

JEL Classification: O 35.

DOI: https://doi.org/10.31521/modecon.V19(2020)-03

Bakos Nadina Helen, Affiliated Honorary Research Fellow, Fil. Dr. Jan-U. Sandal Institute, Finstadjordet, Norway

ORCID ID: 0000-0002-8995-0218

e-mail: provost@janusandal.no

Social Entrepreneurship and Innovation Management in a Scandinavian Context

Introduction. The key topic in the research is innovation management - how social entrepreneurs use innovation management as a tool or method in their strenuousness. Furthermore, why it is important to have an understanding of the process of entrepreneurship and the challenges represented by lack of knowledge on how to manage the innovation process.

Purpose. The purpose of the article is to show that few social entrepreneurs have the ability to manage the innovation process and mix business management with innovation management. Even though there is a certain magnitude in the Scandinavian education system, overall access to knowledge is controlled by the government.

Results. The welfare state is a static system that follows political rules and regulations. There are possibilities for change within the system, but resources, political influence, the static condition of the system and hierarchy limit them. Investors chose few companies to work with, and many angel investors are controlled by the government. The welfare system has labeled social entrepreneurship to focused areas like youth unemployment, drug addiction, poverty among youths, former inmates and environmental issues. Business management is the dominant model used, not innovation management. There is a weak culture for innovation in Norway and Denmark. To work with innovation, take risks, and manage oneself are things many Scandinavians are not used to. Sweden has an efficient production process (Taylorism), which has made it possible for the country to produce goods at a low price and compete on an international level.

Conclusions. Innovation demands nothing less than a creative individual with an idea and the skills of self-management. In the Scandinavian countries, people are free to spend their time on what they want. To be a social entrepreneur in Scandinavia is challenging because the government controls everything, from the financial system, education institutions, the market and the social problems. New research on this topic could include employment, salary, revenue, education, financial systems and profit, among others.

Keywords: Innovation in Scandinavia; entrepreneurship; social entrepreneurship; management; innovation management; innovation management in Scandinavia; management theories; management approaches.

УДК 330:364.46

Бейкос Н. Х., почесний науковий співробітник, Інститут Яна-Урбана Сандала, Фінстадйордет, Норвегія

Соціальне підприємництво та управління інноваціями у скандинавському контексті

Стаття присвячена важливості розуміння процесів підприємницької діяльності та проблемам, які виникають через брак знань у сфері управління інноваційним процесом. Скандинавська держава добробуту – це статична система, яка відповідає політичним правилам та нормам. У скандинавських сучасних реаліях протистоять один одному два різні підходи до створення соціальних та економічних вигод, демократичної стійкості та зростання. Основною метою статті є представлення всебічної характеристики функціонування невеликої частки соціальних підприємців, які мають можливість керувати інноваційним процесом та поєднувати управління бізнесом з управлінням інноваціями. Попри те, що таких підприємці мало, у системі скандинавської освіти існує певна масштабність, а загальний доступ до знань контролюється урядом. З'ясовано, що держава добробуту – це статична система, у якій є можливості для змін, але ресурси, політичний вплив та ієрархія обмежують їх. Інвестори обирають декілька компаній для співпраці, багато інвесторів-ангелів контролюються урядом. Система добробуту спрямовує соціальне підприємництво на такі напрями як молодіжне безробіття, наркоманія, бідність серед молоді, колишні ув'язнені та екологічні проблеми. Доведено, що у Норвегії та Данії відносно слабка культура інновацій. Працювати з інноваціями, ризикувати та керувати собою – це те, до чого багато скандинавів не звикли. У Швеції діє ефективний виробничий процес, який дав змогу країні виробляти товари за нижчою ціною та конкурувати на міжнародному рівні. Обґрунтовано, що інновації не вимагають нічого, окрім творчої особистості, яка має ідею та навички менеджменту. У скандинавських країнах люди вільно витрачають свій час на те, що хочуть. Бути соціальним підприємцем у Скандинавії складно, адже уряд контролює все: фінансову систему, освітні установи, ринок та соціальні проблеми.

