
The emergent process of social innovation: multi-stakeholders perspective

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Abstract: This paper explores the process of how social innovation is created. There have been many researches about social entrepreneurs. However, few studies have been made about social innovation in comparison to many researches in business innovation. Most social innovation is not created by a single entrepreneur (producer) but in collaboration with related stakeholders including customers, civil society organisations, local businesses, researchers and so on. This paper tries to clarify this process through a case study of the Hokkaido Green Fund, an environmental NGO in Japan. They have introduced the first community wind energy business in Japan. The social entrepreneurs co-create unique ideas with stakeholders and obtain various resources from them in tackling social issues, and create an innovative scheme. This paper tries to present a new perspective for the analysis of the social innovation process from the viewpoint of multi-stakeholders.

Keywords: social innovation; social entrepreneur; multi-stakeholders; derivative innovation; collaboration; social innovation cluster.

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1 Introduction

Social entrepreneurs have been emerging and expected as new social innovators. They have tackled various social problems in the field of welfare, community development, environment, and cooperation with developing countries through business activities rather than volunteer activities. Social enterprises are expected to provide new innovative business models in social fields, able to respond to a variety of social needs in the local and global communities, to which conventional schemes are not able to respond (Brinckerhoff, 2000; Light, 2006; Mawson, 2008; Tanimoto, 2006; Yunus, 2010).

The roles and potential of social entrepreneurs have been spotlighted by media and academia alike recently, and studies on social entrepreneurship have been increasing. There are already many case studies and theoretical studies on social enterprises and entrepreneurs. However, few of those studies focus on how social entrepreneurs innovates new ideas and schemes and diffuse it. In comparison with the vast volume of studies on business innovation, there is a dearth of academic research on how social innovation is created. The purpose of this paper is to clarify the process of social innovation.

Although some characteristics of social innovation are similar to business innovation, others are rather different. It is true that some of the concepts and frameworks found in studies on business innovation are adaptable to social innovation. However, social innovation displays many unique characteristics, primarily because social enterprises have a mission with a double bottom line: to achieve social performance as well as economic performance.

The concept of social enterprise and social entrepreneur is defined in two ways. The first one is focused on its social objectives/mission. The Office of the Third Sector of UK Government defines social enterprise as follow: a social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for the purpose of the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (UK Government, 2006). The same office defines a social entrepreneur as a person driven by a desire to change society. Borzaga and Defourny (2001) understand that the nature of social enterprises relies on the combination of characteristics of cooperatives and non-profit organisations, and social enterprises set out a new social entrepreneurial spirit focused on social aims. These definitions focus on the social dimension of a social entrepreneur.

The other definition is focused on the social change and innovation. Ashoka which is one of the leading support organisations defines social entrepreneur as ‘an engine of social change’ or ‘innovator for the public’ (<http://www.ashoka.org>). Dees and Anderson (2006) insist that a social entrepreneur plays the role of a change agent in the social sector by adopting a mission to create and sustain social venture. They concentrate on those social entrepreneurs who carry out innovations that blend methods from the worlds of business and of philanthropy to create social value. This definition focuses on the innovative dimension of a social entrepreneur.

The concept and the corporate form of social enterprises vary from country to country (Borzaga and Defourny, 2001; Kerlin, 2006), depending on legal context, the maturity of the civil society concerned and the relationship with government and other stakeholders. There are many definitions and understandings of a social enterprise, but the followings are integral and indispensable factors (Tanimoto, 2006):

- 1 *Social mission*: to have a clear objective of tackling social problems and to meet social needs. Social business can be operated only by receiving support from society.
- 2 *Social business*: to create a new comprehensive business model to realise its social mission in the marketplace. It is difficult for social enterprises to venture into the social field with no chance to make profit, but their purpose remains focused on the creation of new social value rather than the maximisation of profit for shareholders and owners.
- 3 *Social innovation*: to develop new social goods and services, and unique systems to address social problems.

It is also important that the social business prompts the realisation of new social values. It is no easy task for entrepreneurs to connect the realisation of social mission and the performance of profitable business. It is social innovation itself that connects these two factors.

