

# SOCIAL DEVELOPMENT

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## Institutional Mechanism for Shaping Social Innovation\*



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**Abstract.** Institutional environment creates conditions for shaping social innovation projects. In this case, current rules and standards can both stimulate and inhibit the development of social innovation in a particular territory. The goal of the present study is to develop an institutional mechanism for the formation of social innovation. It is done with the help of multiparameter systematization method, graphic modeling and other general scientific methods. Theoretical principles of the research presented in the paper are based on the institutional theory, public sector theory, innovations theory, life cycle theory and others. The authors systematize the institutions that influence the formation and development of socio-economic environment; they also point out a list of barriers in the sphere of social project management and put forward possible solutions that help mitigate the impact of inefficient institutional structures. The paper proposes an institutional mechanism for shaping social innovation; this mechanism shows possible reasons for inefficiency of social innovation projects and explains how the institutional environment and internal rules and regulations affect the feasibility of project implementation and its effectiveness. The mechanism developed by the authors confirms a strong influence of institutional conditions on the process of creating and implementing social innovation projects. Results presented in the study can be used for shaping the institutional environment for socially oriented non-profit organizations and social entrepreneurs focused on the development and implementation of innovation projects.

**Key words:** institutions, social innovation, institutional mechanism, institutional environment.

### Introduction

The level of people's welfare is a major indicator of socio-economic development in any country. Thus, decline in the standard of living in different categories of citizens aggravates social needs, which makes it necessary to find prompt solutions. However, it is not always possible to satisfy these needs at the state or municipal level in the short term; it is due to the following factors: limitations in the resources available, bureaucratic nature of the system and its many levels, inefficient institutions, and lack of social initiatives on the part of the citizens. In this regard, people's proposals and concrete actions that shape the conditions to meet social

needs are becoming relevant. In this context, special importance is attached to social innovations are an effective tool to improve the quality of life of citizens.

It is no coincidence that in a period of crisis there is a surge of interest in social innovation. Working out the mechanisms for involving individuals in the development of the social sector is an effective way to increase people's social satisfaction, which is beneficial for their welfare and for socio-economic development in the territory under consideration. B.A. Erznkyan notes that "the social, by definition, cannot be imposed from above, it can emerge – under certain conditions, and sometimes

spontaneously, in spite of all the conditions – only from below, as an initiative, if not of the masses, then of individuals, of citizens”. Thus, the author calls the very process of shaping the social sector “cultivation” [4, p. 29]. “Cultivation”, in turn, involves shaping the institutional environment, institutional arrangements, socio-innovative activity of separate groups and specific individuals.

Modern socio-economic conditions also confirm the necessity of creating institutional mechanisms, stimulating social activity of the population and forming of the institutional conditions for the maintenance and development of the social innovation projects.

In this regard, the aim of this study is to develop an institutional mechanism for the formation of social innovation. To achieve this goal, the authors analyzed approaches to research on social innovation, revealed major characteristics of social innovation, defined the concept of institutional environment for social innovation, systematized exogenous and endogenous institutions, described institutional barriers of Russia’s economy that impede the development of social innovation. In addition, the authors presented in graphic form and disclosed an institutional mechanism for shaping social innovation, the mechanism having been developed by the authors themselves.

### **The “social innovation” concept**

The timeliness of the research on the topic designated above is confirmed by an increase in the number of forums and conferences devoted to social innovation: “Social Innovation Residency” in Canada, “Social Innovation Summit” in San Francisco, Forum for Social Innovation in Regions” (Omsk), and also by a growing number of organizations that promote social innovations: the Office of Social Innovation and Civic Participation at the White House in Washington, D.C.; the Ministry of Social Development and Social Innovation in British Columbia, the Centre for Social Entrepreneurship and Social Innovation under the National Research University “Higher School of Economics” in Russia and many others.

The surge of interest in this topic is due to a rapid transformation of modern socio-economic systems, which is associated with an increasing pace of technological change, globalization, intensity of information flows and development of network relations between economic agents.

At that, the theory of social innovation is at an early stage of its formation. Social innovation is an effective tool aimed to improve public welfare [19]. Most well-known examples of social innovation are Wikipedia, and Open University; projects of mass education such as Coursera, and Khan Academy; wind farms communities [15, 21] and others.