Ключові слова: інновації у Скандинавії; підприємництво; соціальне підприємництво; менеджмент; управління інноваціями; управління інноваціями у Скандинавії; теорії управління; підходи до управління.

Acknowledgment: This scientific article was created at the Fil. Dr. Jan-U. Sandal Institute, Finstadjordet, Norway, under the supervision of Prof. Fil. Dr. Jan-Urban Sandal, Executive Director and Owner at the Fil. Dr. Jan-U. Sandal Institute (Excellence in Science and Education).

Стаття надійшла до редакції: 21.02.2020

Received: 21 February 2020

Introduction. To be a social entrepreneur in Scandinavia is challenging, because the government controls everything, from the financial system, education institutions, the market and the social problems. At the same time, the Scandinavian countries are facing new challenges in the social sector, with no corresponding scientific analyzes on how to solve the problems.

Governments cannot do the same as private individuals. The post Second World War area in Scandinavia has contributed to literature and educational programs on all levels, as well as political assumptions stating that the opposite is true when it comes to the three sister countries, Norway, Sweden and Denmark. The reality has been dominated by an overflow of literature as well as political programs postulating the natural given right by the political system to take the lead in innovation, business entrepreneurship and social entrepreneurship. Only lately, over the past two decades, has scientifically based literature played a significant role in the developmental sphere of social entrepreneurship and innovation management in Scandinavia. When the roots of science are brought into the picture, political propaganda always fails. The literature review is based on works by Richard Cantillon, Jean Babtiste Say, Henry Fayol, Frederick W. Taylor, Joseph A. Schumpeter and Jan-Urban Sandal.

Literature review and the problem statement. Analyzing the three Scandinavian countries of Denmark, Norway and Sweden as a group provides a good overview of the management practiced in these countries during the last century.

The layout of this article is research into management theories, a description of the management structures in contemporary Scandinavia, innovation management, how the Scandinavian social entrepreneurs relate to innovation management, and a discussion about management practices among social entrepreneurs in Scandinavia today. The article relies on secondary source material and is a work of synthesis and comparative science. This study is based on theories of management, entrepreneurship and innovation. Studies related to management, education programs with management studies, and practices among social entrepreneurs have been studied. The target groups for this article are academics, students, and practitioners. Other likely groups are teachers in the field of innovation, management, entrepreneurship and administration. It will also be useful for entrepreneurs and individuals who want to create new combinations of the first and second production function.

Research results. According to Schumpeter, an entrepreneur is a creative leader who raises capital in order to spread new combinations of land and labor. The entrepreneur's effort through will and action is essential to the success or lack of it. An entrepreneur uses capital for the means of production, but he is not dependent on capital in order to combine land and labor.

"In the first place, it is not essential to the matter — though it may happen — that the new combinations should be carried out by the same people who control the productive or commercial process which is to be displaced by the new. On the contrary, new combinations are, as a rule, embodied, as it were, in new firms which generally do not arise out of the old ones but start producing beside them" [1, p. 190].

When using Schumpeter's theory, a social entrepreneur is a creative leader who raises capital in order to spread new combinations of land and labor in a social system, where the goal is to create a better world for the population. A social entrepreneur has never the role of a capitalist, an HR manager or a businessperson.

The understanding of social entrepreneurship is built upon the science of entrepreneurship in the European tradition. Science describes a mentality and a behavior that fit in all contexts of economic and social development. The understanding of social entrepreneurs is based upon a version of entrepreneurs [2, p. 117]. "To be a social entrepreneur is not a profession, but a position that ends when a business is built and enters a static production function. To be a social entrepreneur cannot be inherited and anyone in the society can take that position. Social entrepreneurs have qualifications that make them able to imagine future results and make decisions based upon unknown factors. Social entrepreneurs use their intuition and have a determination to try new ways of solving problems, and must be able to manage themselves to get things done".

Social entrepreneurship is a recent term in Scandinavian countries and the field is diverse. Establishments from voluntary organizations to traditional enterprises call themselves social entrepreneurs. In most cases the organization, initiative, project, company or group is not a social entrepreneur but an enterprise with a social mission.

