

Response by the Social Enterprise Coalition to the Department for Innovation, Universities and Skills Science and Innovation Strategy Consultation

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The coalition's response is in text boxes.

Introduction

Innovation will be one of the key drivers of our prosperity in years and decades to come, but it can also help us tackle emerging global challenges such as globalisation, an ageing population; climate change; rapid technological change, and global security.

- How do you think that Innovation can help us tackle these major challenges?

The Social Enterprise Coalition is the UK's national body for social enterprise. Social enterprises are businesses with a central social or environmental purpose which reinvest profits for those purposes or the community. Using entrepreneurial practices in the pursuit of public benefits, they produce many examples of social and behavioural innovation. These include fresh delivery models which can be more responsive to needs, address multiple needs simultaneously and implement technology more effectively. Examples which mitigate the social and environmental consequences of global challenges include renewable energy, social and health care, community recycling and regeneration. Social enterprise is an innovation in itself: practically integrating social, environmental and economic sustainability objectives often taken to be competing. Diverse and flexible, the movement is a focus of socio-economic innovation, able to develop means to address challenges beyond market and state alone.

- What is the government's role in meeting these challenges?

Government should recognise that innovation is not only technological: social and organisational originality in the means of applying technologies and knowledge enhances social, environmental and economic impacts. Government can work to structure the environment in which innovation takes place to align economic and political incentives with policy objectives. This involves recognising the benefits social enterprise provides by already incorporating in its motivations and decision making, factors that are treated as externalities in the private (where integrating social and environmental objectives is a challenge) or voluntary and community sector (where economic sustainability is a challenge to efficiency). Both should involve supporting what is being done in practice and building innovative ways to measure and compare broad benefits to society in order to support innovation where it is most productive.

Business Innovation

We are interested in Government's role in promoting business innovation in all sectors of the economy, from those that have a technological product or service focus to those which are not technology-based.

Hitherto, much of Government's effort has been aimed at

- a. enablers and incentives for increased R&D investment in business and

b. stimulating and focusing the demand from employers for better skilled workers and helping remove the barriers to achieving higher skill levels in firms.

- How can government focus on building innovative capacity and on creating the right conditions for companies to innovate?

Social enterprises are companies with a central social or environmental purpose which reinvest profits for those purposes or the community, using entrepreneurial practices in the pursuit of public benefits. This is an inherently innovative business model, the potential impact of which should not be impeded by government building capacity only in the state and profit motivated sectors. Social enterprises innovate in the goals and means of application of often already existing R&D outcomes, such as modifying existing technology to improve historically low recycling rate in tower blocks. Capacity building measures should not be restricted to technological improvement within otherwise change averse organisations. Innovative capacity can be built by improving access to finance and appropriate expert advice both in existing organisations and by improving opportunities for innovative ideas to enter an existing market where they can become financially sustainable.

- How can we maximise the scope for interaction between different innovative activities, concepts and people?

Social enterprises are businesses with a central social or environmental purpose which reinvest profits for those purposes or the community, using entrepreneurial practices in the pursuit of public benefits. Such innovative activities address needs usually treated as distinct, such as economic profits and social welfare, and typically include involvement from users and beneficiaries (frequently from excluded groups) in producing changes. Increased engagement with social enterprise by government and private business, from informal conversation to commissioning and procurement (Such as ensuring that prequalification and aggregation requirements do not exclude them), can help transmit innovating practices and ways of thinking across sectors to mutual benefit. Interaction can be further enhanced by supporting existing networks which share best practice non-competitively among similarly motivated organisations within the movement.

Public sector innovation

The UK has many examples of world-class public services – the challenge we face is to replicate good practice, learning from what works well or less well, and to create a culture within public sector organisations that allows the space for innovation.

- How can Government help public sector employees, managers and leaders create a more innovative culture?

An increase in social enterprise activity in public service delivery is likely to increase innovation, whether through, externalisation, commissioning or collaboration. Other public service deliverers can learn from social enterprise behaviours, especially their adaptability and diversity, which makes them a natural focus for new ideas and methods. Government can support the public sector to allow elements of risk taking and financial flexibility. It can help to build and encourage the use of robust evidence of what works to compare public service delivery models from social enterprises, private and public agencies and help the transference of best practice. The work culture of many social enterprises produces a sense that employees participate in innovation and so are less change averse. This with independence in the means by which agreed ends are achieved, and not purely for profit motives removes suspicion that change is a covert means to privatisation or less rewarding conditions.

- What else should Government do to promote more innovation in service delivery or in policy development?

Social enterprises are businesses with a central social or environmental purpose which reinvest profits for those purposes or the community, using entrepreneurial practices in the pursuit of public benefits. The model presents great opportunity for experimentation and innovation, with greater flexibility to respond to the needs of users and adapt to local and changing circumstances. It is in the interest of public service providers to encourage social enterprise for this purpose and learn from them through working with them, consultation and knowledge transfer to spreading of best practice. Innovation can be fostered by intelligent commissioning which allows delivery systems that create additional benefits beyond cost saving, especially in other stated policy areas, to be chosen. Greater awareness of and consultation with the social enterprise sector in the policy development process can promote innovative solutions to the challenges of realising multiple policy objectives.

- What role do universities and institutes have in delivering more innovative public services and policies?

Universities and institutes, such as the newly established Third Sector Research Centre, can continue, with social enterprise partners, to build on the knowledge base to demonstrate what works and disseminate best practice. They can help to: build and encourage the use of robust evidence that can compare public service delivery models from social enterprises, private companies and public agencies, facilitate transference of effective methods, and bring credibility and objectivity to these efforts.