However, scientific literature provides no unified interpretation of social innovation, which caused a more detailed examination of this issue. International researchers engaged in studying the essence of this phenomenon are G. Mulgan, P. Koch, J. Hooknes, J. Fils, M. Moore, R. Nelson, L. Earl. As for domestic scientists, we should mention A. Golubeva, E. Sokolova, Kh.Z. Ksenofontova. Development specifics of social innovation and social infrastructure are also disclosed in the works of scientists of the Ural School of Economics [2, 24]. Evolution of social innovation in the public sector is highlighted in the works of I.S. Kats [5].

Having carried out our own analysis of scientific literature, we can therefore allocate the following approaches to the definition of social innovation. Representatives of the first approach [3, 21, 22, 23] treat social innovation as innovation designed to achieve social goals. In the framework of the second approach, R. Heisala [17] and the Center for Social Innovation at Stanford University consider social innovations as something new that is happening in social space. This interpretation of the concept is close to the concept of “institution”. Representatives of the third approach [18] consider that social innovation includes innovation in the social sector. In this case, social innovation is regarded as a public good. Based on the analysis

of existing approaches, the present study provides its authors’ definition of social innovation: *new ideas, opportunities and actions in social space, which increase the possibility of using resources to solve economic, social, cultural and environmental issues*. Social space is understood as a set of interrelated social processes, relationships, and social practices and attitudes that influence the creation of social innovation.

#### **Institutional environment for social innovation**

Institutional environment for social innovation is a set of institutions, institutional mechanisms and institutional agreements that dictate the terms of interaction between economic agents at all stages of socio-innovation process. Institutional environment can promote the development of social innovation projects or hamper their implementation; it can act as a catalyst for social innovation and as a barrier to the implementation of social innovation projects. In order to get a more detailed understanding of the content of institutional environment for social innovation, we have looked into several approaches to systematization of institutions, applicable to this type of activity.

Scientific literature contains considerable amount of research on the classification, systematization and typology of institutions. We provide the most common criteria for the systematization of institutions: the

level of implementation (formal and informal institutions) [8], the sphere of implementation (political, economic, social, environmental), the scale (macro-, micro-, mini- and nano-institutions), relation to state- and-territorial formations (municipal, regional, national, international), industry type (industrial, transport, agricultural, etc.), performance assessment (efficient, inefficient), management functions (institutions for planning, supervision, organization, and motivation), the place of origin (endogenous and exogenous), the degree of impact (direct, indirect), and the nature of impact (stimulating and constraining institutions).

The choice of a criterion for classifying the institutions in this work is due primarily to the goals that the author plans to achieve. In the framework of the study contained in this paper we focus on the following classification features: the place of origin, the level of formalization, the degree and nature of impact, and the scale.

*The place of origin* (exogeneity or endogeneity) of an institution shows, which institutions can be affected during the preparation of a socio-innovation project, and the impact of which institutions should be forecast. *The level of formalization* determines the nature of influence of an institution, and the stability of rules and regulations [1]. According to *the degree of impact*,

there are institutions of direct impact that influence social innovation directly, and institutions of indirect impact that characterize the environment in which social innovation projects are implemented. Dividing institutions into stimulating and constraining ones helps identify the opportunities of institutional environment and the barriers it creates. The scale of an institution shows its importance and position in the hierarchy of institutions.

It is necessary to note the combination of different characteristics of institutions and their impact on social innovation projects. For example, the constraining informal institutions act as serious barriers to social innovation implementation, which is reflected, for example, in the conservatism of thinking inherent in some social groups. At the same time, the supporting (stimulating) institutions form favorable conditions for the implementation of social innovation. In order to study institutional environment for social innovation in more detail, we consider first the exogenous and then the endogenous institutions that form institutional environment for social innovation.

#### **Exogenous institutional environment for social innovation**

Exogenous institutional environment is a set of rules and norms that characterize the conditions of interaction of economic agents, the purpose of interaction is to create benefits, and the set of rules

and norms is described in the federal, regional or municipal legislation and national and territorial standards, and reflected in the habits of behavior and in the nature of interaction between partners and competitors in a specific territory or within a specific industry.

The base criterion to systematize exogenous institutions is the degree of formalization. The effectiveness of institutional environment is determined not only by the effectiveness of formal institutions, but also by the effect of informal institutions that serve as an essential condition for the formation of a complete picture of institutional environment for social innovation.