Governmental assistance is not necessary for the entrepreneur to be successful, because there are always possibilities in the market. It is the entrepreneur's effort that is essential for the success or lack of it, and the government cannot control the outcome of an innovation process prompted by an entrepreneur in an open market. In an open market, there is no monopoly and governmental regulations are non-existent.

Innovation is the process of creating new products and services for the society that earlier did not exist or were not as efficient. A new innovation creates job opportunities as an effect of combining land and labor. An innovation creates a breach in the traditional way of doing business and pushed the sector to change.

Social innovation has a broad definition in the UK and USA. Mulligan [3, p. 8] explains social innovation as "New ideas that work (...). Innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social." This definition says nothing about who manages these

innovations, if the organizations that innovation develops through are new or old, or what kind of organization they are, private or public. A definition by Sandal [2, p. 117] may clarify these factors: "Social innovation is the process where a single person takes independent decisions in relation to combination and use of production factors in order to create a social service that has not earlier been on the market and will improve life for people in the society. The results are increased social value."

Management as a discipline and scientific study originates from the beginning of the 20th Century. The classical approaches to management are the administrative model proposed by Henry Fayol (1930), the scientific model proposed by Frederick W. Taylor (1911), and the bureaucratic model proposed by Max Weber (1947).

The French mining engineer Henri Fayol was the first to write and speak about management as a scientific study. At the International Mining and Metallurgical Congress in Paris (1900), Fayol spoke on the subject of management for the first time. Fayol identified five functions of management in his general theory of management. These functions are planning, organizing, staffing, directing and controlling. Fayol's theory provided a broad and analytical framework of the process of administration, but it does not consider innovation.

Scientific management, or Taylorism after the founder Frederick Winslow Taylor, is a theory of management that examines the workflow in order to improve the productivity of the labor and enhance economic efficiency. It was a way to use science as a management method, and a notable level of manager control over the employees is required.

"The principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee. The words 'maximum prosperity' are used, in their broad sense, to mean not only large dividends for the company or owner, but the development of every branch of the business to its highest state of excellence, so that the prosperity may be permanent" [4, p. 1].

Max Weber believed that the most effective form of management was what he called the bureaucracy structure. His theory is based on strict rules and guidance from experts in order to create clear work descriptions that everyone in a hierarchy would be able to follow.

Max Weber's bureaucracy theory and Henri Fayol's administrative theory have several aspects in common when it comes to planning and controlling the employees. Henry Fayol concluded through his 14 principles of management how the managers should communicate with the staff in order to control the production function. "The manner in which the subordinates do their work has incontestably a great effect upon the ultimate result, but the operation of management has much greater effect" [5, p. 102].

In the Scandinavian countries Denmark, Norway and Sweden, it is crucial to understand these three theories in

particular, since they have influenced how management is understood and utilized in modern production and enterprises. Management theories from the traditional and modern scientists do not state any theories of self-management, only about management of others. The entrepreneur leads the innovation process and realizes the means of production. If the entrepreneur does not plan, organize or coordinate in this process, then the idea will most likely not be fulfilled. "Every achievement of management is the achievement of a manager" [6, p. 4].

In his book "Theorie der wirtschaftlichen Entwicklung" from 1912, Joseph A. Schumpeter stated that innovation is initiated by a single entrepreneur who is able to combine land and labor in a way that previously was not possible or not as efficient as before. Schumpeter's theories are still valid in the present time because an entrepreneur must have the same talent today as 100 years ago. The entrepreneur must obtain capital and be able to realize the means of production. The entrepreneur must use intuition, be able to persevere over resistance, have freedom from everyday activities, and possess enough stamina. The entrepreneur must be able to imagine the possible results of the inputs and the person has to be able through will and action to manage himself. Innovation in itself does not combine land and labor, but it is a person, an entrepreneur, who perform the actual combination.

"Development in our sense is then defined by the carrying out of new combinations" [1, p. 189]. When new combinations grow, they will disrupt old production functions and create a new production function. "But whatever the type, everyone is an entrepreneur only when he actually carries out new combinations, and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses." [1, p. 208].

