



SOCIAL
ENTERPRISE
**WORLD
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Hybridization as Systemic Innovation: Italian Social Enterprise on the Move

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SOCIAL ENTERPRISE IN ITALY: EX LEGE, DE FACTO, POTENTIAL

IMPRESE SOCIALI

12.570

Cooperative sociali
costituite ai sensi
della legge n. 381/91



774

Imprese sociali
costituite ai sensi
della legge n.118/05
e iscritte alla sezione
L del registro imprese

+ 574

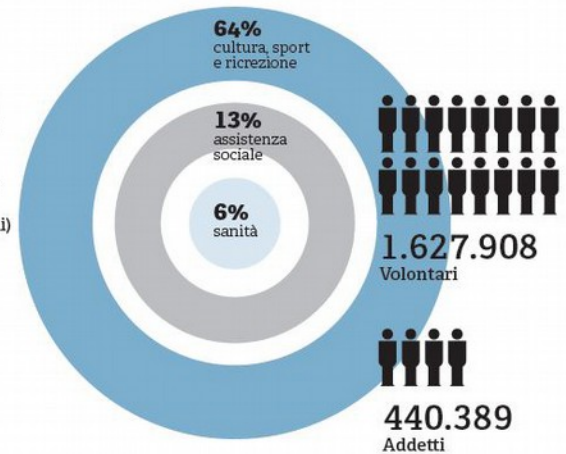
Altre imprese
con la dicitura
"impresa sociale"
nella ragione sociale



POTENZIALE DI IMPRENDITORIA SOCIALE

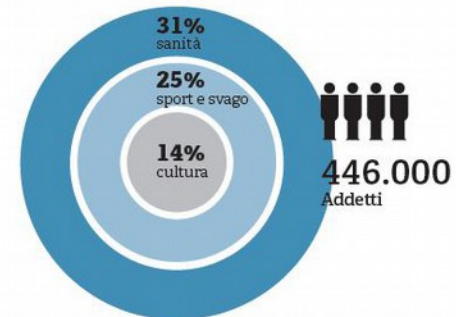
82.231

Organizzazioni
nonprofit market
(escluse le
cooperative sociali)



61.776

Imprese for profit
operative nei settori
di attività previsti
dalla legge n.118/05



Fonti: Iris Network, Unioncamere, Istat

Research question (1)

International background

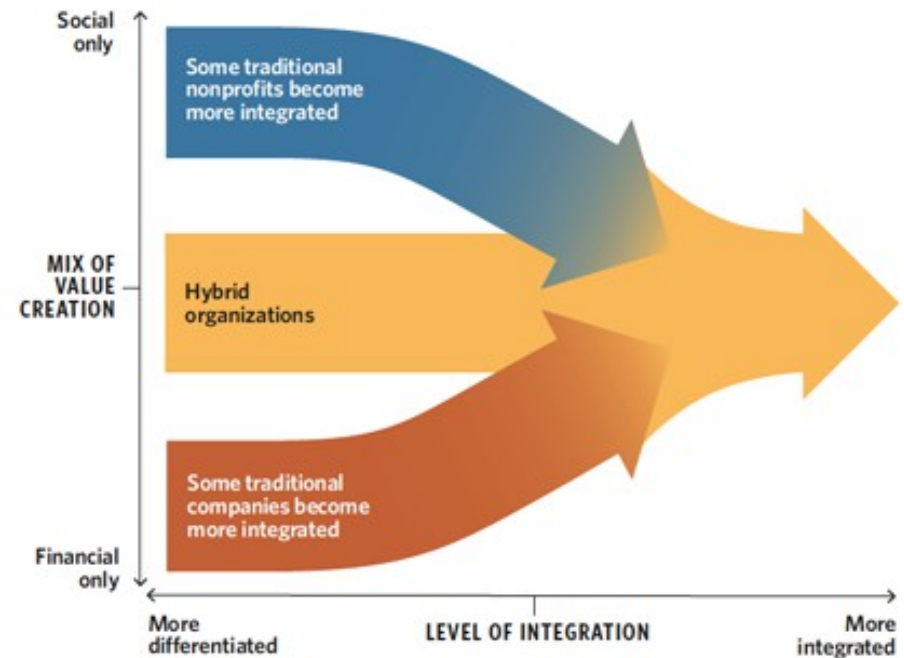
- Social and economic background → *structural break*
- Changing in the production process of added value → *shared value, marketization and co-production*



National background

- How organisational hybridization processes are structured and developed within the Italian social co-operation (and, in the specific case, within the CGM Co-operative Group) to reply to macro-level changes?