The next systematization criterion that we have chosen combines two classification features: the nature and degree of impact on social innovations. In other words, for the purpose of analyzing exogenous institutional environment for social innovation we highlight stimulating institutions, constraining institutions, and institutions that have an indirect effect. An example of stimulating institutions is presented by institutions for public financing of social innovation projects. Sanctions and embargoes that are typical features of constraining institutions prevent the expansion of social innovation. International, economic or social policy refers to indirect institutions and describes the environment in which it is planned to introduce social innovation.

The third systematization criterion is the degree of extent of an institution. The grouping of institutions according to the level of state-and-territorial formations helps build a hierarchy of institutions and shows the level that provided the resources allocated to specific rules and regulations. It is advisable to allocate the municipal, regional, national and international levels.

*Figure 1* shows the structure of exogenous institutional environment for social innovation development as a cube, in which each plane reflects one of the above criteria.

In general, the cube contains 18 different combinations, that shows the presence of rules and regulations with the characteristics indicated, or, on the contrary, the presence of gaps in this type of activity.

For the purpose of a more detailed consideration of institutional environment for social innovation we have studied formal (*tab. 1*) and informal institutions separately.

Formal support institutions at the international level in this type of activity are presented as institutions for civic engagement, institutions for knowledge dissemination, and institutions for funding social innovation. At the national level this group includes various government programs, public-private partnerships, and preferential taxation. This group also includes legislative framework that

Figure 1. Structure of institutional environment for social innovation development

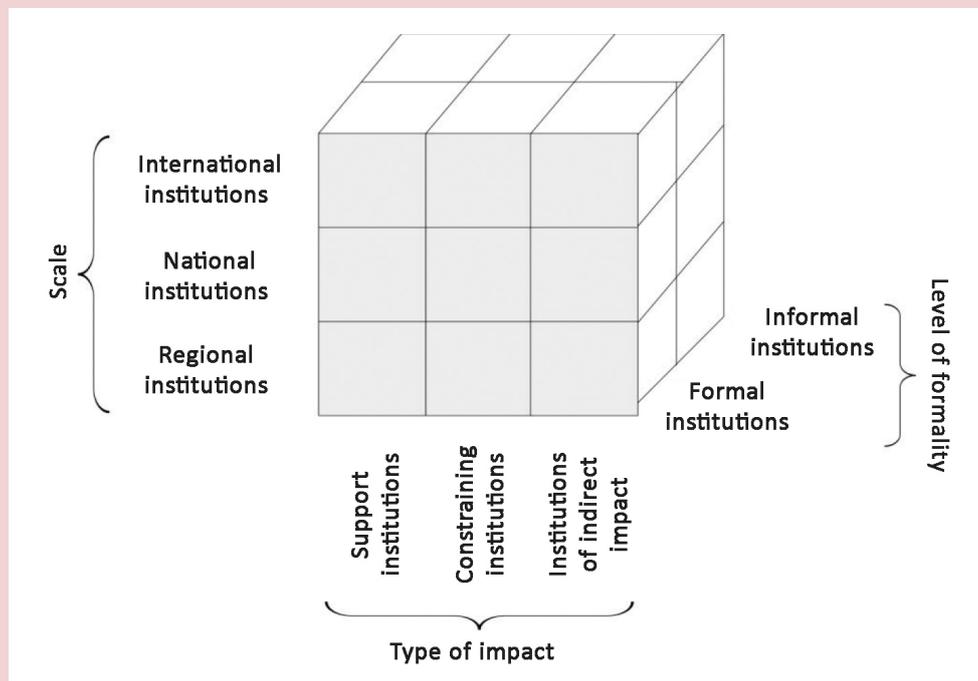


Table 1. Examples of formal institutions for social innovation

Level	Type of impact		
	Support	Restraint	Indirect impact
International	Institutions for civic engagement Institutions for knowledge dissemination Institutions for providing support to social innovation (for funding social innovation)	Sanctions, embargoes, visa regimes, etc.	International politics International law International movements, etc.
National	Governmental support programs Federal institutions for social development Public-private partnership Tenders Institutions for entrepreneurship regulation, non-profit organizations Preferential taxation for socially-oriented entrepreneurs Technology transfer institutions Federal law "On non-profit organizations"	Inefficient legal and regulatory framework at the national level	State social, economic, financial policy State statistics
Regional and municipal	Regional and municipal institutions promoting small and medium entrepreneurship	Inefficient legal and regulatory framework at the regional and municipal levels	Economic, social, financial policy of a region/city

governs the operation of technology transfer centers, social innovation centers, including those functioning under universities.

