundations to more systematically develop innovative solutions to common needs. It is therefore important to address the conditions for social innovation.

A 2009 report on social innovation *in Canada* shows that while governments in Canada have acknowledged the importance of social capital and the social economy and have been quite active in those areas in recent years, the country has not yet adopted broader models for public support, funding, and encouragement of social innovation as has been done in other countries, such as Australia, United Kingdom as well as the USA. According to the recommendations provided, Canada needs a strategy for advancing social innovation and a thorough examination of certain areas such as cross-sectoral strategies and relationships; social financing; funding models and mechanisms; governance issues; and accountability and evaluation in the social innovation field (Goldenberg et al., 2009).

Australia has been experiencing continuously-growing investment in innovation activities directed towards social outcomes (Australian Innovation System Report, 2011). In what concerns the source of social innovation, emphasis has traditionally been placed on the private non-profit sector. However, it is now understood that social innovation can happen in all sectors, including households. Public sector, for-profit and non-profit organisations can drive social innovation, which can be exchanged between sectors.

In Australia, various initiatives have been put forward to support social innovation, such as Social Enterprises Development and Investment Funds (SEDIF), Community Development Finance Institutions (CDFI) Pilot, or SA Government Integrated Design Commission.

At the moment the *European Union* is fully acknowledging the importance of social innovation in creating a dynamic and innovative new Europe. At the same time, it is relevant to shift our attention to the existing barriers that are hindering the development of social innovation. According to an external study commissioned by BEPA, one of the critical areas is represented by Europe's finance systems that are not well-suited to support social innovation and the traditional technical innovation. There is also a need for more developed networks as well as innovation intermediaries for mediating the connections needed to nurture and scale up social innovations.

At present, various studies and reports on social innovation relate the topic social innovation to the EU 2020 strategy (Hubert, 2010). Social innovation has potential in achieving environmental sustainability and helping the European Union to reach its 2020 emissions targets. It can also play an important part in the delivery of other policies and in more effective policy implementation, as well as in actions in favour of education and housing in sustainable cities and those intended to counter the more direct effects of economic recession.

4 Social Innovation in the Period after Financial Crisis

In Great Britain much of the 2010 election was fought around the issue of the recession and the public borrowing deficit. However, whilst economic policy was highly relevant, there was little fundamental difference between the parties over what needs to be done. All three major parties accepted the need to cut the deficit through reducing public expenditure. What the response to the crisis revealed was *fundamental differences between the parties over the role of the state and the relationship between the state and the market*. Labour's answer to the crisis was increasingly a traditional Keynesian and social democratic

response whilst the Conservatives raised the prospect of the 'Big Society' as a mechanism for reducing the size of the state and public expenses. "The important differences in application of Big Society the idea is that not only is power but so to are services transferred to community groups and volunteers So in human capital terms, the professional could be replaced by the amateur." (Barber, Oldfield, 2011, p. 63).

4.1 Building Blocks of the Big Society

According to the UK Government policy, there are three key components of the Big Society agenda: *community empowerment* (local councils and neighbourhoods able to take decisions and shape their areas replacing the old top-down planning system), *opening up public services* which would enable charities, social enterprises, private companies and employee-owned *co-operatives to compete to offer people high quality services and social action*, by encouraging and enabling people to play a more active part in society (Tunstall et al., 2011, Building the Big Society – CASEReport 67).

A set of initiatives supported by the government were put forward to kick-start the 'Big Society' initiative and contribute to its development (NEF, 2010). One initiative referred to the setting-up of a 'Big Society Bank' in order to support the development of a social investment market, crucial for social entrepreneurs, that would be effective in attracting capital to achieve social impact. Making capital, expertise and management skills available to social entrepreneurs is highly important in what concerns sustaining a powerful wave of social entrepreneurship (The Big Society Bank Outline Proposal, 2011).

Another important initiative which has been pursued is that of recruiting and training 5,000 community organizers that will help communities act together for the 'common good'. Necessary support will thus be offered to people to enable them to take action on their own behalf in order to deal with important issues.

Such a political programme that involves civic action brings also certain risks associated with this type of undertaking. Some of the risks refer to the way it might be perceived by the people, as a mask for government spending cuts, as well as appearing too party-political from the perspective of the people involved in community activities.

A recent report issued by the New Local Government Network (NLGN) in the UK pointed out that alongside community activism, a Big Society needs an active local state and, in this regard, Councils should place a higher value on social wealth – trust, engagement and belonging. The same report recommends a much clearer role for local government in helping the Big Society grow from within localities (Keohane et al., 2011).