This paper's central research question is to clarify "how is social innovation created?" To explore this question, I review the existing research on social innovation theory. And I propose the basic framework how to analyse the process of creating social innovation with reference to the theoretical work on business innovation. Next I survey a social enterprise engaging the first civic wind-power electricity business in Japan by a qualitative research methodology: depth interview. Finally I discuss the findings and show the conclusion and some implication.

2 Social innovation

2.1 Social innovation theory

Aiming to change society and making business work well are not actions that are linked automatically. Social entrepreneurs who are able to connect both and to develop unique activities in the process are creating innovation. Social entrepreneurs are not necessarily required to create new technologies, materials or product innovation, but to develop new schemes and unique business models.

Innovation is generally defined as that which introduces something new, makes changes in anything established. Innovation of economic activity means innovation which brings economic effects. Drucker (1985) points out that entrepreneurs create something new and something different and change or transmute values. This idea also applies to social entrepreneurs. Muglan et al. (2007a) think of social innovation as the development and implementation of new ideas, products, services and models to meet social needs. This paper defines social innovation as innovation which creates new social values through businesses which tackle social problems with a view to their resolution.

Studies on social innovation have been popular in this decade. In comparison to the vast volume of research on business innovation, however, there is a remarkable dearth of academic research that looks at how social innovation is created and analyses the process of social innovation. Mulgan et al. (2007a) have argued that 'the competitive pressures that drive innovation in commercial markets are blunted or absent in the social field'. But the situation has been changing rapidly. Growing global attention and the boom on social

entrepreneurs have intensified the research being carried out on social entrepreneurs and their innovative activities.

There are a variety of discussions on social innovation, ranging from innovative political and welfare systems through macro-institutional change (Hämäläinen et al., 2007) to innovative business models by social entrepreneurs. Drucker (1985) argues that social innovation includes not only technology but also frameworks of insurance and healthcare which have a huge impact on society. He analyses innovation strategies of public-service institutions (government agencies, universities, hospitals, non-profit organisations in the community) as well as business and new ventures. He explains the main features and policies of social innovation by public-service institutions, but does not analyse how the social innovation itself is created. This paper focuses on innovative business activities by social entrepreneurs, not on innovation by public institutions on the macro level. There are some studies which discuss new movements, led by entrepreneurs, which are tackling social problems. For example, Westley et al. (2006) analyse the innovative approaches of various players, such as government, NPOs, volunteer groups, financial groups and business corporations, regarding social subjects including HIV/AIDS in the community, crime prevention, and support for the disabled. Mulgan et al. (2007a) examine the characteristics of the different approaches shown by various players; NPOs, government, markets, movements, academia and social businesses, regarding fair trade, hospices, correspondence courses, open universities and Wikipedia. These studies deal with political and social issues at the community level and analyse the structural mechanism of reform and the meaning of social innovation; they are not, however, necessarily focused on business schemes.

Studies focused on the social innovation of social enterprises are increasingly common. Dees (1998) defines social enterprise as being located in the centre of two points on a linear scale: the purely charitable and the purely commercial. Social entrepreneurs, who can be called change agents, seek out opportunities to improve society, to create new social values. They consider social innovation as their fundamental resources; new and better ways of serving their social mission (Dees et al., 2001). They regard social entrepreneurs as promoting innovation which matches their social business and philanthropic activities in order to create social value. Dees et al. (2001) mainly research the strategic management of social innovation, however, and not the process of social innovation.

Discussion on how to make social innovation work has been led by a study by Mulgan et al. (2007b). They point out that ‘the successful growth of social innovations depends on effective demand and effective supply coming together’, and that ‘innovations often begin with simple ideas and insights, which may ultimately originate from many different sources including social entrepreneurs, bureaucrats, frontline staff, service users, observers or volunteers’. Moreover they suggest that the ‘diffusion of an idea’ is the key point in developing more effective social innovation. Social enterprises need ‘effective strategies’ (choices about supporters and organisational form) and ‘learning and adaptation’. They insist that the key issue is how to connect ‘pull factors’ coming from government and the community to ‘push factors’ coming from those who have ideas. As they put it, “the combination of ‘effective supply’ and ‘effective demand’ results in innovations that simultaneously achieve social impact and prove to be financially sustainable”. They explain the macro conditions and mechanism of social innovation from the viewpoint of demand and supply, but do not clarify the process of how social entrepreneurs create social innovation.

