

Article

The Status of Sustainable Social Innovation in Malta

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Abstract: Governments are increasingly using social innovation to stimulate economic growth and address social issues sustainably. Unfortunately, due to its size, Malta faces a very different challenge to sustainably kick-start high-value-added innovative ecosystems compared to larger states. This is due to a number of issues, including diseconomies of scale, that tend to impede conventional innovation policy efforts. Based on grassroots data, this paper presents the results of a study which determined the status of social innovation in Malta and presents a few recommended measures that can be implemented in order to stimulate social innovation sustainably in Malta and possibly in similar small jurisdictions.

Keywords: sustainable social innovation; sustainable corporate social responsibility; sustainability policy; microscale innovation; regional development; innovation policy; governance for sustainable development; sustainable economy; social innovation case studies

1. Introduction

As defined in [1–7], social innovations “are new solutions that simultaneously meet a social need and lead to new capabilities and relationships and better use of assets and resources”. Five core elements need to be present when categorizing activities as being socially innovative: novelty; span from ideas to implementation; the meeting of a social need; effectiveness; the enhancement of society’s capacity to act and, often, entail changes in social and power relations. Furthermore, social innovation (SI) can be comprehensively described by eight common features [8]: cross-sectoral; open, inclusive, and collaborative; grassroots and bottom-up; less defined boundaries between producers and consumers; mutual dependence of the individual and collective well-being; the creation of new roles and relationships; a better use of assets and resources; the development of assets and capabilities. There are many different types of SI, including new products, new services, new processes, new markets, new platforms, new organizational forms, and new business models. SI can happen in all sectors of the economy, including the private and public sector, the not-for-profit sector, as well as the informal sector, since it is about the creation of social outputs regardless of where they are coming from.

1.1. How Social Innovation Takes Place

As indicated in [7], the six stages of social innovation are as follows:

- Prompts and Inspirations: Where the core problems and the need for social innovation are identified. These core problems can be divided into several categories, including direct symptoms, underlying symptoms, direct causes, underlying causes, and contributing factors.

- **Proposals:** Where the development of ideas occurs. In this stage, the nature of the problem is understood, the area to focus on is defined, and potential solutions are identified.
- **Prototyping:** where ideas get tested in practice.
- **Sustaining:** when the idea becomes everyday practice.
- **Scaling:** growing and spreading the social innovation and establishing trajectories of growth, including the use of incremental, expansionary, and evolutionary strategies.
- **Systematic Change:** Establishing new forms of thinking and doing that involve all agents of the economy and society. It involves re-designing and introducing entire systems and will usually involve all sectors over time.

1.2. Challenges in the Small Island State of Malta

Due to its size, the challenges faced by the small island state of Malta in most sectors, including sustainable innovation, are very different in nature to those of larger states [9]. Consequently, this is also true for the respective solutions to these challenges (i.e., the solutions that may be adequate to sustainably solve the problems of large countries are not necessarily adequate for the small island state of Malta). In particular, as indicated in [10], Malta has very little chance of achieving autarky because it is characterized by a number of disadvantages related to small size, including vulnerability to external shocks, limited natural resource endowments and high import content, limitations on import-substitution possibilities, a small domestic market and dependence on export markets and foreign trade, dependence on foreign direct investment, dependence on a narrow range of products, limited ability to influence domestic prices, limited ability to exploit economies of scale, limitations on domestic competition, and a small manpower resource that is vulnerable to brain drain. Furthermore, Malta suffers from insularity and remoteness, which creates a high per-unit transport cost, uncertainties of supply for large stock, and environment degradation. These disadvantages make it difficult for a small island state like Malta to fund innovation sustainably [11], mostly because of diseconomies of scale that limit the critical mass necessary to start-up and sustain the innovation ecosystem [12–14]. In fact, in absolute terms, Malta has very little to invest in research, development, and innovation in general, and it is normally the case that the number of researchers in a given field is very low and firms face very little competition in areas beyond basic provision.