Support institutions at the regional level, as a rule, complement similar institutions at the national level. But their advantage lies in their more

concentrated focus. Formal restraint institutions hinder the harmonious development of economic processes and impede the implementation of social innovation. Constraining norms and rules at the international level are represented as sanctions, embargoes, and visa regimes. A common example of restraint institutions at the national and regional levels is also found in flawed institutions for legal support and inefficient legislative framework.

Indirect impact institutions represent institutions that exert an implicit effect. Such rules and regulations characterize the socio-economic system as a whole: political, legal, financial, environmental, economic, social and other factors that influence its development.

Informal institutions represent undocumented rules, regulations and mechanisms for their enforcement. They have a high degree of stability, which can either stimulate the development of social innovation or prevent its implementation. In domestic scientific literature, informal institutions represent a subject of a growing interest for researchers. So, for example, V.L. Tambovtsev published his monograph, in which he elaborates on the nature of informal institutions, principles of their functioning, and approaches to the study of informal institutions in the social sciences [14].

An example of informal support institutions at the global level can be found in religious foundations of

Christianity, where it is considered a duty to do good to one's "neighbor" for the salvation of one's soul. Traditions of mutual aid and solidarity in dealing with social problems in different communities are related both to the national and regional level.

Informal restraint institutions will be religious norms that reject, for instance, scientific and technological progress, thus preventing the development of new activities, including social innovation. For example, members of the lower castes in India are forbidden to engage in entrepreneurial activities. Similar rules exist at both national and regional levels.

#### **Endogenous institutional environment for social innovation**

Endogenous institutional environment is a set of internal rules and regulations which the designers of social innovation projects follow when implementing these projects. Like in the analysis of the exogenous institutional environment, we allocated criteria for structuring endogenous institutions. Due to the fact that the main goal of social innovation is to solve social problems and meet social needs, it is advisable to group the institutions by types of activity: communication, production, and analytical [12, p. 126]. The second criterion for grouping the institutions was chosen to be the stages of the life cycle of social innovation, including its initiation, invention, imitation and adaptation [6].

At the stage of initiation a social problem is identified, and a process of generating new ideas is started. Production institutional environment at this stage includes various procedures and methods for generating ideas. The analytical component of institutional environment contains rules and regulations for carrying out a pre-project analysis, these rules are related to specifying the requirements, finding the resources, and planning future activities. Communication projection is reflected in building effective relationships with potential and current counterparties.

A social product or a service are developed directly at the invention stage. Here the ideas are implemented in a socially innovative project. It is necessary to allocate institutions for project design,

funding, security (including information security), procurement, recruitment and staff development. Further detail is presented in *Table 2*.

At the stage of imitation we observe copying and diffusion of a social innovation solution, its projection to other areas or other activities. In this connection it is useful to mention the works of V.M. Polterovich [11], where the scientist reveals the essence of transplantation of institutions.

Adaptation is a stage in which current social decision undergoes transformation due to alterations in environmental conditions. The degree of innovation is virtually absent; however, the basis for the development of a new socially innovative project is formed.

Table 2. Examples of endogenous institutions for social innovation

Activity	Stages in innovation process			
	Initiation	Invention	Imitation	Adaptation
Production	Institutions for generation of ideas, institutions for strategic policy	Institutions for project design, institutions for attracting and developing resources, security institutions, institutions for tangible and intangible incentives	Institutions for diffusion of innovations and franchising, institutions for transplantation, institutions for the sale of the business	Institutions for organizational change and re-engineering processes
Analytical	Institutions for financial analysis and planning, fund-raising institutions, institutions for identification of needs, institution for the search for resources	Institutions for analysis and assessment of the organization's performance, institutions for financial and management accounting	Institute for analyzing the external environment, institutions for forecasting	Institutions for monitoring and analysis of changes, institutions for identifying the needs
Communication	Institutions for interaction with contractors	Institutions for public relations	Institution for public relations (community involvement), institutions for dissemination and analysis of information, institutions for communications with the external and internal environment	Institutions for interaction with clients and governmental agencies

It should be noted that the institutions presented in Table 2 are merely possible examples of this type of activity and may be supplemented by other rules and regulations.

### **Institutional issues in the development of social innovation**

The above systematization of institutions that describes the institutional space in the development and implementation of social innovation is a theoretical platform for further analysis of institutional conditions in a particular territory. At that, initiators and developers of socially-innovative projects face some challenges, which lead to the fact that social projects become inefficient. For example, national social innovations such as the “Electronic Russia” project, and the introduction of technical regulations have failed.

