SOCIAL INNOVATION STRATEGIES AND THE PERFORMANCE OF SOCIAL ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT: Current trends have shown that social entrepreneurship is identified as the Key driver of the third sector as well as the public and private sector. Social enterprises play a critical role in social-economic development. Social innovation is one of the most important aspects of social entrepreneurship as it enhances the degree to which an enterprise effectively responds to emerging opportunities and challenges in the market. The field of social innovation turns critical societal problems into opportunities by actively involving the community actors. This paper is an analysis of how social innovations influence social enterprises in Nairobi County of Kenya. Cross-sectional design is used. The target population comprises all the registered social enterprises in Nairobi County. A simple random sampling technique was used to draw a sample of 107 registered social enterprises in the County. A self-administered questionnaire was used as the main data collection instruments. A pilot study was conducted to test validity and reliability of the questionnaire. Data was then analyzed both descriptively and using inferential statistics. One-way analysis of variance was used to test the hypotheses. Both Pearson’s product moment correlation and Chi-square were also used to test for significant associations between social innovations and performance of Social enterprises.

KEYWORDS: Social Innovation, Innovation, Social Enterprise, Performance, Entrepreneurship.

INTRODUCTION

Innovation is both a process and an outcome. As an outcome it manifests itself in new production technology, improved quality or new products. On the other hand, innovation processes introduce new product innovation, individual creativity, organizational structure, and improvement of social, economic and environmental factors.

Whether a process or outcome, innovation must meet three main criteria. First, innovation must be novelty; it must not necessarily be original but must be new to a user, application, context or environment. Secondly, innovation must bring about improvement or value addition. It can either be more effective or improve efficiency relative to preexisting applications. Thirdly, innovation must be sustainable which means that it must introduce solutions that are environmentally and structurally sustainable. According to Barroso (2009) the strategy for social innovation needs to identify: Priority fields for action, Priority tools for action (investment, capacity, networks, procurement etc) and Milestones and targets for achievement over 3 to 5 years. Innovation in social entrepreneurship has become a fashionable construct in recent years. Often evidenced by success stories across the world in diverse fields (health, education, finance, culture, etc.), the concept has become increasingly evident in commercial markets, academic discourses and policy making (Boschee 2006; Light 2008; Nicholls 2006b). Besides transforming extant markets, innovation in social entrepreneurship has also been instrumental in creating new markets and market niches, with initiatives such as fair trade (Huybrechts forthcoming; Nicholls 2010a) and microfinance (Armendáriz de Aghion &
Morduch 2005; Battilana & Dorado 2010). The latter field has regularly been cited as a flagship of innovation in social entrepreneurship, especially since the Nobel Peace Prize was awarded to the Grameen Bank and its founder Mohammad Yunus.

LITERATURE UNDERPINNING

Social Innovation Theory

Social innovation is defined as new products, services, organizational models and/or production methods that concurrently and effectively meet social needs and create new social relationship and collaborations. Social innovation refers to creation of both tangible and intangible assets which include production of goods and services for society and enhancing the community’s capacity to act (Bornstein, 2004; Social Innovation Exchange, 2010).

Schumpeter (1934) proposed that An entrepreneur is an innovator who implements entrepreneurial change within markets, where entrepreneurial change has five manifestations: 1) the introduction of a new and or improved good; 2) the introduction of a new method of production; 3) the opening of a new market; 4) the exploitation of a new source of supply; and 5) the carrying out of the new organization structure of any industry.

According to Phills et al. (2008) many creations benefit the society through increasing employment, increasing productivity and some may even create social value over and above the economic impact originally intended. An example is that the computer has improved individual productivity, learning and creativity and revolutionized the mode of doing business. This notwithstanding, innovation is truly social if the balance incline towards social benefits where value created benefits the society as a whole.

