SOCIAL INNOVATIONS IN THE COMPANY’S STRATEGIC GOALS: PECULIARITIES, CLASSIFICATION, EFFICIENCY EVALUATION

The article is devoted to the features, classification and evaluation of the effectiveness of social innovations in the implementation of the company’s strategic goals. The object of the study is the process of formation and implementation of social innovations in the company’s activities. At the same time, the development of the concept of social innovations from the 19th century to the present is considered in detail. Special attention is paid to the interpretation of social innovations and strategic goals of the company in Ukrainian and foreign economic science. The research problem is the complexity of forming modern classifications and evaluating the effectiveness of social innovations in the company’s strategic goals. The essence of the obtained results is the disclosure of the theoretical provisions of social innovations and strategic goals, the determination of approaches and methods for evaluating the effectiveness of social innovations, as well as the role of social innovations as a tool for achieving the strategic goals of the enterprise. In the reasoned conclusions of the study, it is explained that the gradation of the results of the implementation of social innovations at the enterprise depending on the type (personal, economic, image and social) indicates that each of them has both positive and negative features; methods of evaluating the impact of innovations on the company’s performance are shown. In particular, the assessment of the effectiveness of social innovations is also important because their implementation requires a lot additional efforts, which shifts the focus and can distract from solving important issues that are often urgent. The state of war, the destruction of the usual approaches to doing business, the loss of qualified management personnel, specialists in various processes does not allow to effectively find and implement innovations in the social, environmental and managerial components. All these aspects are considered in the context of the effective implementation of the company’s strategic goals in the conditions of a dynamic transformational society, in which the research results can be used in practice.

Keywords: management, social innovation, strategic goals, performance evaluation, enterprise, dynamic transformational society, business structure.

1. Introduction

Companies of various profiles have to face a lot of challenges on a daily basis in a rapidly changing business environment. Management that strives to work efficiently directs its efforts and resources to achieve the strategic development of the company, which is possible only with the use of innovative approaches.

The process of introducing innovative forms of management, various programs, concepts and strategies to address current social problems and respond to the challenges of the day is much faster than a decade ago [1]. For this reason, the concept of ESG (Environmental, Social, Governance), which integrates economic, social and governance principles of global human interaction, is being actively implemented. In particular, management in a transformational society is not only about maximizing profits with limited resources, but also about ensuring a significant social impact [2–4].

The company’s constant search for sources of competitive advantage, image identity, the use of innovative tools to increase competitiveness, and the growing role of humans in business processes are actual trends in management and influence consumer decision-making. The introduction of social innovations by business structures in their activities is a driving force that gives impetus to the development of human values that are not focused on increasing wealth or economic growth.

The importance of this problem has increased as the COVID-19 pandemic has changed the realities of the world. It has actualized the important role of social innovations in achieving the strategic development goals of companies. And at a time of military threat, which has hit not only the Ukrainian but also the global economy, social activity of business plays a key role.
The study of the essence of social innovations with further determination of their place in achieving the company’s strategic goals. In conducting this research, our focus will be on analyzing methodological approaches to assessing the effectiveness of social innovations in an enterprise remains relevant today.

The aim of this scientific publication is to form a theoretical and methodological approach to the classification of social innovations, to expand the toolkit of implementation and to evaluate the effectiveness of the use of social innovations to achieve the company’s strategic goals. This will make it possible to introduce social innovations into the company’s activities and to plan and reflect them in strategic planning quickly, effectively and efficiently.

2. Materials and Methods

The study materials are substantiated by the following concepts of social innovations in retrospect and at the present stage.

The main tools of research were used:
– retrospective and descriptive analysis to clarify the essence and different interpretations of social innovations;
– factor analysis in the classification of innovations and description of the strategic goals of the company;
– modeling method to reflect the development of approaches to understanding innovation and the sequence of stages of assessing the social effect of implemented innovations at the enterprise.

3. Results and Discussion

A retrospective analysis of the scientific literature shows that the term «innovation» entered science in the nineteenth century as a necessary indicator of the development of society and its individual aspects. The definition of «innovation» was first introduced into scientific circulation by J. Schumpeter, who understood it as the introduction of new technologies, forms, and products into practical activities. In general, he defined the content of innovation as «the realization of new combinations», which is expressed in five combinations: «change for the purpose of introducing and using new consumer goods, new production, transportation, markets, and forms of organization in industry» [1].