The Hybridization Movement



Battilana, J., Lee, M., Walker, J. & Dorsey, C. (2012)

Research question (2)

Goal: pursuing a **social mission** through a **commercial activity**

Italian solution: **social co-operation** as part of the **civil economy** paradigm (Bruni, Zamagni, 2004)

Italian social co-operation includes the main features of hybrid organisations.

The evolutionary processes of social co-operation are not the answer to a need of passing obstacles/restrictions or taking advantages of new opportunities, but they take to the **innovation in social value creation models** → **GENERATIVE INNOVATION**

The **cooperative origin** has generated many experiences of “new generation” hybridization.

INCLUSIVE INSTITUTIONS FOR A SOCIAL CHANGE

able to keep alive a plural market and to pursue at the same time **SOCIAL VALUE AND ECONOMIC VALUE**

1. Definitional aspects of hybrid organisations (1)

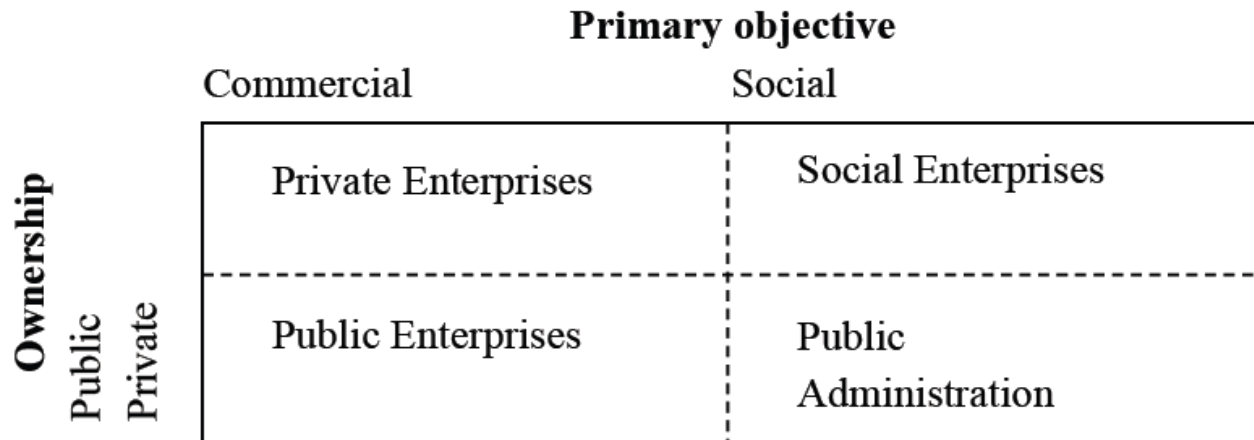


Figure 1: Traditional classification of types of businesses

Source: Grassl (2012)

Hybrid organisations are entities with a **social mission**, as a non-profit organisation, but at the same time they produce an **income with a commercial activity** to pursue their mission, as a for profit enterprise.



[Haigh & Hoffman 2012]

New combination of entrepreneurial activities characterised by innovation elements aimed at obtaining a big impact in term of social change.



2. Evolutionary processes and generative mechanisms: towards the hybridization of organisations

Organisational hybridization processes could be originated by **2 kind of forces** acting synchronously :

1. *socio-political and socio-economical dynamics* at the macro level (**hybridization** resulting from evolutionary elements with external origin or “**exogenous**”) (Aiken, 2010):

- changings in the demand side of welfare services (differentiation and complexity of needs);
- new trends and answers from the social entrepreneurship (growing economy of services and the industrialization of social services);

2. *emerging needs within the organisation* (**hybridization** resulting from evolutionary elements with internal origin or “**endogenous**”) (Spear, 2011):

- linked to the need of evolving in relation to the phase of the organisation's life cycle;
- related to an ongoing innovation processes;
- determined by the characteristics of human capital in the organisation.