Having said that, despite some drawbacks, Malta also has a number of advantages that can have positive effects on social innovation, including greater flexibility and social cohesion [15], a rich culture and history, a low cost of living, a favorable climate and geographical location, and multilingualism. Furthermore, the specialized needs of a small island state like Malta may create market opportunities in themselves [16].

This paper presents the results of an in-depth study which determined the status of SI in Malta with the goal of recommending a number of measures that could be implemented to stimulate SI sustainably.

1.3. Social Innovation in Malta

In Malta, there is a strong tradition of not-for-profit entities being established to respond to social needs, based on volunteering and donation. In line with the broader European debate on sustainable social enterprise, Malta has recently been actively involved in a sustained effort to improve the relative legislative framework pertaining to social enterprise and social business and is hence currently preparing to adopt the first Social Enterprise Act.

So as to acquire information regarding the status of social innovation diffusion in Malta, a survey was conducted with a focus on identifying existing SI support services and any current best practices. A wide spectrum of stakeholders was considered, including large enterprises providing financial support and/or sponsorships or other in-kind support, government entities, policy makers, SMEs, potential start-ups, and NGOs focused on Corporate Social Responsibility (CSR) and SI. The questionnaire and analysis were based on international best practices by surveying current and cutting-edge CSR and SI, with open-ended questions to establish the best practices and recommend

sustainable SI support services and potential sustainable SI proposals related to the responders' operations. Whilst also mapping out the possible interactions between the diverse stakeholders identified, the survey was also aimed at identifying the impact SI could have on the products and services of the surveyed entities, as well as the needs the organizations may have had. The survey was also aimed at exploring the willingness of the surveyed entities to collaborate with other stakeholders on specific Social Enterprise products or services, and their recommendations for any government incentives, particularly sustainable SI support services, such as financing, consultancy, hosting, technology, business development, and other similar services which help in transforming proposed innovative ideas into promising start-ups. An emphasis was also placed on the need to collect successful SI case studies to be used for the promotion of the Social Innovation concept in Malta.

The survey was performed in two modes: (a) direct face-to-face interviews; (b) an online survey advertised through a general media campaign (including through press releases, social media, appearances on television in prime-time, and flyers). The survey was also sent to 5000 organizations via email. In total, 37 organizations answered the online questionnaire and 59 organizations were interviewed face-to-face.

2. Methodology

2.1. Secondary Online Market Research

Secondary online market research was first performed to map all existing services related to social innovation and corporate social responsibility. This particular phase was solely based on online articles and reports and included organizations with a potential towards social innovation, social enterprise, and corporate social responsibility. Being secondary market research, the analysis of SI services was, however, not intended to represent a universal set of entities in Malta.

2.2. Online Questionnaire

Following the secondary online market research, an online questionnaire was drawn up and advertised through a general marketing campaign that also led to an ideation event [11]. The questionnaire and the ideation event were advertised through several press releases, on social media, through TV programs in prime-time, flyers, and a mailshot circulated to all contacts on the partner database. The online questionnaire was filled in by 37 organizations and was designed to perform a review of the status of SI and CSR in Malta and took place in April 2019.

2.3. Face-To-Face Interviews and Qualitative Investigation

In order to probe with much more depth into the status of SI in Malta, as well as to identify the best practices and the innovative service needs, 59 individual face-to-face interviews, each lasting between 1.5 h and 2 h were performed in April 2019. The organizations that participated in this activity included the entities reached through the advertising campaign, the online questionnaire, and the partner database mailshot. Ten of the entities that filled in the online questionnaire also accepted an invitation to be interviewed face-to-face. Each meeting followed a pre-structured list of questions ordered by priority and contained both open and multiple closed questions.