In this regard, it is only when market fails that social innovations become a crucial a vital vehicle that may be used to create value or provide solutions that would otherwise not be invented. KSIX (2010) identified six stages that chronologically explain the process of social innovation from inception to materialization in the society. The first stage entails factors that prompt innovation; they range from necessity factors such as crisis and poor performance to new evidence or inspiration. This stage requires identification and framing of the problem that may face the society. The second stage is project which entails idea generation. This stage requires creativity and formulation of designs that may solve the problem effectively and efficiently. Insights for idea generation may be drawn from various sources including employees, other sectors, countries, users among others.

The third stage is prototyping where the ideas are tested through practice. It involves use of pilot studies, where key factors such as cost efficiency, viability, effectiveness and other elements are observed. Formulation of strong feedback mechanism is important at this stage. The fourth stage is sustaining which encompasses review of income streams and social economic benefit and cost analysis in an attempt to evaluate its long term financial sustainability. One critical element at this stage is to ensure that the culture and ethos of the new innovation facilitate propagation and consumption of the project.

The fifth stage is scaling and it involves introduction of strategies and methods that will facilitate growth, consumption and spreading of the new innovation into practice. The last stage is systematic change which is the fundamental goal of social innovation. It is essentially
different from innovation to the extent that it usually involves change from old powers or mode of doing things to new ways. It involves interplay of social movements, business model, laws and regulation, cultural change and supporting infrastructure and acceptance of the new way of doing things. It often takes time for the society to learn and adopt the new way of doing things and therefore requires involvement by all stakeholders in the society.

For innovation to grow in scale and eventually enable systematic change there needs to be ‘pull’ in demand for the innovation or acknowledgement and recognition of the need of such technology. On the other hand, there needs to be a ‘push’ with regards to supply of the innovation. This emanates from generation and crystallization of new ideas into new products or ways of doing things on one hand and, communication and dissemination of the innovation on the other.

Therefore, social innovation theories hold that the impact of social innovation depends on whether social innovation strategically fits the needs of the society, the degree to which the outcomes of the innovation directly or indirectly achieve the goals intended, current and future impact of efficiency the innovation is and how realistic the implementation of the project is with regards to strength and weaknesses of implementation and assimilation of the innovation to the society (European Commission, 2012).

Social innovation is an important aspect of social entrepreneurship as it enhances the degree to which an enterprise effectively responds to emerging opportunities and challenges in the market. It should facilitate organizational sustainability by providing a mechanism through which social value is continuously being created and perfected in order to facilitate optimization given resource and environmental challenges facing social entity (Mort et al., 2006; Humbert, 2012)

As a catalyst to social transformation, the degree to which social entrepreneurship benefits society depends upon the degree to which social entrepreneurs utilize social capital and social innovation as core factors that may drive sustainable change in the society. In this regard, it is important to evaluate social capital and social innovation theories in order to appreciate the true contribution of social entrepreneurial activity in growth and development

Social Innovation

Social innovation refers to creation of tangible and intangible asset with the view of enhancing the society’s capacity to act or react to emerging opportunities and challenges (Mort et al, 2006; European Commission, 2012). It is measured by tangible assets such as products and tools created or intangible assets such as method of production, adoption of strategic plans among others and the extent to which identified assets solve environmental problems facing the entities. Phillips et al. (2009) defines Social innovations as “a novel and useful solution to a social need or problem, which is better than pre-existing approaches”. The social innovation should be more effective, efficient and sustainable and its benefits should solve society problems rather than individual’s needs.

Establishing an agreed definition of innovation in social entrepreneurship has not proved to be an easy task. The main difficulty is that innovation in social entrepreneurship is a contextual and contingent set of activities, subject to interpretive analysis and measurement (Bacq & Janssen 2011; Nicholls 2010c; see also Dey's chapter in this book). This is unusual in the field of entrepreneurship, but less so in areas of the social sciences more concerned with societal
issues. The literature on the subject uses three different terms which, at first sight, might seem linked in a very simple way: “innovation in social entrepreneurship” is the dynamic process through which specific types of individuals deserving the name of “social entrepreneurs” create and develop organizations that may be defined as “social enterprises” (Defourny & Nyssens 2008b; Mair & Marti 2006). However, the use of one term or the other is often linked to a different focus and/or understanding of the phenomenon depending on context and perspective. In this paper, “innovation in social entrepreneurship” will be used to designate a broader range of socially innovative initiatives in a spectrum from for-profit to voluntary organizations. “Social enterprises” are a subset of such activities in which commercial models are used as the vehicle by which social objects are achieved (Nicholls 2006; Thompson 2008).