3. Distinctive elements of hybrid organizations

Hybrid organisations are responsible of «a **systemic innovation**: a set of interconnected innovations mutually influenced (Mulgan & Leadbeater, 2013), where benefits can only result from their joint action which creates additional and complementary innovations (Chesbrough & Teece, 1996) and that requires significant adjustments inside the entrepreneurial system in which they fit (Maula et al., 2006)».



Distinctive elements of hybrid organizations

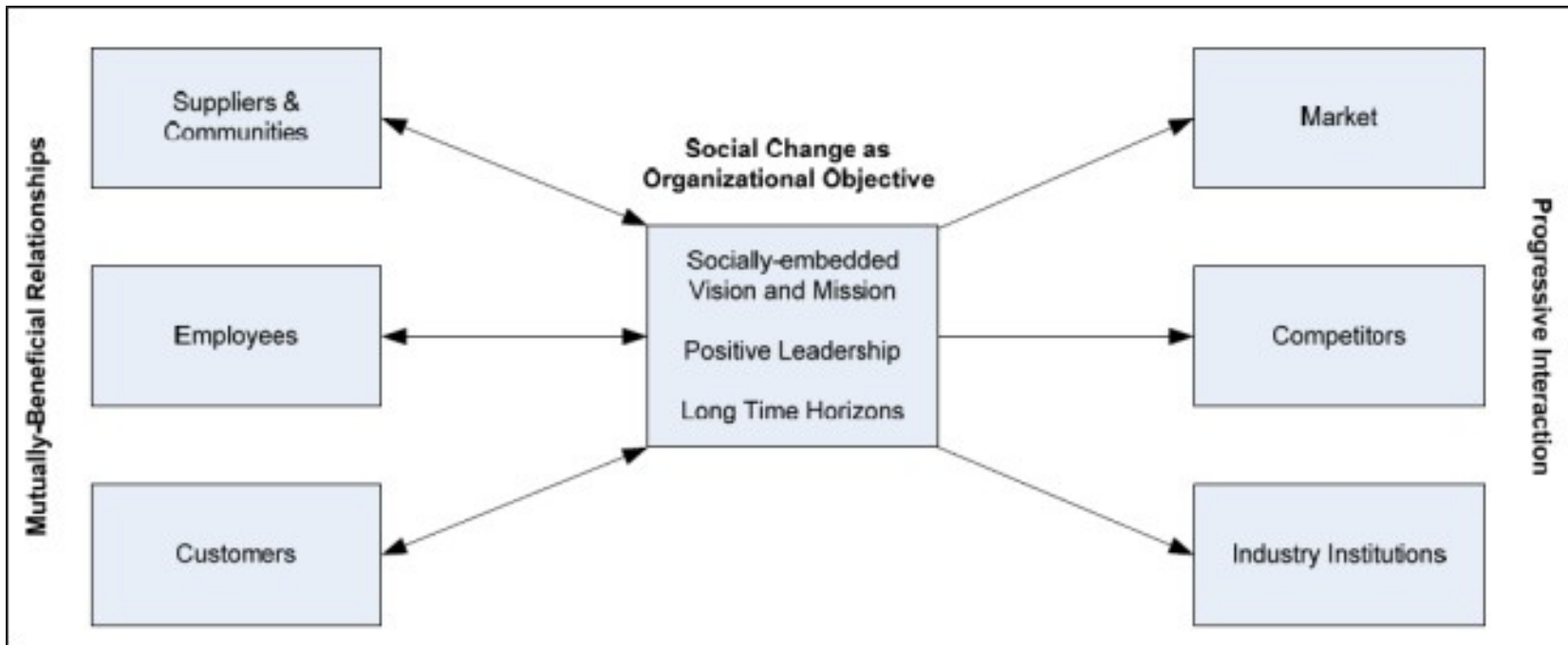
- a. Business model
- b. Organisational characteristics and leadership styles
- c. Governance
- d. Economic and financial resources

3.1. The business model of hybrid organisations

The **business model** of hybrid organisation is focused on their *value proposition* that is the **social change**.

