Issues of Social Innovations among Social Organizations in Lithuania

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Annotation
This article aims to examine main issues of social innovations among social organizations in Lithuania. It is the second article in the series of publications on particularities of social innovation processes in emerging economies.

Starting from the theoretical background of social innovations and presenting the model of social innovations this article tends to reveal a set of solid results, derived from semi-structured interviews held in Vilnius on May 2011. 15 in-depth interviews were carried out with experts from different social innovations-related organizations such as civil service, associations and nongovernmental organizations, social businesses as well as academic institutions. The conceptual model built in the first article serves as the guideline in the process of analysing and presenting the main findings of the research. As the consequence of the research the created model of 'Dragon-butterfly hybrid' paradox emerges in different shapes and shows new interesting aspects of social innovations.

To sum up, the importance of cooperation within the national innovation system of Lithuania is highly important, and application of innovative management tools that play a crucial role in social innovation processes should be emphasized.

Keywords: social innovation, management of innovation processes, cooperation within the national innovation system of Lithuania.

JEL classification: M14, M21, O31.

Introduction
The economic crisis has prompted many economists to rethink the use of a commercial business to be more open to the public and to actively cooperate, because an entirely profit-driven business became a cause of mistrust and contributed to both economic and social stagnation. This has led to social initiatives held by different social innovations-oriented businesses and organizations to address social problems, taking responsibility for reduction of social exclusion and development of socio-oriented commercial-economic activities.

Social innovations promote social changes in the economy and society and they play an important role in development of emerging markets. The relevance of the article lies in the rising economy of Lithuania, where it is necessary to encourage the variety in status, scope and size of inter-agency cooperation, synergies between public and private or academic and business sectors as well as the development or modification of organizational and managerial structures to improve innovation capabilities. However, social innovations are often equated with social activities of public organizations, the true social entrepreneurial initiatives are very modest and only a few EU social projects are carried out in Lithuania so far. Several reasons for this could be identified: a small market and a relatively weakly developed economy; no tradition of charity or assistance; public organizations are used to grant and support projects by the EU; social services with a strong impact of budgetary institutions and financial instruments focus only on the financial rather than social return. Therefore, it is important to understand particularities of social problems of their business activities in Lithuania and to encourage private initiatives to solve them. It is particularly relevant to the economic change, and this issue is timely and reasonable.

Having the main reasons for an insufficient number of social initiatives and projects in Lithuania identified, it is crucial to overview how these issues of social innovations, businesses, entrepreneurship or development have been discussed by such authors as Dees (2001), Antonelli, (2001), Drucker (2002), Christensen (2006), Martin et al. (2007), Phills et al. (2008), Collier-Grace (2010) and others. To continue, activities of such international organizations that promote entrepreneurship and social innovations as ashoka.org, grameencreative.org, skollfoundation.org or acumenfund.org should be carefully examined.

The aim of this article is to analyze the main issues of social innovations among social organizations in Lithuania. The research object is social innovations-related organizations such as civil service, associations and nongovernmental organizations, social businesses as well as universities. The objectives of the article are: to analyze the theoretical concept of social innovations; to overview the situation of social
innovations among social organizations such as civil service, associations and nongovernmental organizations, social businesses as well as universities; to provide the authors’ insights into the research findings and to compare them with the created model of ‘Dragon-butterfly hybrid’ paradox.

The present publication is based on the analysis of scientific literature (summarizing results of the scientific research and providing the authors’ insights on the subject) and on the in-depth interviews held in Vilnius on May 2011. The qualitative research included 15 experts from different social innovations-related organizations such as civil service, associations and nongovernmental organizations, social businesses as well as academic institutions, including 8 men and 7 women of the age from 29 to 54 years (the mean: 38.4 years). The objective of this research is to investigate different opinions of experts from different socially related organizations, according to the conceptual model of social innovations built in the first article, which serves as a guideline to semi-structured interviews. The interview scheme consisted of 12 topics that were discussed using open and clarifying questions.

