



SOCIAL INNOVATION IN CHILE AND THE ROLE OF THE STATE IN ITS DEVELOPMENT

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RESEARCH SUMMARY

The aim of the following study is to contribute to the promotion and advancement of the Social Innovation and Entrepreneurship field in Chile. This will be presented in a four chapter report, where we explore the role of the State in the development of this phenomenon. To achieve this, amongst other things, work has been done to produce an appropriate theoretical framework, an analysis of the history and evolution of this trend on a national level, a review of experiences in international public policies, and recommendations to be implemented in Chile.

The theoretical framework consists of an analysis of the role of various social actors and of the State regarding the development of Social Innovation and Entrepreneurship. Thereafter the study analyzes the current situation and the history of the initiatives associated to this phenomenon in Chile. Subsequently, we analyze diverse experiences in public policies on an international level, with special emphasis on the experiences of some States that have taken an active role in the promotion and facilitation of this process of emergence. In addition, emblematic initiatives that illustrate how to strengthen and streamline an auspicious environment are identified. Finally, we offer a series of recommendations for suitable public policies, which will support the progress of this trend in Chile.

Despite the nuances, both the national and international experiences give account of the important role that has been played, and is still played today by the State, in relation to promoting and facilitating the diverse initiatives and trends originated from the civil society. This has been observed with particular emphasis when the State has been able to form alliances with different sectors, favoring joint efforts towards a common agenda which contributes to the development and strengthening of traditional organizations from the third sector, such as non-profit organizations or cooperatives. In addition we find an increasing number of examples on an international level where the State is committed to a role of promotion and facilitation of the new trends, as is the case of Social Innovation and Entrepreneurship. This trend could open an opportunity to improve the living standards for everybody and especially, to address complex problems associated to the most vulnerable segments of society, which historically have not been addressed by the various policies and instruments of the State itself or of the traditional private sector. Hence, backing up the thesis proposed by this research, which states that the State plays a crucial role in the development of such a phenomenon, it is necessary to adequately evaluate together with all the sectors involved, the timings, mechanisms and degree of their possible involvement. There is a need to take into account the local nature of these initiatives, thus allowing the emergence of strategies for the sector from the different locations, which enables the empowerment of local communities and gives more sustainability to the positive aspects that this phenomenon entails.

In order to facilitate a common language and vision regarding the concepts and definitions related to Social Innovation and Entrepreneurship, we present a selection of the multiple definitions associated to the topic. We have selected the ones deemed crucial, to deliver an initial approach to the above mentioned trends, and they are: Social Innovation, Social Entrepreneurship and Social Enterprise. For each one of these terms the present study examines four lines of thought, including some originated in Latin America, where certain key components were identified. The results of analyzing this material yielded instrumental

definitions for each one of the three concepts afore mentioned. These definitions share an explicit search of the value creation for society. This means a primordial concern for social value generation, while avoiding the detriment to the essential creation of economical value that ensures self-sustainability.

The proposed instrumental definitions are:

- **Social Innovation:**
 - Social innovation is the creation of value for society through the introduction of a novel product, service or process that satisfies a social need in a better way than the existent solutions, thus producing a favorable change in the social system.
 - Successful social innovations persist over time, have a scalable impact, and promote and strengthen the participation of the community where they take root.
- **Social Entrepreneurship:**
 - Process or opportunity to create value for society through the generation of products, services or new organizations, which elicit a positive change or impact in the community where they are developed. It is driven by the actions of an individual, a group, or various organizations that operate in a determined context.
- **Social Enterprise:**
 - Organization whose main and determining goal for decision making is the creation of value for society through the trading of goods and services. It is autonomously managed and combines diverse financial and administrative mechanisms that grant it economical sustainability.

The theoretical framework also presents a holistic perspective, essential when dealing with the emergence of a social phenomenon as inherently complex as this one. It is precisely the pursuit of social value creation and the associated positive social impact the transverse elements that allow to set coordinates within this newborn ecosystem. Therefore, in the attempt to explore the role of the State, we include an analysis of the various key roles present in this ecosystem. They are characterized in this study under the following categorization: research and knowledge; creating links and networking; creation and incubation; supporting and consolidating structures; a more aware and responsible citizenry; and obviously, ventures and innovations themselves. This analysis enables as well to establish certain scopes for interaction between the different agents or actors associated to these trends, having as grounding the specific context where the interactions take place, which is a fundamental part of the system. All that has been said supports the hypothesis presented by Leadbeater in 2007, where he stated that in order to promote Social Innovation and Entrepreneurship and in particular the positive social impact derived from these, it would

be necessary to focus not only on the respective initiatives but in the entire ecosystem, assisting the different roles and the actors who play them.