In other words, their business model includes a rethinking of:

- 1) the relationships with supplier, employees, and customers/users;
- 2) The relationships with the market, competitors, and institutions.



Source: Hoffman *et al.* (2012)



3.2. Organisational structure characteristics and leadership styles

From an **organisational** perspective, hybrids must guarantee an internal structure able to prevent disagreement within the organisation by the actuation of a **process** allowing to create a **common organisational identity**. The latter will be able to balance the combination of many «institutional logics» existing within the organisation (Battilana & Dorado, 2010; Pache & Santos 2011; Battilana & Lee, 2014).

The re-orientation towards the social objective must necessarily pass for the development of a «**virtuous organisational ability**» (Cameron *et al.*, 2004), that is a **“positive” leadership style, as well as democratic and relational**, able to generate **trust** both internally and externally to the organisation influencing:

- organisational climate/context;
- relationships among people;
- communication issues;
- ability in pursuing goals.



3.3. Governance features of hybrid organisations

The **multistakeholder governance** of hybrid organisations is **strictly connected** to their **organisational identity**.



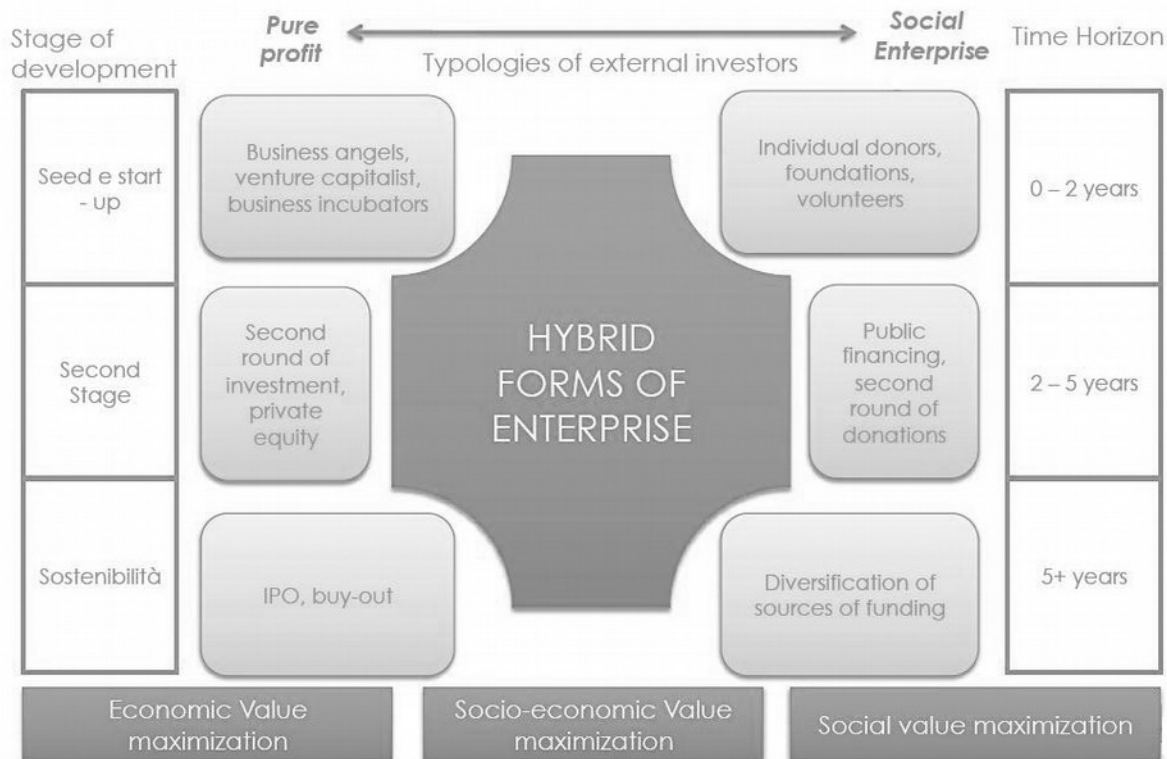
Multi-level (Cornforth & Spear, 2010) or **network** (Anheier, 2011; Andersson, 2012) **governance**: complex governance models able to guarantee the ability in combining governance traditional features with non-profit ones. That is true also among relationships with the management (e.g. accountability models, subsidies linked to the performance, management of informational flows, and so on).