There are two approaches to innovations. The first involves the organizational processes that generate the innovations e.g. the individuals’ creativity, the structural entities of the organization, the environment and the social economic factors. The second approach looks at innovation from the outcomes perspective of the new products, productions methods and designs (Phills, Deiglmeier & Miller, 2009). To be considered an innovation the process and outcomes must be novel, effective efficient and sustainable both environmentally and in terms of organizational resources. Social innovations therefore must bear the social value as the primary objective for them to be true. The social innovation will identify the challenges or needs seek solutions that are feasible and sustainable and produce result that create benefits like reduction of costs, employment, increased productivity, advocacy for humanity, health solutions, and economic growth to the society as a whole.

According to Schumpeter,(1939 ) innovations are essential to explaining economic growth and the “entrepreneur” is the central innovator. As Schumpeter described in the Theory of Economic Development the entrepreneur’s main function is to allocate existing resources to “new uses and new combinations”. The most lasting contributions was his insistence that entrepreneurship is at once a unique factor of production and the rare social input that makes economic history evolve.

Subsequent work has focused on the processes of innovation in social entrepreneurship. According to Mort et al. (2003, p. 76), innovation in social entrepreneurship is “a multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and key decision-making characteristics of innovativeness, pro-activeness and risk-taking”. Mair and Marti (2004, p. 3) view innovation in social entrepreneurship as “a process consisting of the innovative use and combination of resources to explore and exploit opportunities that aims at catalysing social change by catering to basic human needs in a sustainable manner”. Austin et al. (2006b, p 2) define innovation in social entrepreneurship as an “innovative, social value creating activity that can occur within or across the non-profit, business, or government sectors”. Finally, Zahra et al. (2009, p. 5) suggest that innovation in social entrepreneurship encompasses “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner”.

Bunt & Harris (2009) in the study of Exploring the relationships between evidence and Innovation in the Context of Scotland’s Social Services emphasize on the importance of innovation in solving social problems and its impact on revolutionizing practice, improving the long term outcomes and cost effectiveness in the private sector. The study found out that;
Practitioners do not have the necessary resources to try new things out in their practice. This includes having insufficient time to read and engage with evidence, and to put it into practice (IRISS, 2010). Some practitioners, managers and policy-makers have a negative attitude towards evidence and do not see its value (Stevens, 2012). In part, this may be caused by evidence saturation: practitioners are bombarded with ideas, initiatives and evidence, and have had to contend with many changing ‘trends’ over the years. This may increase their skepticism over the lasting relevance of evidence, and their unwillingness to change their practice to respond to the latest evidence. Practitioners do not have the appropriate skills to be able to understand and use evidence, to be able to undertake their own research, and to have the confidence to believe that the work they do could contribute to the evidence base (Stevens, 2012). There is a lack of quality research, which is accessible and relevant (HM Government, 2013a). The existence of conflicting evidence bases may also be problematic in this context (Nutley et al, 2012, p. 6). Part of the problem here may be caused by the difference in culture between academic research and practice contexts (Shonkoff, 2000). Knowledge is not the only thing that impacts on practice. This can also be affected by competing policy demands, cultures of practice, values and so forth (Nutley et al., 2002, p. 132).