In that sense, while the experience of Chile regarding Social Innovation and Entrepreneurship could be reckoned to be limited, it is important to account for the evolution and the importance of areas such as non-profit organizations, which proves among other things, their long trajectory and importance in the national economy. This area has the most diverse organizational structures, such as indigenous associations, work cooperatives, land-related and community organizations, in addition to the many foundations and corporations that exist in Chile. Furthermore, lately we find hybrid organizational models being applied, where an enterprise dynamic is adopted, but the objectives and statutes that drive the strategic decisions towards social objectives, take precedence over the profit maximization decisions of the organization. Some of these were considered in a selection of 19 cases through convenience sampling where the diversity of the above mentioned organizations becomes patent. The sample also examines some characteristics of these organizations finding differences in their models of management, leadership, and territorial contexts, among others, and therefore obtaining specific learning experiences.

Regarding the case analysis, the first conclusion to note is the diversity that exists within the various initiatives examined. This becomes particularly evident once the originating processes of these ventures are analyzed, considering their social value generation proposals as well as the numerous ways in which they move resources. The results of these analyses confirm the complexity behind these Social Innovation and Entrepreneurship initiatives, which in addition to what has already been stated, usually aim for mixed goals, involving different actors in their governance to achieve these. Hence, when designing public policies it appears to be relevant to assess if any public institutional framework, incentive and encouragement instrument, or legal framework could favor these initiatives. This applies both to group initiatives and the sub-groups investigated by this study: non-profit organizations; cooperatives; hybrid business models and initiatives; and social innovation initiatives in traditional companies.

Beyond the numerous differences found, and not wanting to generalize, this study offers possible elements that could illustrate some of the characteristics of these initiatives. As an example, one of the most relevant topics found has to do with the importance given to the collaborative work and the generation of relationships and interactions. This allows the initiatives to produce and persevere with a value proposal different from the one used by traditional companies. The support and interaction with other entrepreneurs and similar organizations has proven to be crucial to ensure the latter, which indicates the importance of networking within the ecosystem for allowing the transmission of information, knowledge and experience between the different initiatives and actors. Similarly, a second relevant topic is the lack of tools to forge the initiatives. These are only being used by those who are already in a consolidation stage and have already dodged the initial barriers with their motivation, perseverance and personal aptitudes. Another common topic found in the interviews is funding, as a crucial element throughout the entire gestation and ripening of these initiatives. In particular, in their necessity to align the social and financial objectives in order to find a model of self-sustainability that does not pull away from the social mission they have committed to.

Once the overview of the national history and reality is constructed, this study proceeds to analyze different cases of initiatives on a global level that could be useful as examples and good practices. The objective is to propose lines of action regarding public policies associated to Social Innovation and Entrepreneurship in Chile. Within the initiatives found there are both initiatives corresponding to the specific experience of some States, and initiatives considered to be emblematic regarding these trends on an international level. From this experience it can be concluded that there is a strong movement tending to the creation of some kind of public institutional framework that assists this new ecosystem. In particular, this becomes evident in contexts where there is an obvious pressure from the civil society due to a reaction from the public sector to favor Social Innovation and Entrepreneurship. As a consequence, the public initiatives or institutions that have been pioneers in their field, end up becoming single points of reference that absorb all the demands associated to this tendency, despite their initial objective. In the end, they are forced to take on directly or indirectly all the necessary roles in the system.

So, within the various initiatives that were analyzed, it is possible to demonstrate the positive impact that public policies have on traditional sectors that in many cases have been stagnant. Among other things, we can observe the measures adopted by the Italian government to encourage the development of social cooperatives, by creating flexibility in the legal framework regulating them. We also found a group of initiatives focused on boosting the new dynamics within the non-profit traditional sector, for example through the incentive to Entrepreneurship and Social Innovation of the *Social Innovation Fund* in the U.S.A. Another example is TACSI in Australia, whose focus is set up on the social impact, regardless for the sector or organization from which these changes are promoted.

The role of the State is therefore heightened as a facilitating agent in the process of emergence, and in cases such as the United Kingdom, for the consolidation of a growing sector of economy and society. This last case is a particularly interesting experience because, among other things, it counts with the direct and explicit support expressed in that it depends directly from the Prime Ministers' cabinet. From this hierarchical level different units or agencies that ensure the stability of the sector have been promoted. In addition, they have also generated the public instruments that strengthen the ecosystem on a national and even regional level. This was done by subscribing to the commitment behind the European initiative, *Social Innovation Europe*, which seeks to boost and streamline the Social Innovation and Entrepreneurship by articulating the experiences and actors at a regional level with the corresponding support from the public and private sectors.

