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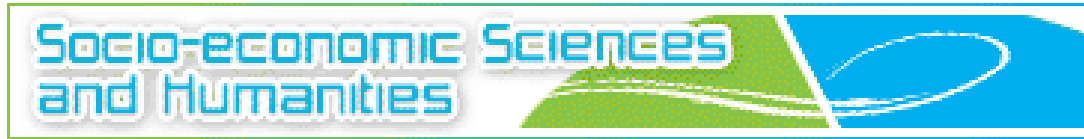
# **Organizing for Innovation: Insights from Social Entrepreneurs**

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Open Innovation in Services/ Innovation in the Third Sector  
December 10-11, 2008, Cambridge



# SELUSI

Social Entrepreneurs as Lead Users for Service Innovation



# What is the definition of social enterprise (SE) that we use in SELUSI?

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## Social enterprise:

Venture created primarily for a **social purpose** (like mitigating a social problem or market failure), aims to generate significant **social value**, and acts in an **entrepreneurial** way (applying business and market tools and approaches) – notably **generating earned income**.

## Core elements:

- Drive: ‘social mission’
- Means: innovation

(Alvord, Brown & Letts, 2004; Austin, Stevenson & Wei-Skillern, 2006; Dees, 1998; Nicholls, 2006)

## Social entrepreneurs as “lead users” for service innovation:

(cf. von Hippel, 1988; 2005)

- uniquely sensitive to **societal trends**  
e.g. fair-trade, environment, aging, increasing poverty
- find solutions to social problems by **innovating services**  
e.g. Grameen Bank/Muhammad Yunus: alleviate poverty through micro-lending

# Intriguing Relationship between Social Entrepreneurship and Innovation

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- **Question: Are social entrepreneurs particularly good at building organizations that are conducive to innovation?**
  - entrepreneurs as organization builders (Bygrave & Zacharakis, 2008; Bass, 1985, Schein, 1985, Trice & Beyer, 1993, Tsui, Zhang, Wang, Xin & Wu, 2006)
- We feel there are reasons to believe that (at least in theory) the answer might well be “Yes” – To see why, take the following two **distinctive features of social entrepreneurs** as a ‘point of departure’:
  - values (social mission)
  - leadership style

# Role of Values: Application to SE (1/2)

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## **Values in general:**

are typically defined as desirable goals that are guiding principles in people's life (Schwartz, 1992)

## **Values of social entrepreneurs in particular:**

- Pro-social values (concern for the welfare of others and nature)
- Openness to change (independent thought and action)  
(Egri & Herman, 2000; also Diaz & Rodriguez, 2003; Seiz & Schwab, 1992)

## Role of Values: Implications for Organizational Design (2/2)

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- Pro-social and openness to change values encourage egalitarian treatment of employees (vs. building hierarchies, cf. Schwartz, 1992, also Hofstede, 2001)
  - **flat, decentralized organizational structures** that **empower** employees (job discretion, complexity)
- Pro-social values (and the corresponding social mission of the SE)
  - employees experience their work as **significant**, i.e. influencing other people's life's
- Pro-social values
  - likely encourage positive social climate and social support within the organization (**'psychological safety culture'**, Baer & Frese, 2003; Edmondson, 1999)

# Role of Transformational Leadership Style: Application to SE (1/2)

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## **Transformational leadership style in general** (e.g. Bass, 1985; 1998):

- ‘visionary’, inspiring leadership that emphasizes the meaningfulness of employee’s work
- aligns interest of the organization with employee’s self-interests
- leads to organizational innovation and employee innovative behavior (e.g., Jung, Wu & Chow, 2008; Gumuslonogly & Ilser, in press)

## **Transformational leadership style and social entrepreneurs:**

- Transformational leadership more likely to be exhibited by entrepreneurs (Conger, 1989; 1993)
- Social entrepreneurs particularly like to engage in transformational leadership (Egri & Herman, 2000)

## Role of Transformational Leadership Style: Implications for Organizational Design (2/2)

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- Transformational leaders
  - **empower** employees (Bass, 1998), and likely build flat, decentralized organizational structures (Conger, 1999; Tsui et al., 2006)
- Transformational leaders
  - inspire employees by emphasizing the **meaningfulness** of employee's work (task significance) (Bass, 1998)
- Transformational leaders
  - encourage '**psychological safety culture**' where employees feel "safe" to take risks, so to speak (Sanne, 2007)

# Summary

1/2

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Theoretically, we argue that specific values and leadership styles of social entrepreneurs have far-reaching implications for SE's organizational designs (e.g., job design, organizational structure and culture), particularly with respect to the organization's capability to innovate.