ACEVO set up the 'Commission on the Big Society' whose main objective is to recommend practical steps that government (at all levels), third sector organisations and others need to take in order to make the vision of what the Big Society should mean a reality. One of the recommendations put forward was that Government should articulate a clearer definition of what it is that it is trying to achieve. At the same time, Government needs to adopt a consistent and supportive attitude to the voluntary sector that recognises the need for partnership and respect within the sector.

The following recommendations were put forward (ACEVO, 2011):

- “We make recommendations to the Cabinet Office’s Behavioural Insight Team, the Prime Minister, the Chief Secretary to the Treasury, and the National Audit Office on issues relating to definition of, measurement of, and accountability for success in fostering the Big Society. We also recommend a new, reformulated, Big-Society focused version of the Invest to Save Budget to invest in ground-breaking Big Society-related initiatives.”
- “...we recommend a programme to support culture change and workforce training in local government, a new focus for the Government’s £10 million support programme for new mutuals, a cross-government strategy led by DCLG, Cabinet Office and Treasury on use of public sector assets, and that the Big Society be put centre stage in the upcoming Public Service Reform White Paper.”
- “We recommend that rather than launching a ‘national day to celebrate and encourage social action,’ the Government amend the Employment Rights Act 1996 to extend employees’ existing right to take reasonable time off for certain public duties (e.g. to serve as magistrates, councillors or on the governing bodies of schools) to enable them to take reasonable time off, with the permission of their employers, to serve a voluntary organisation. We also recommend that brokerage between business and voluntary organisations be scaled-up, and that Government incentivise employers to encourage and facilitate employee engagement with charitable giving.”
- “We recommend that the Government introduce a UK version of the American Community Reinvestment Act, using transparency to promote responsible lending to the financially excluded and voluntary organisations, and that the Treasury introduce new tax incentives to encourage such ‘social investment’. We also call on all UK banks to commit to reinvesting 1% or more of their pre-tax profits for social benefit.”

Because it is about creating a set of conditions for change rather than forcing an agenda, Big Society relies on individual and corporate responsibility and action (Brandon, 2011). The Big Society is not supposed to be a clear, structured top-down movement, and it will very much depend on the people and groups who get involved.

There is also the question as to how the success of proposals is actually measured. What kind of outcomes should be considered in measuring the success of proposals put forward, is it crime rates, unemployment or is it something less tangible, such as how easy it is to start new community initiatives?

Important role is also played by businesses, as they often see their role in getting involved in community problems. A frequent example is when particular issue concerns environment. This involves the whole area of corporate social responsibility. “Governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities. Myriad organizations rank companies on the performance of their corporate social responsibility (CSR), and, despite sometimes questionable methodologies, these rankings attract considerable publicity.” (Porter, Kramer, 2006, p. 78).

Companies are thus attempting to improve the impact of their activities on environment and society. But these activities are not as efficient as one might expect. The reason might be that the basic purpose of every enterprise is to make profit and any other interests comes second.

5 The Big Society and the Collective Impact

In the US, nowadays an initiative that is becoming more and more popular in the social sector is the initiative is called *'the collective impact'*.

Collective impact represents the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem. Collective impact initiatives involve a centralized infrastructure, a dedicated staff, and a structured process that leads to a common agenda, shared measurement, continuous communication, and mutually reinforcing activities among all participants.

A Stanford Social Innovation study points out five key success factors that together lead to excellent results: a common agenda, shared measurement systems, mutually reinforcing activities, continuous communication, and backbone support organizations (Kania, Kramer, 2011). Most of the examples of collective impact today are in the field of education (Bornstein, 2011). 'Strive' is a subsidiary of an operating foundation that focuses on improving the education system and remains its core fonder. Their recent goal is to establish 20 partnerships by 2015. However, collective impact is not only about education. Other examples in this regard would be 'Shape up Somerville', the community programme that targeted weight gain reduction among children or the 'Conservation Alliance for Seafood Solutions' connecting 16 conservation organizations in the U.S. and Canada, willing to work together in order to build a sustainable seafood industry from fish harvesting to market (Jindrichovska, Purcarea, 2011).

6 Discussion

As we can see technological and non-technological innovations are closely interlinked. Several authors debate upon the role played by the government in the case of the two approaches mentioned above (Bastianel, 2011). If the Big Society is perceived as being driven by 'too-pervasive state intervention' collective impact does not give the US government a defined role.