With elements gathered from the international experience, it is possible to state that Chile has a momentous opportunity to build a public agenda related to Social Innovation and Entrepreneurship. After reviewing the diverse international practices, and considering that this is a nascent and incipient phenomenon in the national experience, the vision is stated even more strongly. Multiple opportunities exist for a larger involvement of the State in support of the emergence and consolidation of this phenomenon. However, considering what State intervention involves and the role proposed for it as a facilitator to this process, it is necessary to move forward towards the attainment of diverse studies, in the creation of promotion instruments and in the revision of existing initiatives. All of which must lead to promote and enable a process for learning and clarifying what effectively exist in Chile today regarding these topics. Thereafter, the State can realize the diverse necessities through a

fluent dialog with the different actors, modifying its instruments and even developing the regulatory framework to favor the emergence and consolidation of the sector.

Finally, this study delivers a series of recommendations associated to tools and actions that could be implemented by the Chilean State in the short to medium term. However, the development of a strategy with the necessary prioritization of the proposed actions will happen only when within the State, and in total harmony with the national ecosystem of Social Innovation and Entrepreneurship, a vision is constructed regarding the direction this sector wants to be lead to, and what could the real benefits be in terms of contributing to the diverse problems that still burden our society. This is beyond the scope of the first study, concerning these topics on a national level.

Nevertheless, in accordance with the weaknesses and opportunities detected from a technical point of view, this summary is based on the four dimension structure elaborated for the study to include some of the recommendations with their respective short-term actions to be implemented. The latter have been prioritized in a way that will give continuity to the ongoing work that has been developing along this investigation. At the same time, it is expected that these recommendations constitute a first step in a possible roadmap for the Chilean State, regarding the promotion of the Social Innovation and Entrepreneurship field on a national level.

I. Perspective, visibility and knowledge of the phenomenon:

- **Recommendation:** Gain knowledge about the state of the art in Social Innovation and Entrepreneurship in Chile, as well as the economic, social and environmental impact, and obstacles for the development of these initiatives. Understand the Chilean context considering the focus of the Social Innovation and Entrepreneurship initiatives in Chile, and move forward with a shared vision regarding these within the government. Adopt a perspective regarding which is the role of the State that will look at this phenomenon through the ecosystem paradigm.
- **Short-term action:** Study in depth the diverse roles and actors that exist in the national ecosystem of Social Innovation and Entrepreneurship. Pay special attention to the impact that social enterprises have in the economy, and in the social and environmental aspects. Characterize some successful experiences, the main obstacles faced by these initiatives and the size of the sector, among other things.

II. Institutional framework:

- **Recommendation:** Articulate the different governmental actions, both between and within the ministries, by creating space for discussion and action around the Social Innovation and Entrepreneurship initiatives. This should be

done both nationally and locally, promoting, supporting and listening the dialog between actors from different sectors in the ecosystem.

- **Short-term action:** Implement an inter-ministerial workgroup to address these topics and develop an agenda, including representatives from the ministries of Economy, Social Development, and General Secretariat of Government. Nevertheless, it would be interesting to count with the presence of representatives from the Undersecretary for Regional and Administrative Development's office. This, in addition to the support for the creation of technical inter-sector workgroups that allow for the co-development of public policies in this area.

III. Public policies of promotion and incentives:

- **Recommendation:** Generate promotion and incentive programs for Social Innovation and Entrepreneurship initiatives, promoting the specific roles in the ecosystem of creation and incubation, and generation of support structures.
- **Short-term action:** Implement, or rather expand explicitly the non-refundable funding existing both for Social Innovation and Entrepreneurship and for other actors involved in boosting and streamlining the ecosystem, such as public welfare instruments, the Local Entrepreneurship program from CORFO, or the *Global Connection* program, with a new social dimension.

IV. Legal framework:

- **Recommendation:** Study and create a legal entity for the Social Enterprise, and implement it.
- **Short-term action:** As part of the inter-sector workgroup dedicated to the creation of a legal entity for Social Enterprise in Chile, organize an international workshop of approximately 20-30 people in the upcoming months. Ideally to include national experts that facilitate and place the analyses in context and international experts who know in depth the legal entities for Social Enterprises implemented in countries such as the United Kingdom, United States and Italy, among others.