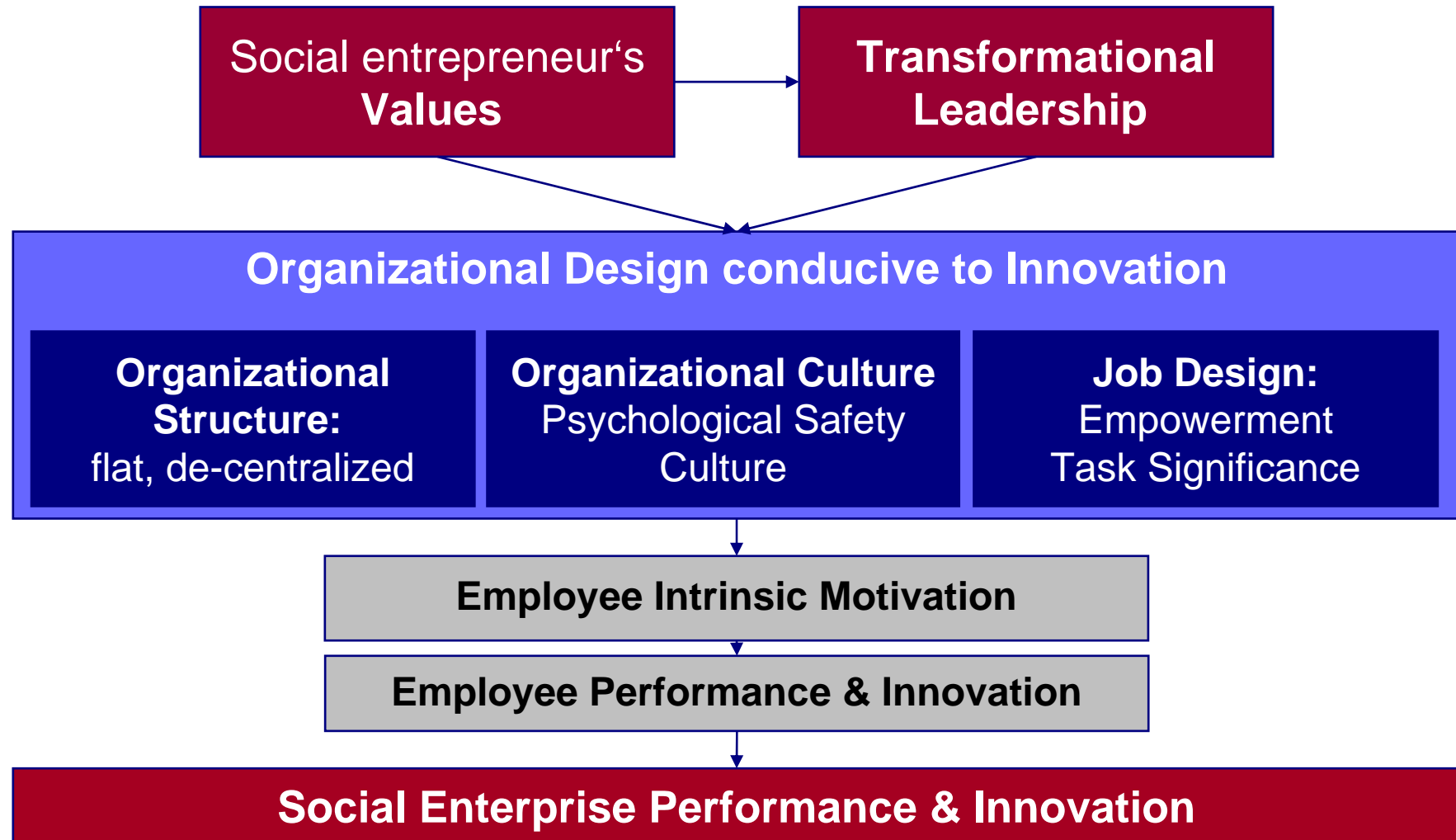
## Empirical predictions:

- SEs tend to have a **flat, decentralized organizational structure** (Egri & Herman, 2000), which is conducive towards **organizational innovation** (Damanpour, 1991)
- Jobs at SEs tend to **empower** employees (discretion, complexity) and provide **task significance** (job impacts' other peoples life/society), which is again conducive to **innovation** (Ohly et al., 2006; West et al., 2004)
- The organizational culture at SEs tends to be one of '**psychological safety**', **which is again conducive towards organizational and team innovation** (Baer & Frese, 2003; Edmondson, 1999; West, 2002)

Testing these predictions with SELUSI: Panel Dataset on 800 SEs in Europe, Lab Experiments.

## Summary: Figure

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## Potential Drawbacks from Strong Social Values and Transformational Leadership

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- Over time social enterprises will attract and select employees that 'fit' with social mission, i.e. show congruent values (e.g., Schneider, 1990):
  - gives rise to '**cultural inertia**' and **conservatism**, which lead to a resistance to innovation and change  
(Besley & Ghatak, 2005; Carillo & Gromb, 2006)
  - need to actively maintain degree of employee diversity, when the social enterprise matures
- High personal involvement through experienced meaningfulness of work bears risk for **burnout** (delusion, cynicism, emotional exhaustion) when social mission is difficult to achieve/setbacks occur  
(e.g. Cordes & Dougherty, 1993 ; Wehner, Mieg & Güntert, 2006)

## Potential Implications of The Research Findings

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- **Innovation in socially-driven service organizations** likely easier to achieve compared to manufacturing organizations, because of presence of the specific **organizational design implied by the social entrepreneur's values and transformational leadership style.**
- **Intrinsically motivated employees** likely particularly relevant for service organizations:
  - because of service value co-creation (interactional nature of service delivery): motivated employees critical for quality of service
  - service innovation through 'listening to the customer'  
(cf. Debackere & van Looy, 2003)

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# Thank you!

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