1. The concept of social innovations

The definition of social innovations is basically related to description provided in the Green Paper of Innovation, where innovation is defined as a successful production, assimilation and exploitation of novelty in the economic and social spheres (European Commission, 1995). It offers new ways to solve problems and it is related to main needs of society (Drucker, 2002). Integrating the aspect of social impacts the knowledge becomes a public good. Such argumentation has already been revealed by Arrow (1951), where knowledge is of high indivisibility, non-excludability and non-appropriability, while public procurement is to increase the production of knowledge. According to Nightingale (2003), the appropriability is centred on activities, executed by firms as the key actors in the knowledge production process. In addition, the technological knowledge should be considered a systemic activity, where individual agents are strongly interdependent (Antonelli, 2001, Allberg, 2008). Cooperation among various market players emerges as a precondition to deliver a set of social impacts. Firms do not only create, but also apply the knowledge produced by many different market players.

A number of efforts to define social innovations have focused on the intention or motivation of the innovator. Dees (2001) in his article identifies social innovation as adopting a mission to create and sustain social value (not just private value) as central to the distinction between business and social entrepreneurs. He notes further that “making a profit, creating wealth, or serving the desires of customers … are means to a social end, not the end in itself.” Similarly, innovation guru Christensen (2006) views social change as the “primary objective” rather than a “largely unintended … outcome” in distinguishing between social and commercial innovations, respectively. Martin et al. (2007) go further and define the social innovation as a stronger foundation for building knowledge of new ways to produce social change. The advantage of examining the pursuit of positive social change through an innovation lens is that this lens is agnostic about the sources of social value. Social innovation transcends sectors, levels of analysis, and methods to discover the processes – the strategies, tactics, and theories of change – that produce lasting impact.

With reference to different theories mentioned above in the agreement with Caulier-Grice (2010), a definition of social innovations can be proposed. Social innovations could be understood as either any type or intensity innovations that deliver a clear social impact or a set of impacts on both the society and the economy or innovations in the field of the social policy that are mainly concentrated on innovative social activities or projects. Many innovations tackle social problems or meet social needs, but only for social innovations the distribution of financial and social value is tilted toward the society as a whole. This leads to a complete definition of social innovation, which was introduced by Phillips, Deiglmeie and Miller (2008): a novel solution to a social problem that is more effective, efficient, sustainable, which creates the value primarily to society as a whole rather than to private individuals. A social innovation can be a product, production process or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.

This article focuses on social innovations in different socially oriented organisations: civil service, public organizations, social businesses as well as academic institutions that will be reviewed in the article.

2. The model of social innovation

Given the assumption that all innovations are concentrated on both the financial support for innovations and the social purpose, the paradox of ‘Dragon-butterfly hybrid’ can be presented. This supports the statement that the EU’s financial support plays an important role in promoting the innovation development in Lithuania. Therefore, funding is the priority for companies, but only after the public welfare. However, if there is no money available at all, companies are not interested in helping the public and their social responsibility ends up. (Fig. 1)
Figure 1. The impact of the circle of social innovations.


3. Social innovations in civil service and public organizations

Within the sector of public administration, particularly among organizations of civil service, this paradox emerges in a partly different shape. According to the research, five civil service experts confirmed that all innovations were concentrated on both the financial support for innovations and the social purpose; however these organizations were entering various projects funded by the EU as executives, mainly due to a limited set of possibilities to gain profits because of law and juridical status (Europos Parlamentas, 2011). In general, application of principles of business while managing their finances is not likely to be efficient, mainly due to the fact that organizations of civil service do not focus on shrinking their cost lines or profit margins. Each saved litas needs either to be spent on sometimes unnecessary buying or returned. In this case the dragon side of the hybrid means the bureaucratic inflexibility resulting from the legal framework of Lithuania, the limited power to manage their own financial resources (to wit, the lack of financial autonomy), insufficient application of business principles in civil service (thus, a weak private-public symbiosis) as well as weak innovation performance, mainly due to the limited investment in R&D (Research and Development) or information technologies. All these issues are the direct object of subsidiarity, where decisions should be made and executed at the most efficient level. Thus, the Government of Lithuania should reconsider the possibility to delegate more autonomy to organizations of civil service to build and manage their finances (Lietuvos Respublikos Finansu ministerija, 2011).