Westley et al. (2006) assert that the idea of complexity explains the process of how social innovation is created within the interactions of various movements and how it changes society. They suggest that ‘relationship is a key to understanding and engaging with the complex dynamics of social innovation’ and that “for social innovation to succeed, everyone involved plays a role. As a result, everyone – funders, policy makers, social innovators, volunteers, evaluators – is affected. It is what happens between people, organisations, communities and parts of systems that matters ‘in the between’ of relationships”. This idea, which considers social innovation as being in a dynamic relationship with stakeholders, is thought-provoking for our research. However, their perspective of complexity remains nothing more than an idea, and they do not go on to explain the mechanism and process of social innovation.

Christensen et al. (2006) refer to disruptive innovation for social change as ‘catalytic innovation’: ‘What’s required is expanded support for organisations that are approaching social-sector problems in a fundamentally new way and creating scalable, sustainable, systems-changing solutions’. Here, innovation presents a new possibility to under-served people whose needs have not been met in areas with insufficient social services. They pick up some cases, such as low-cost medical insurance and affordable education programs, e-learning at secondary schools, community colleges, and micro-lending systems, made available to people who otherwise would have limited or no access to educational opportunities. However, they describe the unique nature of catalytic innovation in social sector, but do not explain the processes behind the birth and development of social innovation.

As noted above, social innovation is already being considered from a variety of perspectives. The specific purpose of this paper, however, is not just to describe the nature and significance of social innovation, but to clarify the dynamic processes by which social innovation is created.

2.2 The creation of social innovation

This section considers the basic framework of how to analyse the process of social innovation. The primary questions here are where, and by whom, is social innovation created?

Business innovation studies have focused on whether innovation is created within the organisation (research and development division, project team) or outside the organisation (user/customer, collaboration with other actors), as well as whether innovation is created in a closed or an open process (Chesbrough, 2003).

In researching the process of social innovation as it addresses social problems, studies on user-led innovation and user/producer co-created innovation are useful, rather than those which concentrate on producer-led innovation. For example, Ogawa (1998) explains user innovation in terms of a ‘Sticky Information Hypothesis’ (where the costs of sticky innovation-related information would have an impact on the locus of innovation) inspired by Von Hippel (1994). Ogawa (2006) also explains that innovation-generating collaborative activities between the producer and the user are competitive. Von Hippel (2005) points out that the user’s ability and environments to generate innovation are developed, not by the producers who are the providers of products and services in various areas. Prahalad and Ramaswamy (2004) focus on the process of value creation by consumer-company interactions. With the global spread of the internet, consumers now have access to a large volume of information and are able to

create online communities and new values beyond conventional geographic and social boundaries. Consumers become committed to interaction and co-creation with companies.

Up until now, studies on social enterprise have primarily concentrated on case studies, entrepreneur studies (Barendsen and Gardner, 2004; Bornstein, 2004; Yunus, 2010) and management studies (Brinckerhoff, 2000; Dees et al., 2001; Austin et al., 2006; Jäger, 2010). For example, studies focused on a single charismatic entrepreneur describe her or his success story. Not all social innovation, however, is produced by a single entrepreneur. Few have focused on how social innovation is created and how it changes society, or on the discovery of the processes involved in social change.

How do social entrepreneurs change the social system? How do they find out about social problems, create new business schemes with unique ideas and resources, and diffuse them? In many cases, social innovation is created not only with users and customers, but in collaboration with various stakeholders. As the case of the Hokkaido Green Fund (HGF), considered in the next section, social innovation is created through an open relationship with stakeholders in the local community and a collaborative process with them. The focus of this research is to analyse the relationship between the entrepreneur(s) and stakeholders, and the dynamic process of creating social innovation.