**METHODOLOGY**

This study employed descriptive cross-sectional research design. According to Creswell (2003), descriptive research design is used when collecting information about people’s attitude, opinions and habits and is appropriate for analyzing social behavior and patterns. On the other hand, nonexperimental research design is suitable when observing phenomena in their natural state. It is more applicable in social sciences because understanding the natural environment under which social agents operate is more realistic and practical for policy formulation (Mugenda and Mugenda, 2003). Cross sectional data was collected and quantitative methods of analysis employed in the study.

The study population included all enterprises directly or indirectly involved in social entrepreneurial activity. Given the complexity of observing the later attribute (social entrepreneurship), the population of interest is specified as enterprises that are officially registered by the social enterprises bodies in Nairobi County. This includes three hundred (300) social enterprises owners that are formally registered by KSIX, Trickle Out Africa and/or EASEN. .

The sampling frame for the study included all the registrerd social enterprises in Nairobi County.

**Table 1: Sample Frame**

<table>
<thead>
<tr>
<th>Sample Frame</th>
<th>Target Population</th>
<th>Sample</th>
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</thead>
<tbody>
<tr>
<td>Enterprise Owners</td>
<td>300</td>
<td>107</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>107</strong></td>
</tr>
</tbody>
</table>

Nasiuma (2000) provides an appropriate scientific formula of choosing the sample size. The sample size is given as:

\[
S = \frac{NC}{c^2 + (N - 1)e^2}
\]

Where \(N\): target population size
Nasiuma (2000) explains that coefficient of variation of less than or equal to 30 percent and a standard error of less than or equal to 5 percent are acceptable to ensure that the sample size is large enough to represent the population. Therefore, given the definition of the target population of 300 social enterprises in Nairobi.

Estimated social enterprises in Nairobi Sample size \( S = \frac{300 \times 0.3}{0.3^2 + (300 - 1) \times 0.05^2} = 107 \) enterprises.

The list of all registered social enterprises was used to randomly select one hundred and seven (107) social enterprises. According to Mugenda and Mugenda (2003), simple random sampling is the most representative when the sample is homogenous and a list of all target population is known. Questionnaires and an interview guide were used to collect data. For the purposes of analysis, each social enterprise formed the unit of analysis. Primary data was collected from managers of the enterprise using questionnaires. Questionnaire will be administered to minimize variation in data collection procedures and ensure consistency (Mugenda and Mugenda, 2003; Nasiuma, 2000). Quantitative data collection instruments were used to measure scale variables.

An oral interview guide was also utilized with senior managers. A pilot study was conducted before the main study. For this case, seven social enterprises with similar characteristics to those under study but not included in the sample were used.

Data analysis was done descriptively. Descriptive statistics which include frequencies of distribution, percentages, and measure of central tendency such as means, mode and measure of dispersion which includes standard deviations were derived. Descriptive statistics will be analyzed in order to provide detailed information about the characteristic of each variable of interest.

**Hypotheses testing**

Descriptive statistics used to analyze data was used to summarize finding and describe the population sample involved in hypotheses testing and making of inferences. The general guideline that was used is that the significance value (p or sig.) that represent the percentage or the probability the results are due to chance. The convention to be used is that results must be equal or less than 5% to chance. One-way analysis of variance was used to test the hypothesis.

**RESULTS AND DISCUSSION**

**Social Innovation Strategies**

The study sought to establish the level at which respondents agreed with statements regarding the social innovation strategies on performance of social enterprises. A scale of 1-5 was used. The scores “Not at all” and “Small extent” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale. The scores of ‘Moderate extent’ were represented by a score
equivalent to 2.6 to 3.5 on the Likert. The score of “large extent” and “Very large extent” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale.