Being executives in social innovation-based projects, organizations of civil service focus more on such social aims as the decrease in unemployment and reduction of social exclusion of targeted social groups or career guidance, information, counselling, vocational skills assessment, rehabilitation or new training, hands-on training at the workplace. According to our research, within the civil service the ‘Dragon-butterfly hybrid’ turns into a ‘Butterfly-butterfly thoroughbred’ as the possibility to profit is eliminated; therefore such organizations focus more on social purpose. The main weakness of such a metamorphosis lies behind a weak link between public and private sectors. All the interrogated experts stated that it is impossible to apply theories and principles of management, economics, strategic planning, performance optimization, entrepreneurial marketing, innovations, cooperation and networking in civil service. Hence, the metaphoric butterfly would be much stronger if organizations of civil service provided more information about their targeted social activities to the public, driven by the focus to strengthen their image.
and confidence in the public and among business organizations as well as by a stronger support from various social groups. Application of marketing communication tools using free cash for purchasing information technologies or applying various management innovations in practice should be integrated in the civil service strategic ten, three and one-year plans, programs and tasks.

**Application of business principles in public organizations**

According to the research, the majority of civil servants, particularly the younger ones, do understand the importance of executing innovations and applying business principles in their activities; however, the opposition from the top or senior managers often discourages their willingness and motivation to establish a flatter and healthier organization structure, where different departments would be involved in common projects, generation of innovative ideas would be encouraged and many cross-departmental synergies could be reached. In spite of quite severe and strict bureaucratic and legal limits, organizations of civil service face the necessity to start continuous strategic planning and sustainable development as well as to launch short and long-term innovation projects while involving employees of different departments and governance levels. A better image in public will help to decrease the resistance from the society, while all the processes should get smoother and more value-adding. The butterfly (Fig. 1) would become stronger, while organizations of civil service could target more complex social aims: the increased productivity, technological intensity and competitiveness of social enterprises, particularly for export products and services; the optimization of business processes, strengthening competitive advantages, the country’s image and attraction of foreign direct investments; closer collaboration with such intermediaries as valleys, linking science, research, educational organizations and business; strengthening national innovation systems, knowledge resources, uniting the knowledge society; more investment in recruitment and human resources, research and development and innovations and enhanced intellectual property protection.

The top management of organizations of civil service need to understand that Fayol is Fayol in both private and public sectors. Therefore, in spite of having many barriers to run innovation activities in civil service, these organizations need to evolve into ingenious strategic planners and innovators.

According to our interviews, the five experts in social innovations in civil service state that notwithstanding having some social targets among their strategic priorities their activities are mainly concentrated on routine tasks, while more complex innovative processes that demand a global thinking and a local acting as well as a knowledge-based performance are left aside, mainly being hit by bureaucratic and legal restrictions or lack of managerial innovations. All the interrogated civil servants admitted that their colleagues had necessary knowledge and expertise to be involved in innovative projects, however the incapability to create an appropriate innovative climate, to enhance the organizational structure in favour of innovations or to establish a stronger link with business organizations were among the main barriers to being socially innovative and successful.

**Stronger cooperation with business**

Positioning themselves as intermediaries between business and targeted social groups public service organizations could function as an e. market of members of targeted social groups (students and pupils, aged or disabled people, social exclusion groups, working people with low incomes, volunteers, social workers, cultural and art workers, retired professionals, etc.) for socially responsible businesses or organizations driving the process of social innovations. The research has shown that by providing public services organizations should be more cooperating with such organizations of the national innovation system of Lithuania as universities, valleys, recruitment agencies, various clusters, R&D (research and development) organizations among others. To accomplish their social objectives in practice organizations of civil service need to become more open, to be the link within the innovation and knowledge diffusion as well as to reach more synergies via cooperation with various levels, size and juridical status organizations.

In general, social businesses should benefit from the creation of new networks of cooperation. The private business might improve communication between enterprises while the participation in projects improves business image and its attractiveness as well as customer satisfaction. The state might improve the legislation process, strengthen the image of the country; improve the attractiveness of the state to investors and to the EU officials. The targeted social groups, due to a wider range of public services and social businesses, might benefit from the reduced long-term unemployment, the mitigated risk of the vulnerability of groups. It can be argued that the social policy makers within the innovation positively see benefits to all the participants in the innovation process.