The social democratic parties in Norway and Sweden considered themselves as revolutionary Marxist parties in the beginning of the twentieth century. Marxism originates from the philosopher and economist Karl Marx who stated that the worker had turned into a tool, lost control over the production process and became alienated from the products they created. During the 1930s until the 1960s, Sweden and Norway became what has been called Social Democratic "one-party states" [7, p. 5].

At the same time, private consumption in the Scandinavian countries increased almost 100% from 1950 until 1962 and was termed the golden age of capitalism [8, p. 9]. The Scandinavian countries grew to be among the richest countries in the world due to the American initiative European Recovery Programme, also called the Marshall Plan, passed in 1948. Between the 1950s and the late 1970s, transportations costs fell by a third and trade between industrial countries doubled, creating spectacular global trading opportunities [9, p. 17]. During this period, social care services were expanded at the local governmental levels in all the Scandinavian countries in what is described as a socialistic wave. All over

Scandinavia, schools, hospitals, kindergartens and health clinics were erected. The number of publicly employed people increased considerably. Due to these governmental investments, the tax burden on the population increased to pay for the services provided.

At the end of 1960s and the beginning of 1970s, there was an increasing hostility among Norwegian students against the USA, because of the Vietnam War. The antagonism included American ideas, and management theories were considered worthless. Business owners were considered criminals. The human relations movement that developed in the USA during the 1930s as a reaction to Taylorism did not find grounding in Norway [10, p. 9].

Socialism was identified not with the decline of state power, but with the full development of the state, that is with its omnipotence in the sphere of production and its political democratization. In one of the first longer Marxist texts of Danish Social Democrat, Peter Knudsen (1882-1910), identified socialism with state ownership of the production means. According to Knudsen (1884), this would realize the very purpose and essence of the Danish state.

In Sweden, Taylorism was of great significance. Sweden was the most liberal country in Europe before 1939, with privately owned companies like Volvo, Ericsson, Saab and Skanska. With the implementation of Taylorism, among other things, Sweden was more adaptable to the international markets and to the use of innovations. Stein Jönsson argues that there is not much in common between the three Scandinavian countries of Sweden, Denmark and Norway that would justify a concept of a common Scandinavian Management model. What they have in common is a strong influence from Marxism and the bureaucratic model, the information flow inside enterprises, and the decision-making process.

The three Scandinavian countries are different in terms of geography, natural resources and the number of state owned companies. There are remarkably many societal and organizational similarities between the countries, such as similar philosophies, strong trade unions, well-developed welfare states, social solidarity, high educational levels, and high female participation in the workforce.

“The three countries have experienced different degrees of industrialization, with Sweden the most industrialized and Norway the least. Similarly, Sweden has spawned far more big and big-name companies than the other two countries” [11, p. 158].

In Scandinavian enterprises, loyalty to the decision-making process has a higher significance than loyalty to the leaders. A democratic process is always preferable with the ideal to reach consensus. “Another distinctive feature of Scandinavian management, we find, is the importance put on the decision-making process itself. As a principle, it should be open” [11, p. 161]. There is a growing recognition that the government cannot solve the present challenges, and there is a demand in the

public for different and creative solutions. The welfare system is dependent on the third sector to provide services for the population, but the third sector has become as static, bureaucratic and controlling as the welfare state, and the process of social innovation has no space to be developed inside these systems. A social entrepreneur is a change maker in a welfare state and therefore can be regarded as a competitor, threat or critic by public employees. A social entrepreneur is competing with the government in a social system, and if he creates an innovation in the social system, then the system becomes redundant. Innovation is a prioritized political focus in Norway, but few master programs have management studies, which focus on creativity, entrepreneurship and innovation or the crucial factors in Schumpeter’s theory on innovation and economic development.

Management models and practices have a low focus in the start-up environment in Norway and Denmark. Individuals who call themselves social entrepreneurs experience challenges in their work environment as employees, resign their jobs and establish an enterprise that focuses on solving that particular challenge. Since the bureaucratic model is the dominating management model in the Norwegian and Danish society, the chances are high that many entrepreneurs use it in their own enterprise.