This point relates to the suggestion of Matsushima and Takahashi (2007) that a new perspective is necessary to clarify the dynamic process in which institutional entrepreneurs come to co-opt and make relational rules with various actors. This is closely linked to the idea that the paradox of embedded agency: 'the paradox of how institutional change is possible if actors' intention and relationality are conditioned by the institutions they wish to change' (Dorado, 2005) should be deciphered; which explains that, as they come to have the cause and the opportunity, entrepreneurs try to gain resources in order to change an institution, while being embedded in the institution. The key point is to understand the process of how entrepreneurs get a motivation to start the business, make a relationship with a variety of stakeholders, and create social innovation to provide possibilities for social change.

3 Research methodology

When a social entrepreneur recognises a social/environmental problem and starts a new social business targeting it, she or he thereby creates a socially innovative scheme or products to achieve the goal. This paper aims to explore the process of creating social innovation in collaboration with local people and organisations. In this regard, this paper reviews this process in the context of one case of an environmental NGO: the HGF which is engaging the first civic wind-power business in Japan.

A case study is suited to the research question which requires detailed understanding of social and organisational processes, because of the rich data collected in context (Hartley, 2004). This paper illustrates the social innovation process by detailed understanding of one case study. How does an entrepreneur(s) identify the social/environmental issue and tackle it utilising the business scheme? In the process of creating the social innovation, which stakeholders do provide ideas and resources to the entrepreneur and make collaboration with each other? I clarify the process of creating social innovation by researching HGF's case in detail.

I had an interview with HGF's Chairperson Sakae Sugiyama in Sapporo for the first time on June 2001, when their wind-power electricity business was starting up in the initial stage. Since then, I have had interviews with her and Director-General Thoru Suzuki several times per a year. The depth interviews with them were face-to-face in order to figure out their dynamic and evolving activities. And other important sources of data are the meeting minutes and internal data, as well as their presentations and statements at the symposium and lecture meetings. These two types of sources: interviews and documents are the basic data. I conduct to triangulate both interview date and documents date to reduce the misinterpretation by achieving redundancy of date using multiple perceptions (Stake, 2000).

And I also refer to a questionnaire survey led by one of my co-researchers to clarify the investors' reason why they made investment and how their environmental behaviour was changed after investing to the HGF's Community Wind Power Project (Ohmuro, 2012). This survey was conducted in 2009. Four years have passed since the fourth and fifth community wind turbine was constructed in 2005. We estimate that four years is enough time to impact the investors' behaviour and value. 328 out of all the 596 investors answered the questionnaire.

4 Social innovation in the HGF

4.1 The identification of social issues

The HGF was established in Sapporo City, Japan, in July 1999. Its purpose is to enable citizen to play a positive role in creating energy innovation themselves, without being limited to conducting an anti-nuclear power plant movement. The starting point, however, can be traced back to an anti-nuclear movement, the 'Good-Bye Nuclear Group', started in 1988, of which Suzuki used to be the group leader. It consisted of members mainly of the Seikatsu-Club Consumer's Cooperative Union Hokkaido, of which Sugiyama used to be Chairperson from 1986 to 1998.

The movement was triggered when Sugiyama and the members of the Cooperative Union encountered radioactively-contaminated vegetables, the contamination having been caused by the nuclear meltdown at the power station in Chernobyl. And the members learned the limitations of their efforts when they were not able to prevent the construction of nuclear power plants in Tomari, Hokkaido, as planned by the Hokkaido Electric Power Co. After this set-back, they began to refer to alternative business-styled movements in Europe, and remodelled the basic strategies of their activity on 'a style of movement incorporating practical business, and a business style incorporating a sustainable movement'. Then, they stepped up efforts to establish a community wind energy business.