Implementing social innovation is a complicated matter due to quite a few factors.

First, the effect of introducing a socially innovative project is often deferred and implicit. In order to trace it, one needs to use a previously elaborated mechanism to assess the effectiveness of the solution proposed.

Second, social innovation needs to be embedded in the current socio-economic space. In other words, institutions functioning in this territory should be focused on the development of social innovation environment.

Third, social innovation needs to meet the needs of society and its particular members and to ensure the willingness of potential consumers to pay for this social innovation.

Currently, institutional environment oriented toward the direct support of social innovation is being formed. Here social entrepreneurs face a number of barriers to socio-innovative development. The barriers can be manifested as institutional traps [10], dysfunction of institutions [13], and as an absence of necessary rules and regulations governing this type of activity.

When identifying institutional issues in the development of social innovation, we relied on practical information about social innovation gathered from the Forum for Social Innovation in Regions, which took place in November 2015 in Omsk [9]; we also used the works of scientists dedicated to the systematization of institutional traps [7, 10]. All this helped identify institutional barriers that hinder the development of social innovation and find possible ways of reducing their negative impact (*Tab. 3*).

First and foremost, the table shows issues that directly characterize informal institutional environment: low level of trust and people’s resistance to innovation. In order to handle these issues, it is necessary to have strong and transparent public institutions, the credibility of which should increase.

Table 3. Institutional barriers to social innovation

Factors restraining social innovation	Restraining institutional environment		Ways to reduce negative impact
	Institutional traps	Dysfunctions of institutions or absence of institutions	
Low level of trust	Opportunistic behavior of participants and partners of the project	Dysfunction of trust institution in terms of interaction between the innovator and partners	Designing efficient formal institutions
People's resistance to innovations	Conservative thinking	Dysfunction of development institutions in connection with risky nature of activity	Continuous support to socially innovative projects Development of a mechanism to engage citizens in the process of social entrepreneurship
Chaotic and weak dissemination of information about social innovation	Expensive marketing services	Dysfunction of information-searching institutions concerning the uneven distribution of information	Informing entrepreneurs about the ways to distribute information Development of a platform for social entrepreneurs
Flaws in financial support mechanisms	Lack of economic competitiveness of socio-innovative projects	Underdeveloped institutions for public-private and municipal-private partnership	Introducing amendments to the law on concession agreements Development of PPP programs directly for social entrepreneurs
Inefficient measures of state support for social innovation	Absence of comprehensive action on the part of the government to support social innovation, lack of support of investment projects in the social sphere	Absence of institutions for social innovations development	Providing support to investment projects in the social sphere (low-interest loans, reimbursement, etc.)
Absence of private investors in the social sphere	Reluctance of entrepreneurs to invest in social projects	Dysfunction of institutions for implementation of social projects consisting in the absence of mentoring	Providing state support to social investors
Lack of the necessary knowledge and skills in social design and entrepreneurship	Low attractiveness of this type of activity for qualified personnel	Dysfunction of education institutions consisting in limited successful experience	Formation of knowledge and skills in organizing socially-innovative projects
Absence of a road map	Lack of experience in implementing social innovation	Dysfunction of support of social innovation at the municipal and state level	Introducing a road map for social innovators
High risks	Poor institutional environment for promoting potential social innovators	Absence of institutional mechanisms for social innovators insurance	Introducing the best insurance programs for social innovators

The second group of issues (chaotic and weak dissemination of information on social innovation, inefficient financial support mechanisms, poor governmental support, absence of private investors in the social sphere, lack of necessary knowledge and skills in this area, high risk, absence of a roadmap) can be resolved

through the development of various social programs, projects, legislative amendments, etc. Decisions for this group are of a more formal character. The table contains more detailed information about the improvement of institutional environment for social innovation. Removing barriers to socio-economic development will lead

to a surge in social development and it will also have a positive impact on economic performance in the territory.

### **Institutional mechanism for shaping social innovation**

Efficient implementation of socio-innovative projects requires appropriate institutional conditions. In this connection it is necessary to consider what economic agents are involved in creating social innovation, what institutions the developer has to deal with in the course of project implementation, and in what form the project itself is presented.