Later, during the twentieth century, further rethinking of innovation led to a change in the concept of innovation (Fig. 1), expanding the understanding of the relationship between innovations and macroeconomic indicators of the market, employment, etc., and supplementing the understanding of innovation by including a new improved method of production.

The issue of social innovations has been widespread only since the 60s of the twentieth century and immediately became the subject of scientific research. To date, a significant achievement in the development of the concept of social innovations is their inclusion in such documents as the Europe 2020 Strategy and the 7th Framework Programme for Research of the European Union.

Today, there are still differences in the interpretation of this term among scholars. The concept of «social innovations» at the micro level of implementation – in the business structure – is also controversial. Alternative definitions of the term «social innovations» in the context of enterprise activities are often used (Table 1).

As can be seen from the above definitions, there are two main approaches to defining social innovations. Within the first, «social innovations» are consciously organized innovations in the social sphere, which are formed at a certain stage of society’s development in accordance with changes in the conditions of the environment and aimed at achieving effective positive transformations in the social sphere. In the second approach, social innovation is the result of creative activity that has become widely used and whose innovations have turned into socio-cultural norms and principles, ensuring their institutionalization and consolidation in the spiritual and material culture of society.

As a rule, social innovations are analyzed in an integrated way – as an idea, a new concept used to overcome social problems, or as an element of social change that produces new social facts and at the same time influences the behavior of certain people or certain social groups in a certain way. Their goal is to create purposeful and new types of organization of social practice.

Social innovations go through several stages of development and transformation:
1. Stage I – Prompts: to identify the needs to recognize the need for social innovation.
2. Stage II – Proposals: to generate ideas in accordance with the needs identified in Stage I.
4. Stage IV – Sustaining: to provide support for innovations that have proven to be effective.

5. Stage V – Scaling: to increase the impact of effective social innovations and expand their reach.

6. Stage VI – Systemic Change: to establish changes in the system, ensuring the main goal of social innovations – achieving social change [4].

The current classification of social innovations is quite extensive and ramified. This makes it possible to predict and, accordingly, to anticipate certain social difficulties in business structures, which will logically enable management to take certain measures to prevent and overcome them, taking into account the peculiarities, requirements and nuances of certain types of innovations (Table 2).

### Table 2

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<th>Sign of classification</th>
<th>Types of innovations</th>
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<tr>
<td>Depending on the develop-ment patterns of a particular society</td>
<td>– borrowed; – organic; – expansive</td>
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<td>Depending on the area of labor relations regulation</td>
<td>– in the field of social partnership; – in the field of social entrepreneurship; – in the field of labor motivation; – in the field of remuneration and subsidies</td>
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<tr>
<td>Depending on the level of development of corporate social responsibility</td>
<td>– economic; – social; – environmental; – institutional</td>
</tr>
<tr>
<td>Depending on the direction of influence on the quality of social development and human capital of the enterprise</td>
<td>– positive; – negative; – neutral impact</td>
</tr>
<tr>
<td>Depending on the depth of innovative changes made</td>
<td>– radical; – improving; – modifying</td>
</tr>
<tr>
<td>Depending on the underlying processes</td>
<td>– «subversive»; – substituting; – canceling; – rotary</td>
</tr>
<tr>
<td>Depending on the scope of the application</td>
<td>– point; – local; – systemic; – strategic; – integral</td>
</tr>
<tr>
<td>Depending on the intensity of implementation</td>
<td>– fast; – uniform; – slowed down; – increasing; – jumpy</td>
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This classification makes it possible to characterize and evaluate all possible areas of social innovation activity. Its versatility reveals the role of social innovations and their development prospects in the context of achieving the strategic goals of the enterprise.