COLLECTIVE ENTREPRENEURSHIP

3.4. Economical and financial resources of hybrid organisations

Opportunity to rely on the mixed nature of the economic and financial resources related to the social goal and commercial activities (*grant, impact investing – debt and equity –, social venture capital, venture philanthropy, and so on*).



Source: Cusumano & Spano (2012)



4. Main features of hybrid organisations generated by the CGM Co-operative Group

ITALIAN HYBRIDS' "IDENTIKIT"

- *74 new companies*
- 16 Italian Region (mainly in Northern Italy)

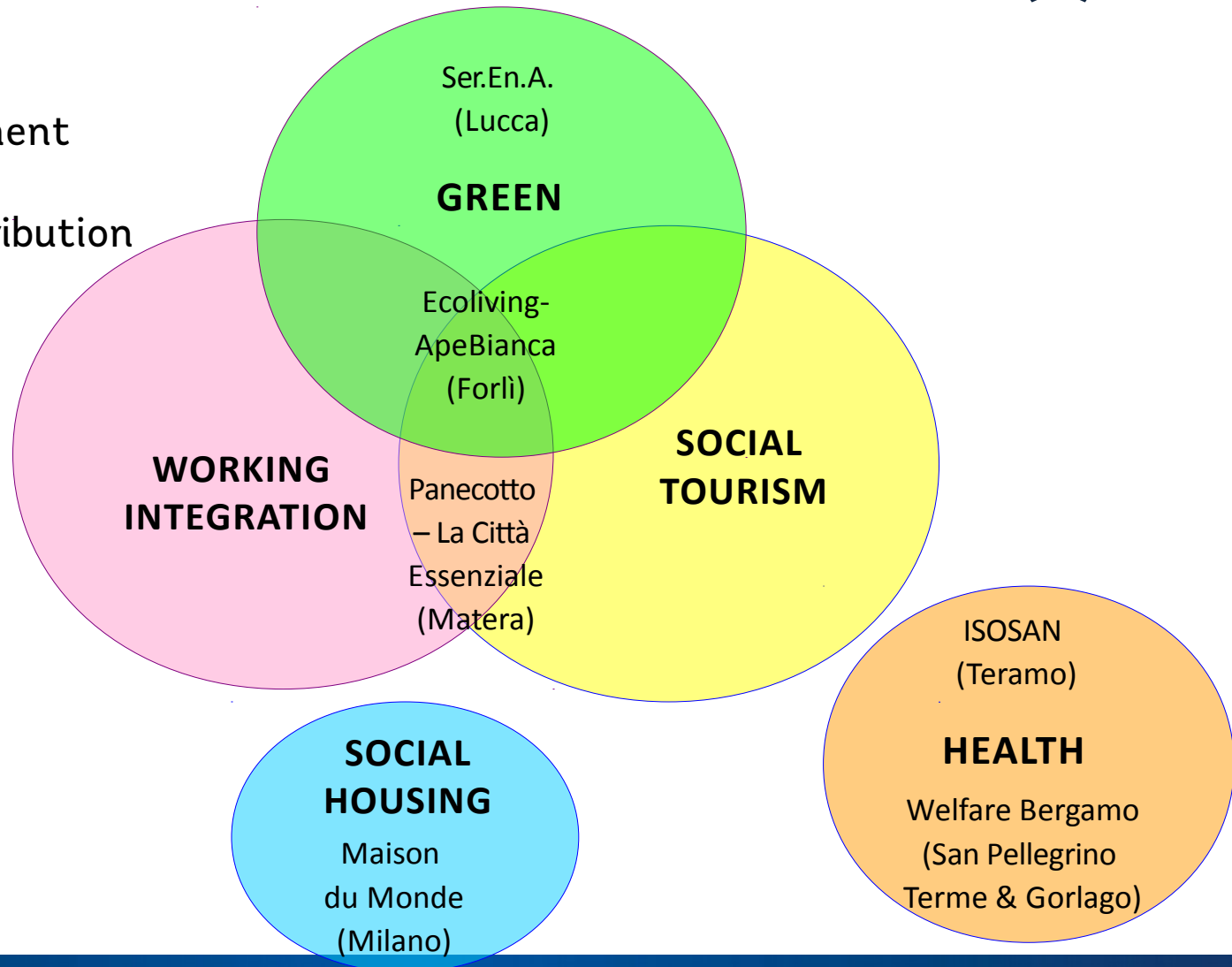
- Production value = > 50,000,000 €
- Investments = 38,000,000 €