**4. Social businesses in innovation processes**

As it has been ingeniously analyzed in the first article of the same series, the paradox of the ‘Dragon-butterfly hybrid’ points at companies’ declaration of being socially responsible and focusing on various so-
cial impacts of innovations, but in reality their performance and contributions to both Lithuanian economy and society are dependent on the EU financial aid or the national framework of financial support (Socialinis verslas, 2010). According to our research, sustainability, corporate social responsibility, social impacts and long-term contributions from innovations are often overshadowed by short-termism among representatives of social businesses. The fact that organizations of social service, in addition to the public, see the dragon side of the ‘Dragon-butterfly hybrid’ in social business perturbs a flow of social innovations and cooperation among various size and status organizations within the national innovation system of Lithuania. To draw a conclusion of our research results, it gets obvious that both public and private sectors need to change their attitude towards social innovations: organizations of civil service need to be more proactive and applying business principles in social innovation projects, while social businesses need to be cooperative and strategy-oriented, rather than changing their strategic objectives, based on the EU financial aid. (Fig. 2)

**Fig. 2**. The place of social business among socially oriented organizations


Having the role of organizations of civil service, associations and nongovernmental organizations as well as business organizations overall scrutinized in previous chapters of the present article, the next logical step is to analyze the role of social business as the key player in social innovations. Our interrogated experts from social businesses particularly emphasized the importance of social changes in each economy. The emerging new forms of interactions in such linkages as ‘Citizen-state’, ‘Customer-enterprise’, ‘Employer-employee’, ‘Consumer-consumer’, ‘Science-business’ and many others build a new holistic mosaic of social relations, which calls for new managerial techniques, new processes, products and services. The changing social capital pushes the knowledge society to be innovative and more flexible towards social changes. (Development of innovations, 2008). Social innovation in business emerges as non-traditional solutions to social and environmental problems, changing the power ratio between business and customers, affecting the decentralization of activities and utilization of social networks for enhancement of the role of citizens. Social business innovations take on different forms such as coworking, crowdfunding, crowdsourcing, urban gardening, sharing, upcycling, etc. However, such emerging and catching-up economies as Lithuania do not have a clear vision, innovative attitude and experience in driving social innovations.

Functioning in an economically integrated union should be an advantage for Lithuania. Social businesses could apply the experience of other countries in social innovations such as established houses of generations in Germany, the expertise of the UK in helping homeless people (The open book of social innovation, 2010). Such social innovations should appear in Lithuania as incremental innovations in products, services, processes and management; however, particularities of each country and each targeted social group should be taken into consideration, while blind copying is sometimes more damaging than helpful. The research revealed the main challenges in social business: revenue growth, competition, monopoly of public-sector, sustainable development, fundraising, loans or lack of incentives (Danys, 2010). Given greater efforts in strengthening transparency, visibility as well as knowledge and innovation diffusion among all social innovations-related actors within the national innovation system of Lithuania, innovative management and marketing of business pro-
processes should help to reach synergies and offset the lack of funds for protection of intellectual property via stronger cooperation and clustering in social innovation processes.

5. Other social innovations-related organizations

Associations and nongovernmental organizations in social innovations

Other important actors within social innovation processes are associations and nongovernmental organizations. After analysis of answers of two experts in this field, some important aspects of social innovations emerge. Though associations and nongovernmental organizations are more innovative in terms of marketing and management than organizations of civil service, it seems that they do struggle in raising funds and strengthening dialogue with business organizations in such fields as sustainable development or corporate social responsibility. In this case their butterfly side overshadows the dragon head. To get more funds from the business side, they face the necessity to better understand the psychology, behaviour and strategic orientation of modern business.

Being oriented to social targets or declaring to be non-profit they sometimes forget that solving complex and long-term social issues needs continuous funding, while completion of any task needs finance (Funding of social innovations, 2009). Their expansion in terms of numbers of members is often faster than fund raising. Understanding strategic targets of businesses and their competitive advantages such as a set of information regarding social issues, innovations, social changes in the economy and society as well as the value-added they could create for business via entrepreneurial marketing tools, education and training or linking business organizations declaring being socially responsible and innovative with other socially responsible and innovative businesses could help to improve their financial position. It could be advantageous to back the stated social targets and social impacts by financial figures; while talking about social innovations stronger attention should be paid to conceptualization and value-added of innovative activities.