The concept of strategic goals of the enterprise, which require the introduction of social innovations, is gaining ground along with the study of the concepts of «strategy» and «strategic development». Strategic goals «indicate the specific performance results that the organization expects to achieve, as well as the competitive position it seeks to occupy in the markets for its products» [8]. «Strategic goals are the results to which the actions of the enterprise’s employees are directed in accordance with the formulated mission and, unlike current goals, relate to increasing the market share, strengthening the market position of the enterprise, increasing its competitiveness, increasing the value of the enterprise» [9].

Experts of the Stanford Graduate School of Business emphasize that social innovation is the best construct for understanding and creating lasting social change. To achieve greater accuracy and understanding, they redefined the concept of social innovation. In their view, social innovation is about new solutions to social problems that are more effective, efficient, sustainable or equitable than existing solutions, and that benefit society as a whole rather than individuals [3]. Therefore, it is fair to say that the introduction of social innovations is an integral part of the process of achieving strategic goals by companies that are sufficiently adapted to the conditions of a conscious transformational society.

Social innovations in the context of strategic development of a business structure are usually spread as:

1) organizational models that ensure the mobilization of human and other resources in order to achieve the goal;
2) specific integrated set of actions, a certain program created for the relevant purpose;
3) formalization of certain principles, ideas or general guidelines, values that determine the ways, means and methods of achieving goals [10].

It is important to assess the role of social innovations in the realization of the company’s strategic goals. In this regard, there is an actual question of the effectiveness of social innovation. However, the effectiveness of social innovations as a separate category is still not systematically considered in the scientific community. Therefore, it is advisable to refer to the basic concept of effectiveness as a quantitative assessment of an object (project, programs, processes, etc.) that defines and details its final results and reflects the level of achievement of the relevant goals using a system of indicators [11].

The level of economic results is determined not only by the profit received from the implementation of social innovations, but also by the likelihood of reducing operating costs in certain business processes. Social initiatives provide an opportunity to increase the value of the company’s shareholding, ensure the ability to attract additional investments, and reduce environmental and moral risks. Internal social results for business structures include attracting interested new employees and building strong and reliable partnerships. A positive social corporate image, in turn, affects consumer behavior, the positioning of goods and services, and the level of prestige of the company. It creates a favorable climate for gaining an advantage over competitors, stimulating trust among consumers and potential investors, and strengthening a positive atmosphere in the team.

The economic efficiency of social innovations is assessed using statistical and dynamic methods. Statistical methods for assessing the effectiveness of social innovations are based on accounting estimates and are determined by the payback period and the investment efficiency ratio. The advantage of these methods is that they are easy to calculate and can be used to assess innovation in small firms that do not implement long-term projects. The disadvantage of these methods is that they do not take into account important factors such as inflationary fluctuations, the distribution of funds over time, and risks.
Dynamic methods for assessing the effectiveness of social innovations are based on discounted cash flow. These tools include the following indicators: profitability index, net present value, internal rate of return, and discounted payback period. Unlike the static method, this valuation is more accurate because it takes into account various types of inflation, changes in interest rates and rates of return. However, both methods take into account only tangible, material factors and ignore possible future competitive advantages, management flexibility, and potential opportunities [12].

Assessing the effectiveness of social innovations should take into account the above intangible factors, for which a number of indices and methods are used [12–14]:

- Corporate Philanthropy Index, which characterizes charity and relationships with business partners, but ignores the economic and environmental impact of the results;
- London Benchmarking Group Method, which characterizes the social involvement of an enterprise;
- Domini Social Investment Index (DSI 400), which aims to rank the social responsibility of an enterprise by evaluating 9 factors using social, environmental and governance indicators;
- SA 8000 Standard [15], which aims to assess the social aspects of enterprise management (but ignores the economic and environmental performance);
- Triple Bottom Line Method, which aims to assess the economic, social and environmental results of innovations, but ignores the relationship with stakeholders;
- Balanced Scorecard Method, which takes into account financial indicators, customer relations, internal business processes, innovations in the educational process and professional development, but ignores the impact on the environment;
- European Foundation for Quality Management Model for Business Excellence, which takes into account the responsibility to customers regarding the quality of products or services, but ignores the cost-effectiveness, environmental performance and relationships with stakeholders.