Social innovation space comprises subjects engaged in introduction and implementation of social innovation, including social innovation developers, public entities, non-governmental funds providing support to such projects, and people as the end user of the result. Social innovation as a result of the project activities is the object. Institutional environment contains *ex ante* institutions and *ex post* institutions. *Ex ante* institutions serve as a kind of filter of efficiency and viability of an innovation in the current institutional framework, while *ex post* institutions show people's willingness to consume the social innovation.

In the course of its development, social innovation changes from one form to another. A problem identified in a social environment becomes the driving force for generating ideas,

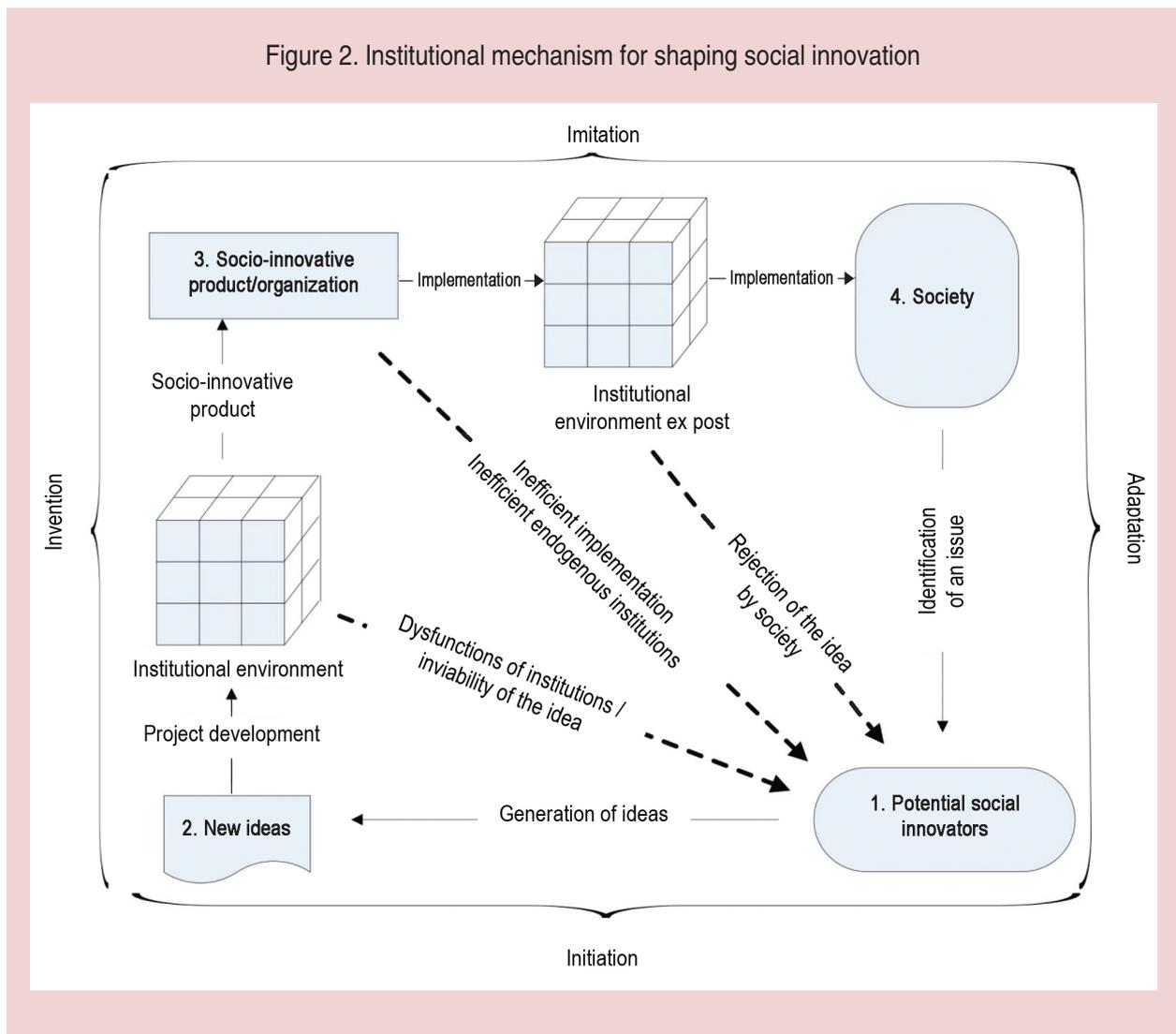
which, if properly supported, will be presented as a socially innovative project and then transformed directly into the very social service or product that society consumes.