- Stage of development: 35% start-up, 42% development stage
- Legal form: 65% consortia and co-ops, 10% social enterprises (according to the Italian Law)
- Working sectors: health, working integration of disadvantaged people, social tourism and production of cultural and recreational services.

5. Case study: the Consortium «La Città Essenziale» and the «Panecotto®» brand (1)

Selection criteria:

- 1.Stage of development
- 2.Working sector
- 3.Geographical distribution



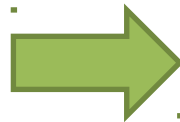
5. Case study: the Consortium «La Città Essenziale» and the «Panecotto®» brand (2)

Methodological approach to the case study:

a. direct interviews to members of the Board of Directors;

b. collection of secondary materials, such as last annual financial statements or business plans with project budgets, social budgets, development plans.

OUTPUT:
Case study form



- ✓ Generative mechanisms
- ✓ Governance
- ✓ Economic and financial resources
- ✓ Business models
- ✓ Organisational structure and leadership

5. Case study: the Consortium «La Città Essenziale» and the «Panecotto®» brand (3)



«Panecotto®» is a brand linked to the territorial products of the Basilicata Region, promoted by the Consortium «La Città Essenziale» in Matera. The project consists in a *franchising system* as tool to structure the whole project network and it is based on the launch of new and innovative sales channels.

1. Elements of innovation and organisational hybridisation

- foundation of «So.Economy» Ltd. with a only one partner (the Consortium);
- building a network composed by the main subjects of the territory;
- standardisation of the commercial strategy;
- coexistence of two entrepreneurial «souls»: social co-ops and small local producers;
- project management through Ltd. which reinvests profits in social activities;
- using a mix of strategic skills and financial resources.

5. Case study: the Consortium «La Città Essenziale» and the «Panecotto®» brand (4)



2. Generative mechanisms

- push by the promoter subject toward an opening to a more entrepreneurial slope (cut of public expenditure, need to diversify economic resources, etc.).

3. Role of co-operation

- previous experience from which the new entrepreneurial project is originated;
- active subject of the supply production and of the project management → inclusive and participative elements holder;
- fundamental role in spreading the experience and consequently in its standardization and replication in other Italian regions.



Conclusions (1): hybridization process as generative mechanism of «disruptive innovation» within social co-operation

It is evident that **innovation in social co-operatives** has a **cyclical nature**: thirty years ago, the non-profit has undergone a major season of innovation creating a **new way of thinking about enterprise and welfare services**.



Innovation in **doing «social politics» and «enterprise»**

According to this logic, the private sector has started working within the «public» action sphere and at the same time the «not-for-profit» has developed its action zone becoming more and more «productive».

At the present time, the main innovation by social co-operation is to have shown that **social services** could be organised and provided according to **entrepreneurial logics**.



Conclusions (2): common features between co-operation and hybrid organisations

1. New entrepreneurial subjects originated by («disruptive») *innovation* processes within social co-operation

2. Community focus

3. Multistakeholdership

4. Market oriented

5. Capital locked in

6. Aiming at building new ways in the *provision of welfare services* and in the *generation of new jobs*



Thank you for your attention!

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