Innovative places

The places in which Government policies have effect are increasingly important factors in determining how these policies are targeted and delivered, recognising that places and communities are different and a one-size-fits-all approach is not appropriate.

For policies promoting innovation, initiatives such as Science Cities have given visibility to a more place-focused approach and Local Authorities and RDAs invest significant amounts in promoting innovation in particular places.

- How do you think Government's innovation policies should develop in the context of the recent Sub-National Review of Economic Development and Regeneration?

Innovative people

The ability of a society and the organisations within it to innovate rests on the skills and motivation of people. For Government to help in creating a more innovative society, its policies will need to stimulate the supply of, and the demand for, more skilled and motivated people. [The Leitch review](#) identified priorities for the UK in terms of the *levels* of skills necessary to meet the long term challenges we face.

- Specifically for innovation, what types of skills should Government be encouraging and what levers or incentives can Government apply to achieve this?

With the increasing rate of individual career and economic sector change, it is important to encourage the development not only of high levels of skill, but especially skills that are transferable and cross applicable. In encouraging innovation, it is important to note that there is potential for innovation at all levels, not only in leadership. Government should support organisations which develop the skill base of all involved, including those previously excluded from formal education or opportunities to demonstrate innovation. Supporting and facilitating the implementation of new ideas is also a skill to be developed – central to this is an increase in the provision of quality specialist business support for social enterprises.

Innovative users and consumers

People as users of products and services, whether as direct consumers or as customers within other organisations, are key drivers of innovation. In some areas, consumers are developing a strong pro-innovation culture, for example iPods, Broadband, mobile phones and online shopping/booking. There is increasing interest in products that can help combat climate change or improve the environment.

Increasingly, companies are using their supply chains to help them innovate and, in “open innovation” mode, are out-sourcing some of the ideas generation process to others.

- What should Government do to encourage a society that is comfortable with and drives innovation?

Many consumers are comfortable with innovation but find their demand (e.g. for green goods) is not met by the market. With access to appropriate advice and access to finance, social enterprise can play a role in creating a market where mainstream business does not yet perceive profit opportunities. Social enterprises are in and of civil society driving change and innovation, e.g. Belu water created the UK's first fully compostable water bottle and mainstream suppliers are now looking to follow suit. Social discomfort with innovation is often not pure change aversion but a lack of trust that a novelty really is an improvement, especially where an aspect of the selling point is ethical or environmental. Government supported research and standardisation in measurement can help to provide clarity and confidence for consumers in comparing products on these grounds. Government can facilitate innovation in these areas by increasing social enterprise participation in its own supply chains.

- Are there areas of existing government policy that constrain the ability of consumers to demand or obtain innovative products and services?

Consumers of public services are limited in the ways in which their demands can be satisfied by the understanding and practices of commissioners and/or providers. This includes a lack of understanding of social enterprise and its advantages to them and services users, and prequalification, aggregation and cash only savings restrictions which exclude social enterprise solutions from proper consideration.

Science

Public funding of science and research is one of the country's main drivers of innovation. Several £billion per annum is provided to Research Councils, Universities and other institutions.

- How can the Research Base help innovation in the wider economy (eg. interaction from Universities; engaging with SMEs and the service sectors)?

Interaction with universities and research councils to ensure that innovation, including social and behavioural as well as technological, is featured in the development of research agendas. Further investigate the use of co-production, co-ordination and knowledge transfer with users in the wider economy (especially smaller enterprises in general and social enterprises in particular, who are more likely to be innovative but poorer in resources to conduct independent research than large, mature enterprises). Innovative ideas from research should be communicated in terminologies that lay users can both understand and perceive the relevance of. It is hoped that the Third Sector Research Centre will prove a good example.

- Is the Research Base working innovatively itself? Is it sufficiently agile and responsive to new challenges (eg incentive mechanisms; inter-disciplinary research; university culture)?
- What role do universities and institutes have in delivering more innovative public services and policies?

Universities and institutes can act as exemplars of good practice, engage with public services providers and policy makers in knowledge production and transfer and act as conduits for ideas to transit from abstraction to practice. Particularly important in building a knowledge base for successful public service innovation and evidence based policy making are comparative analyses of the relationships between methods of public services delivery and policy outcomes. Outcomes must be understood in a broad sense for meaningful comparison, extending beyond cost minimisation.

International Innovation

Science and innovation are international, business is operating in a global marketplace. The competition to attract inward investment in R&D is fierce and while the UK's record in this area is impressive, we cannot be complacent.

The rapid rise of the emerging economies, especially China and India, mean that we must redouble our efforts to offer an internationally competitive and innovation-friendly environment, including world class research facilities and highly skilled workforce. UK business increasingly needs to establish international S&T alliances and bases as part of their strategies to penetrate new markets and stay ahead of world competitors.

- How would you characterise the innovation process in a global context and the role of Government, if any, in stimulating it?

- Does the UK demonstrate major shortcomings in its ability to exploit European and global innovation networks? If so, what should be done?
- How should the UK prioritise its international innovation efforts in terms of geographic markets? Are there particular technologies where we should focus our efforts with these countries?

In addition to the good work that is already being done, impact in developing markets could be improved by increased focus on intermediate technology, the export of clean and low carbon technologies to rapidly industrialising economies and further exploring the ways in which successful alternative business and organisational models which can be transferred.

The Social Enterprise Coalition Policy Team

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