At that time, wind-powered electricity businesses established through citizen-led initiatives were already popular in Europe. The activities of HGF did not represent the first innovation in this field, although they were unprecedented in Japan. Back then, Japan's policy on electric power was rigid, and electric power companies dominated the electricity market in each region. Although free access to the electricity market was granted in 1995, the entry of citizens into that market was not seen until the HGF was established. They were passionate about creating a new model to change the rigid energy policy. Redlich (1951) describes original and unprecedented innovation as 'primary

innovation', and innovation which has been produced elsewhere but is introduced into a new area as 'derivative innovation'. It is not easy to transplant a foreign model into one's own country and make it succeed, because of differences in social structure, resources and value. Imitation of an established model alone will rarely lead to the successful introduction of innovation. In order to realise derivative innovation, various skills and efforts are needed to adapt the innovation appropriately to each country.

4.2 Collaboration with stakeholders

While looking at the possibility of generating electricity through natural energy, before establishing the HGF, Sugiyama and Suzuki learned about the green electricity tariff scheme, which has proved popular in the USA, from Prof. Koichi Hasegawa of Tohoku University. They also found out about several cases of wind energy businesses owned by local communities in Denmark from Tetsuya Iida, Director of the Institute for Sustainable Energy Policies. This information helped them to form more concrete ideas, leading them to consider the possibility of running a wind energy business in Japan with reference to preceding cases. First, they introduced a green electricity tariff scheme in cooperation with the Hokkaido Electric Power Co., researched some well-developed cases of community wind energy projects in Europe, and then began to set up a business plan for installing wind turbines and selling the electricity generated by civic hand.

By the end of 1999, Hokkaido Electric Power Co. announced that they would be purchasing natural energy for the remainder of the period ending March 2001. The HGF Board of Directors was forced to make a quick decision committing to starting the business, saying 'we cannot tell when the next opportunity will come'. They faced several of management challenges in preparing the community wind power business soon. Especially fundraising presented a severe problem for the HGF, since approximately 200 million yen (approximately 1.6 million dollar) is needed to purchase and install a single wind turbine. In the first instance, the collection of such an amount of donations would have been entirely impossible for them. A further problem was that of the institutional restriction applied to non-profit organisations, not being able to receive investment from the market. After hard negotiations with banks in Hokkaido, they finally received a response from North Pacific Bank: they would lend the HGF 140 million yen provided it established a new business corporation, clarified its accountability and raised 60 million yen on its own.

HGF then decided to establish a business corporation for fundraising in the market to develop their community wind power business. They met Hiroyuki Kawai, an attorney and the founder of Sakura Kyodo Law Offices, who had an interest in this business and provided the HGF with advice and legal support in establishing the corporation (Kawai later became the auditor of the Natural Energy Community Fund Ltd., which was established later by the HGF). In February 2001, Hokkaido Citizens' Wind Power Co. Ltd was officially launched, with 14 stockholders (13 individuals, 1 corporation = HGF), and Toru Suzuki who had been a leader of the business plan was appointed President. The company has a council system with three members, President Toru Suzuki, Vice-President Sakae Sugiyama, and Yotaro Kashiwa (the representative of Anti-Nuclear Citizens' Group), having right of representation. 14 shareholders had a right of vote and the surplus was re-invested to the business.

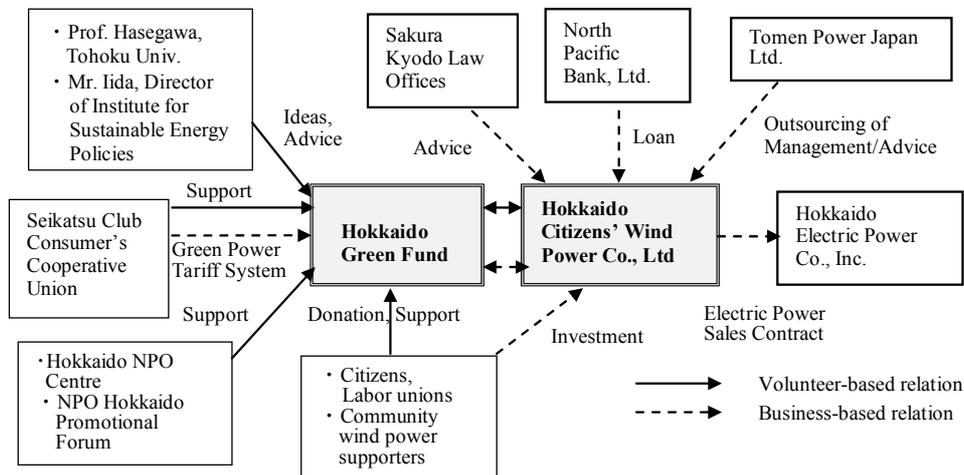
They established an anonymous union for fundraising, which was a limited partnership and all the names of investors were not disclosed. The investment to the