The express analysis of the effectiveness of social innovations is recommended to be carried out using quantitative methods, which include procedures for analyzing the indicators of economic activity of an enterprise. Such type of analysis includes:

- determination of evaluation objectives;
- identification of evaluation objects;
- justification of evaluation criteria;
- determination of the composition of evaluation indicators;
- selection of methods for calculating indicators;
- calculating the quantitative values of the indicators (Table 3).

In the modern business environment, there is a use of modified economic indicators, among which the main ones are:

1) return on investment ratio aimed at implementing social innovations (the ratio between investments and the resulting capital gains);
2) indicator of the effectiveness of charity, social programs in comparison with the effectiveness of advertising and other marketing tools;
3) process measurement of social innovations (identifying the presence or absence of a link between the social direction and the company’s core business performance).

<table>
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<th>Indicators for measuring the internal environment</th>
<th>Indicators of environmental measurement</th>
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| Index of specific social investments (S), UAH     | Composite index (RI):
| IL = CI / LI,                                       | RI = (VP + CI + SB) / PV, |
| where CI – the amount of social investment, LI – the average number of employees | where VP – taxes paid, CI – investments in human capital, SB – social expenditures, PV – production expenses |
| Share of social investments in total sales (IS), %: | Indicator of prospective development (IPR):
| IS = CI / S,                                        | IPR = (CI + SB) / PB, |
| where S – volume of sales | where PB – net profit |
| Share of social investments in total profits (IP), %: | Social spending indicator (ICV):
| IP = CI / PR,                                       | ICV = SB / PB |

A necessary component of a qualitative assessment of the effectiveness of social innovations at an enterprise is the ability to measure the social effect obtained in the future in five stages (Fig. 2).

The approach to evaluating the effect of a particular social innovation can be quantitative or targeted. The quantitative approach is determined by an integral indicator characterized by the ratio between the funds spent and the effect obtained as a result of the innovation. The quantitative indicator reflects the socio-economic effect and can be compared with other indicators by individual components.

The targeted approach, in turn, ensures that social results are linked to the level of motivation achieved. Qualitative indicators are also used. Therefore, it is possible to conduct a broad analysis of clearly defined stages of implementation of certain programs and identify weaknesses. But getting a comprehensive view requires a combination of quantitative and targeted approaches to assessing the effectiveness of social innovation in implementing the strategic goal of the enterprise (Table 4).

![Fig. 2. The sequence of stages of assessing the social effect of implemented social innovations at the enterprise (authors’ development)](image-url)
An integral part of assessing the effectiveness of social innovations is the ability to outline the main advantages and disadvantages that accompany them, which correlate depending on the type of results. The advantages and disadvantages of applying social innovations influence any results of the company’s strategic goals: personal, economic, image, social, etc. (Table 5).

<table>
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<th>The result</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tr>
<td>Personal</td>
<td>Creating conditions for the realization of the personal professional and creative potential of the staff</td>
<td>The presence of psychological barriers in the perception of social innovations by the staff as a costly category</td>
</tr>
<tr>
<td>Economic</td>
<td>Gradual replacement of philanthropic activities with long-term revenue growth</td>
<td>Unreasonable costs incurred in the process of implementing social innovations that have not been successful.</td>
</tr>
<tr>
<td></td>
<td>Reduction of marketing costs for advertising, public relations, etc.</td>
<td>The likelihood of unreasonable cost reductions for traditional marketing tools.</td>
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<tr>
<td></td>
<td>Increasing the level of interest of investors and other potential business partners for cooperation</td>
<td>Time-consuming and lengthy evaluation of the effectiveness of social innovations</td>
</tr>
<tr>
<td>Image</td>
<td>Improving the company’s image, which can be a lifeline for the company in crisis period</td>
<td>Resistance to the new on the part of the population, suspicion of the ‘selfless nature’ of social innovations</td>
</tr>
<tr>
<td>Social</td>
<td>Establishing the commitment of the population and staff to the company’s activities</td>
<td>The stereotype that a company solves some social problems on an ongoing basis and must do so without fail</td>
</tr>
</tbody>
</table>

An extremely broad and meaningful methodology for assessing the effectiveness of social innovation implementation indicates the availability of significant tools for a qualitative assessment of this activity and providing a reasoned proposal to management for the implementation of certain innovative social projects. And the gradation of the results of social innovations implementation at the enterprise depending on the type (personal, economic, image and social) indicates that each of them has both positive and negative features.