From the findings, the respondents agreed to a large extent that; Innovation is an important factor that may lead to community development as indicated by a mean of 4.4674 and a standard deviation of 0.84454, Applying Innovative strategies play an important role in growth of business as indicated by a mean of 4.4783 and a standard deviation of 0.65429. Our enterprise has introduced new products and services that benefit immediate and other consumers as shown by a mean of 3.0761 and a standard deviation of 0.80156, Our group plays an important role in providing social services, (such as waste management, security lights etc) as shown by a mean of 3.7500 and a standard deviation of 0.97918. Through group meetings and collective action, we have learned and adopted new methods of production or service offering as shown by a mean of 3.9892 and a standard deviation of 0.89071, Our group has initiated community projects or activities that has led to income generation as shown by a mean of 3.8587 and a standard deviation of 1.0952, The social enterprise has been able to acquire and use new production technologies and/or service offering to improve productivity as shown by a mean of 3.6957 and a standard deviation of 0.94624, The social enterprise is to take risks and solve challenges successfully as shown by a mean of 3.7609 and a standard deviation of 1.04166, Group form has led to better acquisition of resources eg; finances, information, equipment, land, premises) as shown by a mean of 3.9891 and a standard deviation of 1.01087, The social enterprise is committed to sustainable solutions as demand arises as shown by a mean of 3.9130 and a standard deviation of 0.96820, Creativity has led to new services and products as shown by a mean of 4.1739 and a standard deviation of 0.84657 and finally the respondents agreed that The social enterprise has been able to document a frame work that establishes tasks and competences necessary in the field markets as shown by a mean of 3.9022 and a standard deviation of 0.93831. Social innovation is an important aspect of social entrepreneurship as it enhances the degree to which an enterprise effectively responds to emerging opportunities and challenges in the market. It should facilitate organizational sustainability by providing a mechanism through which social value is continuously being created and perfected in order to facilitate optimization given resource and environmental challenges facing social entities (Mort et al., 2006; Humbert, 2012)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation is an important factor that may lead to community development</td>
<td>4.4674</td>
<td>.84452</td>
</tr>
<tr>
<td>Applying Innovative strategies play an important role in growth of my business</td>
<td>4.4783</td>
<td>.65429</td>
</tr>
<tr>
<td>Our enterprise has introduced new products and services that benefit immediate and other consumers</td>
<td>4.0761</td>
<td>.80156</td>
</tr>
<tr>
<td>Our group plays an important role in providing social services, (such as waste management, security lights etc)</td>
<td>3.7500</td>
<td>.97918</td>
</tr>
<tr>
<td>Through group meetings and collective action, we have learned and adopted new methods of production or service offering</td>
<td>3.9892</td>
<td>.89071</td>
</tr>
</tbody>
</table>

Table 2: Extent of agreement on statements regarding Social Innovation Strategies
Social Innovation Outputs

The study sought to establish the level at which respondents agreed with statements regarding the social innovation outputs on performance of social enterprises. A scale of 1-5 was used. The scores “Not at all” and “Small extent” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale. The scores of ‘Moderate extent’ was represented by a score equivalent to 2.6 to 3.5 on the Likert. The score of “large extent” and “Very large extent” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale.