company's business was just adopted to raise capital. The investors received dividends but not given a right of vote as a shareholder. In this way, HGF established a business corporation and make a combination of two different styles of organisations: a non-profit organisation and a company limited. I call this organisational strategy is 'Organisational Portfolio' (Tanimoto, 2006; Tanimoto and Doi, 2007). HGF mainly focused on an environmental advocacy activities and Hokkaido Citizens' Wind Power Co. Ltd focused on the fundraising and maintenance management of wind turbine.

Starting in December 2000, by asking for an investment of 500,000 yen per contribution, the HGF was able to collect investment totalling around 100 million yen in the first month alone. In Sapporo City, a voluntarily project, entitled the 'Community Wind Power Supporter Group', was also organised. This group asked for investments of minimum 50,000 yen (about 400 dollar) per contribution, and established a system whereby up to 10 smaller units of contribution could be combined to make up the minimum total, thereby making it easier to contribute with fewer funds. They succeeded in collecting 5 million yen in the three months from May to July. The movement was accelerated by such support networks, and was able to gain public acceptance and support from the community in a short period.

By September 2001, the total amount raised stood at approximately 140.5 million yen collected from 200 persons and 17 corporations of the anonymous union. By adding 25 million yen of share capital including the extra 10 million yen coming from the green energy tariff system and donations from labour unions, the business fund totalled 165.5 million yen. The HGF also received a loan of 70 million yen from North Pacific Bank, and Japan's first community-run wind turbine was finally installed in Hamatonbetsu-cho (northern coastal area in Hokkaido), in September 2001 (generator: 990 kw, annual output: 2.6 millionkw).

Figure 1 HGF and its stakeholders



This business was supported by many people and organisations. In starting HGF, they gained the full cooperation of Hokkaido NPO Centre and the other civil society organisations. Toshio Hori, at that time a Director of the Electric Business Division of Tomen Power Japan Ltd, cooperated positively with HGF including making suggestions

for appropriate site locations, research and technical advice on the installation of wind turbines. Akira Otani, another employee of Tomen Power Japan, later joined the HGF and played a core role in the development and management of the wind energy business. Figure 1 charts the relationships amongst the related stakeholders.

4.3 *Sharing the experience*

There were two major factors that explain why cooperative activities and investment fundraising were successful in this case:

- 1 the public's awareness of and negative attitude towards nuclear power
- 2 the public's expectations for the first community wind energy business in Japan. The success of this business owes much to its many sponsors and supporters in the community.

In this project, stakeholders with various purposes have come together to collaborate on the basis of value sharing through common experiences. It appears to be a major factor of social innovation that stakeholders share a common experience, here taking part in establishing the community wind energy business. Social innovation with a correlation of stakeholder interest can change social system and value. A survey, carried out on investors in the first community wind energy by Iida et al. (2003), shows that many of the respondents were passionate about wanting to be part of solving local environmental/energy issues: 75.2% invest for stopping the global warming and 74.2% for stopping the nuclear power. One person of the village where the wind turbine was installed stated: 'we are now proud of 'wind' blowing through our village, which has been only a distraction to our livelihood before'.

Another survey led by my co-researcher in 2009 to the investors who have made investment in the fourth and fifth community wind turbine constructed in 2005 shows interesting results (Ohmuro, 2012). This shows the investors' reasons for making investment and their environmental behaviour after investment.