Access to higher education may lead to success for entrepreneurs. In Scandinavia, there are few programs of higher education in innovation management. “The more entrepreneurs know about innovation, marketing, management, financial control and risk-ability, the more likely they are at obtaining desired success” [12, p. 295].

The number of innovation management programs in Scandinavia as listed on www.masterstudies.com are the following: Denmark: 11 MA and 0 Ph.D programs, Sweden: 8 MA and 0 Ph.D programs, and Norway: 5 MA and 0 Ph.D programs. A detailed study of those programs with the criteria program value proposition, ownership, curriculum and economic traditions, gave the following result: a consistent use of bureaucratic and scientific management approaches, not innovation management; 4 out of 7 were owned by the government; and no independent science was listed. A lack of knowledge will affect people if they use methods that do not work, and the most likely outcome is failure.

The entrepreneur needs to be financially independent so the attention can be focused on the entrepreneurial activity. Many entrepreneurs confuse innovation management with business management. Business management is the supervision of business procedures to accomplish one or several goals, while innovation management is to manage oneself in order to combine labor. For a social entrepreneur, it has to combine land and labor in a social system. The approach is very different and should not be mistaken for one another, because different skills and motivations are needed. A great business manager is not necessarily a successful innovation manager.

In the Scandinavian countries, there are only three master programs, that offer studies in the management of creativity and innovation. The higher educational institutions are politically governed, and therefore the bureaucratic model is the one that is used. Lack of independent scientific education may be a challenge for social entrepreneurs, and what is taught in the knowledge industry can be a hindrance for the entrepreneur in his innovation process.

Organizations and institutional entrepreneurs can get help, but it is limited to governmental-owned innovation agencies, the welfare state, local commercial authorities and a few private sponsors such as FERD in Norway, Leksell Social Venture in Sweden, and the Færch Foundation in Denmark. The entrepreneur needs to be financially independent so the attention can be focused on the entrepreneurial activity. In Scandinavian countries, many individuals have the opportunity because of inheritance, a redundancy package, invested money, low expenditures etc.

A social entrepreneur has the same opportunity to manage an innovation process as a commercial entrepreneur, because the social entrepreneur has to use her skills to plan, organize and coordinate herself to create the outcome she wants. Anyone can develop the skills needed. The job of social entrepreneur cannot be inherited, and anyone in the society can take that position. Social entrepreneurs have qualifications that make them able to imagine future results and make decisions based upon unknown factors. Social entrepreneurs have a high level of knowledge about the challenges in the society due to freedom of expression and a society, which is knowledge based.

When there is a lack of higher education programs in Scandinavia, the entrepreneur must be creative in order to search for and find independent science and knowledge. He can study innovation management abroad (UK, Germany, France, and the US), or find a mentor

among leading social entrepreneurs, or become an Affiliated Honorary Research Fellow at Fil. Dr. Jan-U. Sandal Institute.

Conclusion. It is important to seek knowledge outside the government controlled education system. Today everyone with a computer and the internet has access to ideas, theories and models from all over the world. Innovation demands nothing other than a creative individual with an idea and the skills of self-management. In Scandinavian countries, most people are free to spend their time on what they want, including innovation and entrepreneurship.

Social entrepreneurs need to learn the difference between business management and innovation management to better utilize the method when combining land and labor. It can help to change the mindset from focusing on lack of funding to enhancing the skills needed in an innovative process. To be a social entrepreneur in Scandinavia is challenging, because the government controls everything from the financial system, education institutions, the market and the social problems. When there is a lack of higher education programs in Scandinavia, the entrepreneur must be creative in order to search for and find independent science and knowledge. He can study innovation management abroad: UK, Germany, France, US, find a mentor among leading social entrepreneurs, or become an Affiliated Honorary Research Fellow at Fil. Dr. Jan-U. Sandal Institute. Searching for independent knowledge on the internet, or simply practicing learning by doing are also creative ways of elevating oneself to the top of the social class pyramid in the role as an entrepreneur.

We need independent international science and theories for the entrepreneurs to access independent information. New research on this topic could include the study of employment, salary, revenue, education, financial systems and profit, among others.

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