Sciences and education in social innovations

Emerging economies often lack information about the economic efficiency of social innovations or the value added from cooperation among various social innovations-related actors. Based on such circumstances, educational organizations should emerge in the national innovation system of Lithuania as the principle knowledge provider and diffuser via study programs, graduates as well as cooperation in various social projects with other organizations. We are coming closer to another paradox. Six experts from different universities state that, similarly to business organizations, educational organizations have a stronger focus on the financial aid than on social targets. Academic institutions emerge as ‘Dragon-butterfly hybrids’, where the dragon side is more pronounced than the one of the butterfly. The cooperation with various social innovations-related actors is also far from being efficient. Universities are only starting establishing a stronger link with business and research organizations in addition to stronger cooperation with valleys. However, there is still a lack of social innovations-related courses in various study programs, while lecturers do not have the necessary expertise to prepare specialists in social innovations for the national innovation system of Lithuania.

Management issues

After interrogation of fifteen experts from organizations of civil service, universities, social businesses as well as associations and nongovernmental organizations, another significant conclusion is drawn. All sample categories of social organizations have management problems in social innovation processes. Experts admitted that their organizational structures or the human resources and innovation strategies were not reshaped towards social changes and innovation processes. There were sufficient numbers of highly qualified employees to support innovative activities within organizations; however, instead of integrating them in innovative projects or research the management assigned them routine tasks.

The hierarchical structure and power distance limited the knowledge diffusion within various organizations, while financial funds were not allocated to encourage the innovative performance. The cross-departmental synergies were not reached, mainly due to insufficient cooperation among the employees of various departments via common innovative projects. To continue, employees were not motivated neither by integrating them to decision-making, no by financial reward schemes. All sample organizations agreed having no clear systems for monitoring their performance and conceptualizing social innovation processes implemented, possessing no system for collecting feedback from the public as well as declared avoiding integrating the cooperation with various social innovation-related actors within the national innovation system of Lithuania in both short-term and long-term strategic plans.

Conclusions

To summarize all the issues discussed in the article, the following conclusions can be drawn:

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• The conceptual model of research: the paradox of the ‘Dragon-butterfly hybrid’ supports the statement that the EU’s structural support plays an important role in promoting the innovation development in Lithuania.

• According to the research, the described ‘Dragon-butterfly hybrid’ among organizations that implement social innovations arises in different forms and shapes: some are dominated by the social impact, which is symbolized by the butterfly, while in some others the financial aid feeds the dragon.

• All sample organizations should establish a clear system for monitoring their innovation performance and conceptualize social innovation processes.

• Organizations should collect feedback from the public as well as integrate the cooperation with various social innovation-related actors within the national innovation system of Lithuania in both short-term and long-term strategic plans.

• Social businesses should benefit from the creation of new networks of the cooperation. The private business might improve communication between enterprises while the participation in projects improves business image and its attractiveness as well as customer satisfaction. The state might improve the legislation process and strengthen the image of the country.

• Organizations engaged in social innovations should remember that, given insufficient attention to the confidence among strategic partners and public or ignoring the issue of transparency and visibility in innovation processes, the diffusion of knowledge and innovations will be restricted, the desired social effect will not be reached, while the image of these organizations will face even greater threat.

References
Socialinių inovacijų problemas Lietuvos socialinėse organizacijose

Santrauka

Šio straipsnio tikslas – išnagrinėti esmines socialinių inovacijų kūrimo ir įgyvendinimo problemas, jų priežastis skirtingose Lietuvos organizacijose ir pateikti esmines išvadas bei rekomendacijas. Kaip vykdyti socialinių inovacijų veiklą tampa naudinga, tačiau ne visuomet ją galima atlikti šiuo atveju. Šis straipsnis grindžiamas mokslo literatūros lyginamąja analize, apibendrina mokslinių tyrimų rezultatus ir autorių įžvalgas šia tema, be kokybinio tyrimo, t. y. pasiau struktūruoto metodu, apklauosas 15 ekspertų iš skirtingų Lietuvos organizacijų 2011 m. gegužės mėnesį Vilniuje.


linių socialinių grupių lūkesčiai bei socialinių santykių specifika skiriasi. Visos socialines inovacijas vykdančios organizacijos turėtų neužmiršti, kad be visuomenės ir visų strateginių partnerių pasitikėjimo, skaidrumo ir viešumo inovaciniuose procesuose cirkuluojantys žinių srautai neleis inovacijoms sukurti laukiamą socialinį efektą, o šių organizacijų įvaizdžiui iškils dar didesnė grėsmė.

**Pagrindiniai žodžiai:** socialinės inovacijos, inovacinių procesų valdymas, bendradarbiavimas nacionalinėje inovacijų sistemoje.

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