Table 1 The investors' reason

1 To stop nuclear electric power	68.1%
2 To stop global warming	66.0%
3 To invest for social purpose	65.8%
4 Not to make a donation but to invest	57.3%
5 To support non-profit organisation's activities	41.1%

Table 1 shows the investors' reasons to make investment in HGF wind power project. 68.1% of respondents answered 'to stop nuclear electric power', 66.0% for stopping global warming, 65.8% for investing for social purpose. Of particular interest some answers are not directly related to the environmental factors. 57.3% answered 'this is not for donation but investment', and 41.1% 'this is for supporting non-profit organisation's activities'. The respondents who chose 'this is not for donation but investment' answered the reasons; 'they might manage well the business because they must pay dividend' (27.3%), 'it is not clear how donation is distributed' (23.3%), and 'the dividend is attractive' (16.1%).

Table 2 Change of the investors' environmental behaviour

1	Investment strengthened their pro-environmental behaviour	47.5%
2	Investment changed their environmental behaviour	35.7%
3	Not necessarily change their pro-environmental behaviour regardless of the investment	16.7%

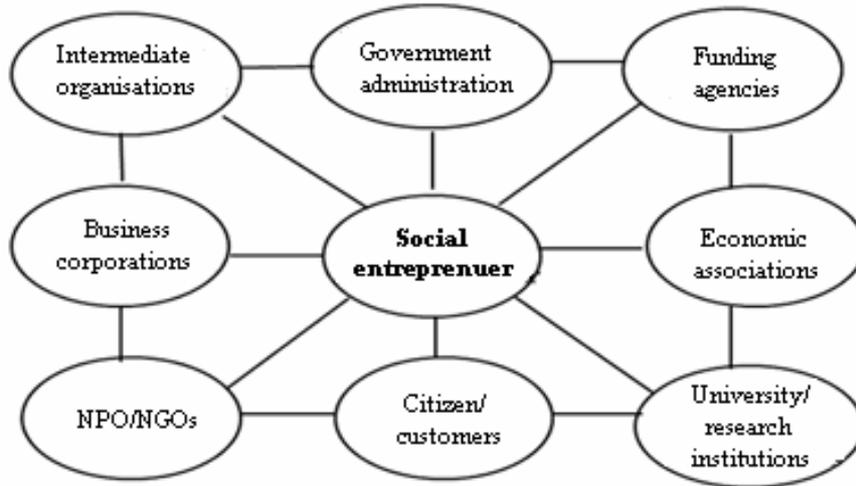
Table 2 shows how the investors' environmental behaviour and value change in four years after making investment. 16.7% of respondents answered not to change their pro-environmental behaviour regardless of the investment, 47.5% strengthened their pro-environmental behaviour, and 35.7% changed their environmental behaviour.

As for 'changed their behaviour' 35.7%, the top three answers of how their environmental behaviour changed after the investment are; 'to save the electricity at home', 'to purchase environmentally-friendly products', and 'to talk about energy issues with someone closed to her/him'. People's recognition of the environmental and social issues has been affected by their experience of investing and involving in the HGF activities. Some of investors were informed and learned the social impact of the community wind power business through HGF's activities and mass media. They perceived and interpreted the significance of the environmental issues by involving the business. It is important for them to share and expand the experience in the process of creating the social value and diffusing the social innovation.

After the success of the first installation, the second and the further wind turbines were constructed based on the experience and systems of the first one. This in turn encouraged people in other areas to construct more community wind energy plants, indicating that the innovation has begun to diffuse to other areas. Later, in February 2003, the HGF established the Natural Energy Community Fund Ltd. to build a new network of development and support for community wind power. The HGF has entered the second stage of its business, and this scheme of running community-based wind power projects is expected to develop throughout other areas in Japan.