Having analyzed the interactions regarding the development and implementation of social innovation, we developed an institutional mechanism for the formation of social innovation, it is presented in *Figure 2*. In order to substantiate the above mechanism, it is necessary to show its connection with the life cycle of social innovation. Therefore, we considered the specifics of each stage in relation to social innovation.

Crisis phenomena in economic processes, unfavorable economic and political situation on the world stage, various failures both in government and in the private sector serve as a driving force for socio-innovation development. These phenomena trigger the initiation of social innovation. Governmental structures, social entrepreneurs, socially oriented non-commercial organizations, and ordinary citizens faced with a specific problem – all these categories can act as potential social innovators.

At the stage of invention the developer shapes his idea in a concrete form: prepares the project, basic documentation, project team, etc. After that, the idea, having been put in one form or another, goes through

Figure 2. Institutional mechanism for shaping social innovation



the institutional filter. Getting in the institutional environment *ex ante*, the project faces many formal institutions, most of which are formal. At the same time these institutions either slow the process of turning this idea into social innovation, or, conversely, stimulate it. Here there are two possible scenarios for the development of social innovation, they are defined by the quality and relevance of this innovation and by specifics of institutional environment

in the territory. The first scenario is realized in the case of thoroughly elaborated social-innovation project, its relevance in the territory, and supporting institutional environment. In this case, the project receives necessary support, including financial aid, and the developer moves on directly to its implementation.

The second scenario that involves the project's failure is possible if the project was not prepared thoroughly

or if institutional environment is restraining it. If the former reason lies in inefficient endogenous institutions, then the latter happens when exogenous institutions are weak.

If the project has been elaborated thoroughly, recognized as relevant and supported by investors, then the initiative group embarks on the stage of its implementation. The relations arising between the participants of the project group can be based either on an employment contract, or on trust (not formalized). For large social projects, it is advisable to formalize the relationships legally. The process of regulating the activity, developing organizational structure, formalization of relations between participants of the process will be called the process of endogenous institutional design.

Once the project is ready, it is advisable to move to bringing this innovation to the consumer. Imitation stage includes the spread of the innovation among consumers, and also copying the proposed solutions in other territories or by other economic actors. It happens that consumers are not ready to use the given social decision, or they do not understand the essence of the issue that this innovation aims to handle – all this can become an obstacle to the efficient implementation of a socially innovative project. At this stage, there are two possible development

scenarios. Efficient institutional environment *ex post* will contribute to the diffusion of the innovation; inefficient institutions, in turn, will cause the failure of the project at this stage. If a social innovation does not correspond to informal institutions, there is a probability that the project implementation will fail.

In the absence of such a contradiction the project is further developed and disseminated. Its scale is gradually expanding. This stage involves the existence of institutions that ensure lawful transfer of social technology, including that through licensing or franchising. Examples of successful dissemination of social innovation through strong informal institutions can be found in the model of Grameen Bank, participatory budgeting, public movement for protecting order and environment, and others.

An important role at this stage belongs to the diffusion and reproduction of innovation [20]. Here social innovation can cause change in socio-economic systems that will influence social movements, business models, laws and regulations, infrastructure; it can also change the way people think and act. For example, vigorous work of “Greenpeace” movement has contributed to system-wide changes in many countries: they adopted environmental protection regulations, changed people’s thinking

concerning environmental protection; the amount of emissions into the atmosphere; enterprises began to use ISO 14000 international environmental management standard.

The needs of society and specifics of socio-economic systems are constantly changing. In this regard, social innovation has to adapt to these changes. Such “revival” is part of adaptation process, and the life cycle starts again. For example, the non-governmental organization “Greenpeace” identifies environmental protection issues and successfully develops projects to address them.

Let us present a more detailed demonstration of the proposed institutional mechanism on the example of the social and innovative project “Grameen Bank”. The project was founded and developed by Muhammad Yunus who was awarded the Nobel Peace Prize 2006 for it. He developed a unique micro-credit program that in its essence represents the so-called solidarity lending that involves assessing human resources of the group to which the money is lent rather than checking the borrower’s creditworthiness. An important feature of the project that enhances its social orientation is the fact that the profit derived is allocated to support social infrastructure and other social projects. The above description characterizes the initiation stage of a social innovation.

