Chapter 19

Appropriateness of Standard Accounting Tools in Measuring Social Innovation in the New Global Economy

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ABSTRACT

The global economy brings about new trends, challenges, and needs, which require new solutions. Social innovations can have a major role in satisfying unmet social needs and increasing overall well-being. Measuring social innovation is therefore an important task with the purpose of informing the stakeholders about the performance value that an innovation creates. Standard accounting tools often neglect social or environmental impact, and thus, new or adjusted methods need to be developed. The objective of this chapter is to analyze methods of measuring social innovation and discuss advantages and disadvantages of traditional measures versus new approaches with the purpose of better understanding the significance of social innovation in the global economy. The chapter consists of six parts. After the introduction follows the literature review. The third part of the chapter discusses different approaches to measuring innovations while the fourth part suggests some new approaches to measuring social innovations. The fifth part describes future research perspectives. The final part is the conclusion.

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INTRODUCTION

Globalization, industrialization, accelerating urbanization and development of technologies have brought many changes in the way people, businesses and countries communicate, interact and perform. New global environment is putting forth new needs and trends as well as many societal and economic issues that require new, or at least modified solutions. Unemployment, poverty, financial crisis, environmental pollution and growing inequalities remain major challenges for governments and communities around the world. In this changing global environment, social innovations can have a significant role in responding to unfulfilled social demands and achieving social well-being. In doing so, social innovations include economic, environmental and social aspects. The purpose of social innovations is to improve the quality of human life, and social well-being in particular. The primary goal of social innovations is systemic change and regeneration of society, and it represents long term changes affecting communities or systems (Dainiene & Dagiliene, 2016). In the narrower sense, social innovations include new products, services, programmes, organizational management, social entrepreneurship or processes that simultaneously meet social needs and create new social relationships or collaborations (Bureau of European Policy Advisors, 2011; Murray, Caulier-Grice & Mulgan, 2010). Cooperation and communication between all citizens, civil society organizations, local communities, entrepreneurs (businesses) and public servants is needed in order to achieve the goals of social innovations. In other words, there is a need for alliances between small organizations, individuals and groups that create new ideas, are mobile and respond quickly to changes, on the one hand, and large organizations, governments and non-profit organizations that are not so creative but have the capacity to implement and solid foundation, on the other. Both sides are mutually needed, and social change is the result of their alliance.

Social innovations are usually driven by a social mission and the value they create is necessarily shared value (social and economic) between all participants involved (Păunescu, 2014). Lubelcová (2012) has highlighted that social context of innovations has influenced the way innovation is perceived; that means not only as a tool and source of economic growth and competitiveness, but also as a potential tool for achieving social goals and social cohesion in society. When finding solutions to problems of modern society and improving life standard of citizens, the main driver of all innovations should be social rather than economic interest. Based on this, different definitions of social innovations have been derived and there is still no common definition of this concept. The European Commission (2013) defines social innovations as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. Dawson and Daniel (2010) pointed out that social innovations are the main driver of development and implementation of new ideas for solving problems, improving social conditions and improving the well-being of people in a society. Phills, Deiglmeier & Miller (2008) define social innovation as a novel solution to a social problem that is more effective, efficient and sustainable than existing solutions, and for which the value created accrues primarily to society as a whole rather than private individuals.

Thus, the following criteria are considered as crucial for some innovation to be categorized as a social innovation (Spiesberger, Gomez & Seigneur, 2018):

- **Novelty**: It usually implies place, time and scope of action
- **Social Feature of the Intervention**: Involvement, participation of target groups and benefits
- **Sustainability**: Effectiveness after acceptance by users
- **Significant Impact on Society**: Duration, tangible changes and growth potential.