What it is common to both approaches is that they rely on civil society to lead public reform but the question remains whether these types of approaches can actually drive public reform or there is a need for breakthrough public policies to significantly improve education, healthcare, and social services.

As a useful practical application the "Big Society had a practical application in terms of delivering spending cuts and associated agenda" (Barber, Oldfield, 2011, p. 59).

In the US however, there are two strategies in action at the moment: a policy with strong elements of discontinuity for developing a new healthcare system and a civil society-led approach for advancing education reform.

Studies on social innovation address the barriers that prevent social innovation, emphasizing the tension between bringing social innovations to scale and ensuring that programs address the needs of local constituents. The results point out four major opportunities that contribute to scaling the most promising solutions, such as technology innovation, geopolitical shifts, cross-sector collaboration and knowledge sharing (Vienna Declaration, 2011). Social innovation it is more about Business Model Innovation and Social Entrepreneurship. Both concepts are very important in these areas, as they base on extended partnerships (Nidumolu et al., 2009).

6.1 Diffusion of Innovation in Social Area

Diffusion of innovation in social area is usually realized by “soft means” through communication media and through measures and suggestions of social and local authorities like town-halls, district authorities. “Social innovations together with physical and human capital, determine the rate of economic growth.” (Peyton Young, 2010, p. 2).

Social change tends to be perceived as a difficult process. One of the features that make social change difficult is the fact that social innovations represent technologies that require coordination with others in order to be successful (Peyton Young, 2010). When looking at the diffusion of innovations, valuable insights are offered on the process of social change related to the qualities that make an innovation spread successfully, the importance of peer-peer conversations and peer networks and understanding the needs of different user segments (Robinson, 2009).

There are marked differences between the diffusion of innovations in the social and market economies with the social economy favouring the rapid diffusion of an innovation. In terms of sharing innovation, the social economy is oriented especially towards collaborative networking as a way of sharing innovation, an example in this regard being the Communities of Practice as one important type of collaboration.

Conclusions

Ever since Schumpeter (1934) promulgated his theory of innovation, entrepreneurship, and economic development, economists, policymakers, and business managers have assumed that the dominant mode of innovation is a ‘producers’ model’. That is, it has been assumed that most important designs for innovations would originate from producers and then be supplied to consumers via goods and services. This view seemed reasonable – producer-innovators generally profit from many users, each purchasing and using a single producer-developed design. Different concept was represented by Von Hippel in 1980s. Von Hippel introduced a notion of ‘open innovation’, which is a paradigm that assumes that firms can use external ideas for creating and developing better products or processes. External ideas are used together with internally generated ideas as the firm strives to im-

prove its technology. The concept of open innovation diminishes the boundaries between a firm and its client, between supplier and customer and competitors.

Innovations have been spread out also to social area. The potential of social networks is now being explored and various social webs are spontaneously emerging to connect interest groups and professionals with their customers to bring social innovation to diverse segments of society. New technology enables rapid dissemination of innovation to their users and to whole society.

Globalization changes the way industries operate by decreasing the costs of production through outsourcing and rapid development of innovation through new technology. Modern world, impact of globalization and cost cutting requires different approaches to social life. This was emphasized by recent financial crisis that affected firstly America and then effectively spread put throughout the whole world. The reason is the interconnection of the world of finance with the rest of the economy that started to be important in the early years of the 21th century. We find that the determinants of the technological and non-technological innovations are very similar and that both types are closely related. We can also conclude that in terms of sales of market novelties and cost reductions through process innovations a combination of key types – technological and non-technological innovations is the most profitable. Social innovations are needed at the same time as technical innovations and, besides, they originate from the same roots and use similar diffusion processes.

The aim of this paper was to analyze the recent development in the field of social innovation and its implication to society. In conclusion, we claim that innovation in products, services, processes and business models can have a significant impact on gaining sustainable competitive advantage. Social innovation might be the most important factor in business model of social entrepreneurship. Competitive advantage can thus become an important part of a sustainable competitive strategy. In the social sector, however, too much attention is devoted to providing more of the same to narrow populations that are already served. In conclusion of this paper we therefore express a concern of mechanical repetition of virtually all the same innovation pattern in different areas and not to disperse the same routine mistakes in the field of social innovation as in the Anglo-Saxon world. It seems it is time for a fundamentally different approach.

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