At the stage of invention M. Yunus took initial steps to implement this idea: 42 farmers received small loans of 27 US dollars. The success of this project depended on the efficiency of informal institutions, in particular, the institutions of trust. Minimizing formal procedures for the issuance of micro-loans helped reduce the project’s self-cost and establish low interest rate. Informal institutions represented as trust institutions along with local traditions and customs essentially replaced formal procedures. Besides, the project demonstrated the impact of formal institutions on inefficient informal institutions. Women were main borrowers of the Grameen Bank (97%). This fact is contrary to religious norms that forbid women to engage in entrepreneurial activities. However, the existing formal institutions have helped eliminate this problem [26].

At the stage of imitation of the project there was an increase in its scope, and the transplantation of microcredit principles in other countries. At the stage adaptation Grameen Bank began to offer new types of loans: five-percent “student” loans, loans for “construction of latrines and wells”, loans for the “purchase of a cell phone”, etc.

As we have noted above, in the Russian economy, interest in social innovation is increasing rapidly. However, examples of major public

projects like “Electronic Russia”, introduction of technical regulations and development of a Unified State Automated System show negative impact of current institutions on the implementation of socio-innovative projects’ results. Let us consider these examples in more detail.

The federal target program “Electronic Russia (2002–2010)” proved inefficient. The misconduct of the project executors led to the embezzlement of funds and therefore to high transaction costs. That was why the goals could not be achieved in the scheduled time period due to the presence of institutional traps and dysfunctions of the institutional environment.

Another practical example of institutional traps can be found in inefficient formal rules of the institutional environment that developers have to deal with at the stage of imitation. In practice, this is due to the inefficiency of bureaucracy and decision-making methods. The problem quite clearly manifested itself at the stage of implementation of technical regulations. It was implied that the regulations would be introduced by directly applicable law that would help eliminate additional administrative barriers and the possibility of deviant behavior. As a result, instead of 700 technical regulations planned to be adopted before 2011 only eleven were

actually adopted. However, currently, it is planned to introduce new technical regulations that will be effective on the whole territory of the Eurasian Economic Union.

An example of poor institutional design, which occurs at the stage of invention, is EGAIS (unified state automated system) designed for state control of production and turnover of ethyl alcohol. The cost of its implementation is estimated at 7–12 billion rubles. Irrational design of this system had a negative impact on producers in the form of losses that accounted to 1 billion U.S. dollars in 2006; total losses amounted to 60 billion rubles.

A successful example of social innovation is the project “Green Corridor”, it helped reduce in dozens of times administrative barriers, corruption, time and material costs of obtaining municipal services. The project was created in the city of Shakhty, Rostov Oblast, for the purpose of accelerating the movement of documents in providing municipal services to people. In the phase of initiation, the idea of the project “Green Corridor” was due to the following reasons: increase in the number of citizens, lack of officially set deadlines and duration of registration of documents, etc. At this stage, we observed the quality institutional design of the project, which optimized

the time of registration of documents, the process of interaction of applicants with public officials, it also distributed the responsibility between officials and solved the problem of territorial fragmentation of the documents involved in the procedure. As a result, the duration of land registration process was reduced from 12 months to 18 days.

In general, these examples demonstrate quite clearly the impact of the institutional environment on the efficiency of socio-innovative projects. In addition, the institutional mechanism proposed for the formation of social innovation enabled us to present the specifics of interaction of elements in socio-economic space. The mechanism demonstrates the importance of both exogenous and endogenous institutions in the development and implementation of social innovation projects, which confirms its theoretical and practical importance.

### **Conclusion**

The study conducted with the aim of creating an institutional mechanism for the formation of social innovation, has given the following results.

First, it helped systematize social innovation institutions based on criteria such as their place of origin, scale, level of formalization, degree and nature of impact.

Second, a practical analysis of social innovation was carried out, which helped identify main barriers of a modern institutional environment for socio-innovation development. A classification of these barriers was made and efforts to eliminate them were proposed.

Third, an institutional mechanism for shaping social innovation at each stage of the life cycle was presented. The institutional mechanism demonstrates possible variants of innovation development depending on individual characteristics of institutional environment in a particular territory.

Theoretical importance of this study lies in the extension of the theory of institutional analysis and theories of innovation as applied to social processes, and also in the formation of a theoretical platform for further in-depth analysis. Practical value of the findings consists in a possibility of their usage by public administration authorities to implement effective policy to remove barriers and create an enabling institutional environment for social innovation. In addition, these developments are of great importance for social entrepreneurs, non-profit organizations, and government agencies that initiate socially-innovative projects and implement them directly in socio-economic space.

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