The discussion of this issue should include an assessment of the practical value of the research, which consists in the fact that the list of social innovations will allow the managers of the company and functional units to choose the necessary social measures, improve the social environment, and the management component of the company. And approaches to assessing the effectiveness and efficiency of the implementation of social will allow to justify investments in these innovations and will allow to make some forecasts regarding the results of the company's activities during the implementation of strategic goals, both corporate and functional. The war situation, the destruction of the usual approaches to doing business, the loss of qualified management personnel, specialists in various processes do not allow to find and to implement innovations in the social, environmental and management components effectively. But, nevertheless, in the future it is worth paying more attention to the consideration of specific social innovations, the system and infrastructure of their support, as well as the selection of individual components in various subsystems of enterprises for easier implementation of social innovations.

The limits of applicability of the obtained results are determined by the adaptation of the company’s management strategy to the ESG principles and its readiness to implement social innovations, which is influenced by: the state’s social policy; the company’s resources in the post-war environment (the more resources, the greater the variability of innovative management available); the readiness of the management and staff for social and innovative management, the availability of foreign investments and consulting of qualified experts, etc. The results of the study can be used in practice if Ukrainian business is willing to follow the strategic development goals set out in the current Sustainable Development Goals of Ukraine for the period up to 2030, approved by Presidential Decree No. 722/2019, and anti-crisis national and local strategies for the post-war development of Ukraine’s economy based on ESG principles are created. The specifics and criteria for assessing the effectiveness of social innovations in strategic management may differ depending on the stage of implementation of the social component of ESG in the company’s management practice. If a Ukrainian company applies an adapted Western European model of governance based on ESG principles, the set of these criteria is as broad as possible and it is possible to introduce more social innovations, including proprietary methods.

4. Conclusions

It has been found out that social innovation is a separate specific socio-economic category that supports many discussions, after which it does not fit into the stereotype of business innovation as a commercial sphere that exists at the expense of profit. Consumers increasingly prefer the social attractiveness of business, because they understand that it is important for the recovery of Ukraine's economy from the post-war crisis. The introduction of innovations by business structures in their activities is the driving force that gives impetus to the development of universal values, and is not focused solely on increasing wealth or economic growth. It is possible to conclude that thanks to social innovations, business develops society, and society, in turn, supports business.
This thesis can be explained by the fact that the emergence of socially oriented enterprises in the Ukrainian economy is a certain response of entrepreneurs to the crisis phenomena that accompanied Ukraine’s transition to a democratic political system and a market economy. It means: high level of unemployment, insufficient financing of the social sphere, low level of security and general quality of life. As a result, the number of people excluded from the economic and political life of their communities has increased. Therefore, the results of the study of the domestic and foreign experience of the implementation of social innovations by enterprises in their activities, as well as the prospects of this process, will be useful in solving many socio-economic problems by the efforts of business.

The implementation of social innovations at the enterprise requires a qualitative assessment of their effectiveness, just like any innovation and investment project. Evaluating the effectiveness of social innovations is also important because their implementation requires a lot of additional efforts, which shifts the emphasis and can distract from solving important issues that are often urgent. Therefore, each business structure must clearly understand what additional benefits it will receive after implementing such innovations. Static and dynamic groups of methods are suitable for evaluating the economic efficiency of social innovations, but it should be noted that they take into account only material factors.

In order to take into account intangible factors, the following indicators are used: Corporate Philanthropy Index, London Benchmarking Group Method, Domini Social Investment Index (DSI 400), SA 8000 Standard, Triple Sum Method, Balanced Scorecard Method, European Quality Management Foundation Business Excellence Model. Their list can be expanded as the trends of introducing social innovations into the strategic activities of Ukrainian enterprises develop. It is also necessary to adapt these indicators to the peculiarities of the domestic economy, which requires further scientific research in this direction.

Conflict of interest

The authors declare that they have no conflict of interest in relation to this research, whether financial, personal, authorship or otherwise, that could affect the research and its results presented in this paper.

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References

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