From the findings, the respondents agreed to a large extent that; their enterprises have introduced new products or services that benefit consumers as indicated by a mean of 3.7634 and a standard deviation of 1.06728, their enterprise plays an important role in providing social services, (such as waste management, security lights etc) as indicated by a mean of 3.6452 and a standard deviation of 1.20366, Through group meetings and collection action, this enterprise has learned and incorporated service provision that has benefited individuals business and community as shown by a mean of 4.0323 and a standard deviation of 0.99402, Through group initiatives, enterprises have been able to enter new markets as shown by a mean of 4.3913 and a standard deviation of 1.45905, the respondents group has initiated community projects activities that have led to income generation as shown by a mean of 3.9348 and a standard deviation of 0.96820, Consumption of previously unavailable services/products is evident to the community members as shown by a mean of 3.9341 and a standard deviation of 0.99780 and finally a number of novel products and services are observable in our social enterprise and community as shown by a mean of 3.8132 and a standard deviation of 1.22848. Social innovation refers to creation of tangible and intangible asset with the view of enhancing the society’s capacity to act or react to emerging opportunities and challenges (Mort et al, 2006; European Commission, 2012). This information is represented in table 3.
Table 3: Extent of agreement on statements regarding Social Innovation Outputs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
<td>Our enterprise have introduced new products or services that benefit consumers</td>
<td>3.7634</td>
<td>1.06728</td>
</tr>
<tr>
<td>Our enterprise plays an important role in providing social services, (such as waste management, security lights etc)</td>
<td>3.6452</td>
<td>1.20366</td>
</tr>
<tr>
<td>Through group meetings and collection action, this enterprise has learned and incorporated service provision that has benefited individuals business and community</td>
<td>4.0323</td>
<td>0.99402</td>
</tr>
<tr>
<td>Through group meetings and collective action, new methods of production that has increased access to products by the community</td>
<td>3.7957</td>
<td>0.98421</td>
</tr>
<tr>
<td>Through group Initiatives, enterprises have been able to enter new markets</td>
<td>4.3913</td>
<td>1.45905</td>
</tr>
<tr>
<td>Our group has initiated community projects activities that have led to income generation.</td>
<td>3.9348</td>
<td>0.93532</td>
</tr>
<tr>
<td>We were able to produce and supply products with desired features that were previously not affordable to our consumers</td>
<td>3.8478</td>
<td>1.18539</td>
</tr>
<tr>
<td>Consumption of previously unavailable services/products is evident to the community members</td>
<td>3.9341</td>
<td>0.99780</td>
</tr>
<tr>
<td>A number of novel products and services are observable in our social enterprise and community</td>
<td>3.8132</td>
<td>1.22848</td>
</tr>
</tbody>
</table>

IMPLICATIONS TO RESEARCH AND PRACTICE

Given that social entrepreneurship is a relatively new field, the findings is hoped to help the government in formulating policies that may guide regulatory and legal framework that may assist in development of social enterprises.

Social enterprises will be able to engage critical success innovations that may promote efficiency and sustainability in the sector. This will be critical for social entrepreneurship bodies such as KSIX and EASEN in formulating models that may help in promotion of social enterprise development in the region.

Given that the studies focusing on social enterprises are limited, the study will also add knowledge to the area and be of value to scholars as a basis for future conceptual and empirical research.

CONCLUSION

It is interesting to note that majority of respondents agreed that the approach in innovation in social entrepreneurship has much in common with models found in commercial entrepreneurship.

Market orientation was found to be manifest in a variety of ways in innovation in social entrepreneurship, most obviously in the for-profit social enterprise form, which operates in commercial markets and generates profits to reinvest in their social mission and other authors from the network suggest that social enterprises, unlike traditional NGOs and non-profits, have
a continuous production of goods and/or services and take economic risks – bankruptcy is always a possible outcome. A minimum amount of paid work, i.e., a workforce not only composed of volunteers, was also suggested as an element differentiating social enterprise. The respondents identified other features that extend the market orientation dimension, notably a clear focus on continual performance improvement and metrics, increased accountability, and a relentless focus on achieving their mission that permeates the entire organizational culture.

According to the findings based on how social enterprises integrate these building blocks, different typologies of innovation in social entrepreneurship have been proposed. Some respondents suggested three types of innovation in social entrepreneurship: ‘integrated’ (when economic activity in itself produces social outcomes) re-interpreted’ (when an existing not-for-profit increases its earned income); and ‘complementary’ (where commercial revenues cross-subsidize the social mission of a related not-for-profit). Other respondents distinguished social enterprise models based on their mission orientation (from mission-oriented to profit-oriented), on their target group, and on how the social programs and the business activities relate to each other. Objectively, it was found out that three core models of social enterprise: embedded (when social programs are inherent in the business activities, as in Fair Trade); integrated (when social programs overlap with business activities); and external (when business activities are an external source of funding for social programs, typically in health or education not-for-profits).

FUTURE RESEARCH

Further study should be carried out that covers other aspects of entrepreneurial orientation besides risk-taking, innovation and reaction and strategic planning practices other than social innovation strategies and social innovation outputs.

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