5 Concluding remarks

The HGF case shows that there is a correlated relationship between related stakeholders who share experiences in the process of creating social innovation in a local area. Inspired by a certain social mission, social entrepreneurs source diverse ideas and resources from stakeholders, and then collaborate to start a new business. Not only by a single charisma, but also by various stakeholders in mutual relationship, social innovation is created and developed. In clarifying this relationship, this paper finds that there exists a structure which can be deemed a 'Social Innovation Cluster' in the area. This cluster is defined as an organisational accumulation that includes social enterprises, support organisations, funding agencies, universities, research institutions, and other stakeholders. By building cooperative relationships in a cluster, new social businesses are born and they generate and provide innovative social solutions and social values. The Social Innovation Cluster has similarities to the Industrial Cluster, but it also has its own unique characteristics; it is more open, flexible and community-rooted. The basic characteristics are cross-section, interaction with its community, and open access. Figure 2 shows a social entrepreneur and its related stakeholders in the cluster.

Figure 2 Social entrepreneur and its related stakeholders

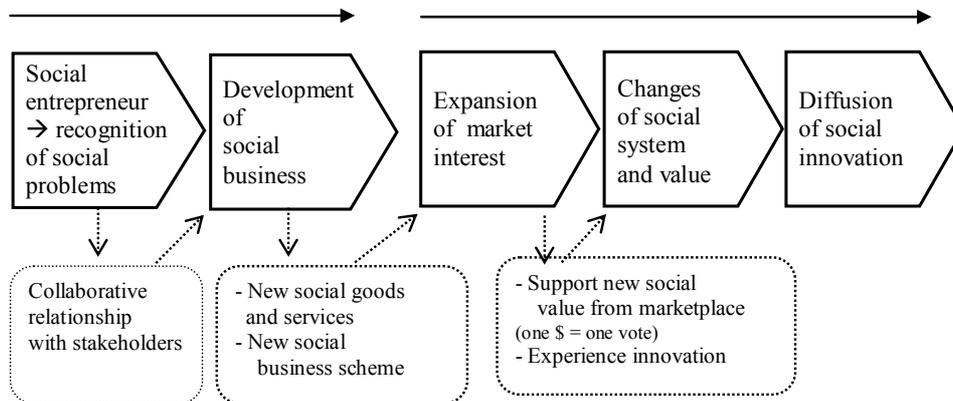
Social enterprises affect stakeholders through their business activities, at the same time, they are not possible to exist without being accepted by those stakeholders. Stakeholders recognise and come to learn about social issues from their business activities. New social value can be realised through purchasing and supporting of goods and services provided by social enterprises with a social message. People who encounter the message will experience increased awareness of and concern for social issues. They will come to recognise significant social problems, share their values and then become involved with community and social problem-based activities. In other words, social value is realised through peoples' experience and practise. In the case of the HGF, people who have been inspired by the HGF's activities have experienced making an investment in social business, witnessing the installation process of the wind turbine, and recognising its social impact via reportage by the mass media. Furthermore, their environmental consciousness has been gradually changing throughout these experiences; they have developed an interest in other environmental issues, or changed their behaviour to save more energy, to purchase environmentally-friendly products, and to come to participate in community programs on environmental issues. This can be described as similar to the style of 'experience innovation' proposed by Prahalad and Ramaswamy (2004). Figure 3 describes this process of social innovation.

This paper shows a unique result clarifying the process of creating social innovation in collaboration with stakeholders in local community. This provide a managerial implication that individual social entrepreneur should make and develop a creative relationship with stakeholders to make an innovative scheme because individuals have some limitations for resources, ideas and managerial skills. Social entrepreneurs come across some key stakeholders and get some supports from them in tackling the social issues.

Finally, I must recognise this paper has some limitations. First, this study focused on one case. Future research may want to survey the other cases to examine the multi-stakeholder process of creating social innovation. Second, I may consider designing a study that aims to define the diffusion process of social innovation for further research. As Figure 3 describes the whole process of social innovation, there are two parts of the

process basically: creation of social innovation and its diffusion. It may be the next theme to research the diffusion process of social innovation.

Figure 3 The process of social innovation



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