2.4. Identification of Best Practices

One of the goals of this study was to identify some good practices in Malta and hence study closely how they were initialized and sustained. To do this, a set of indicators was used:

- activities with a strong cross-border dimension;
- activities that produce measurable social impact;
- projects that fall within the sectors of health, sustainable tourism, and food technology;

- activities that possess one of the KETs indicated in the OP Italia Malta (electronics, mechatronics, micro and nano-systems, biotechnology, and human health);
- growing entities with high-value-added social innovation connections;
- entities providing a high level of employment;
- entities that successfully use certain financial services that are underutilized but that have tremendous potential nationally;
- entities that have a high degree of cooperation with others;
- activities that adopt environmentally friendly and energy efficient policies;

2.5. Innovation Services

One of the goals of this research project was to establish what services are needed to boost sustainable SI in Malta. The innovation services were ranked on the basis of the results of the online survey and face-to-face interviews. The research investigated the following aspects:

- The financial dependence and sustainability models that the entities employ to sustain their operations and/or that were used for start-up.
- The non-financial support services that they employ in their operation or wish they had to boost their impact and effectiveness.
- The need for services that overcome perceived barriers that inhibit impact, effectiveness, and growth.
- The perceived incentives and services that the government should put in place to boost SI and CSR in general.
- The value attributed to collaboration between similar or complementary organizations and their ability to network in a supply chain logic.

3. Results

It is important to consider the demographic of the survey so as to ensure that the results represent a relatively good sample of the 50,000 companies or organizations registered in Malta that may be involved in SI in some form or other. Most of the organizations involved in the survey were limited liability companies (41%), followed by non-profit foundations and voluntary organizations (31%), and self-employed individuals (13%). The other respondents consisted of a mix of different types of organizations such as start-up social enterprises, crowd-funding platforms, public entities, and research bodies. The prevailing sectors within which the respondent organizations in Malta operate are indicated in Figure 1.

The majority of these respondents are engaged in the provision of services (61%) whilst only 16% are engaged in the sale of products. A substantial number of the respondents (23%) offer both products and services to the public. As indicated in Figure 2, the majority of the organizations surveyed are micro organizations, employing not more than nine employees, with only 2% of the respondents being large organizations employing more than 250 employees. This is not surprising since the demographic of organizations in the island state of Malta is largely dominated by micro organizations.

Participants were asked about the extent of their understanding of the notions of CSR and SI. The majority of respondents understood the term CSR (55%) or some aspect of it (32%). However, a minority of respondents understood the term SI (33%) or some aspect of it (17%).

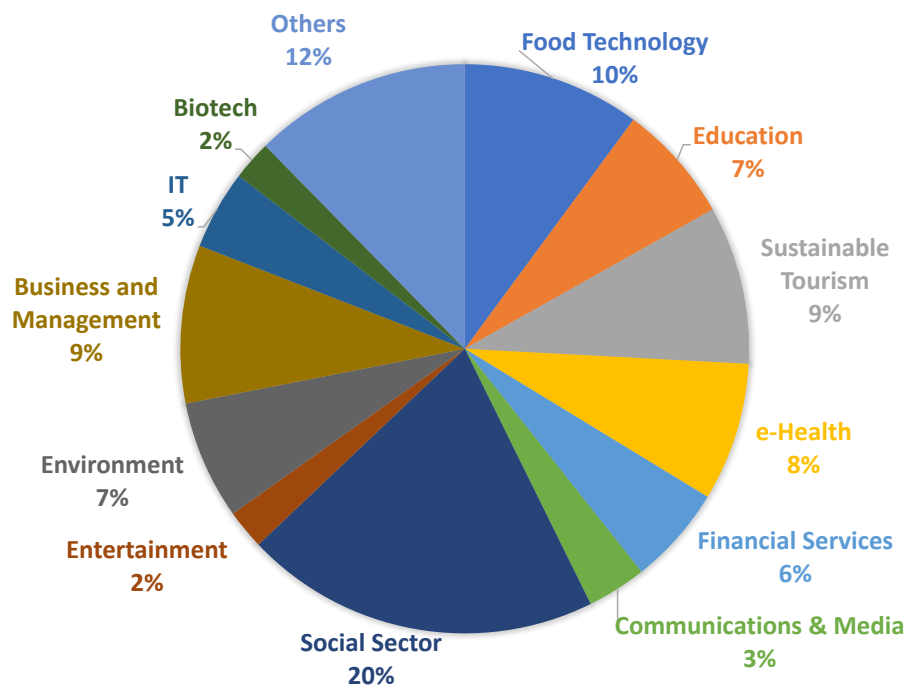


Figure 1. Sectors in which organizations operate.

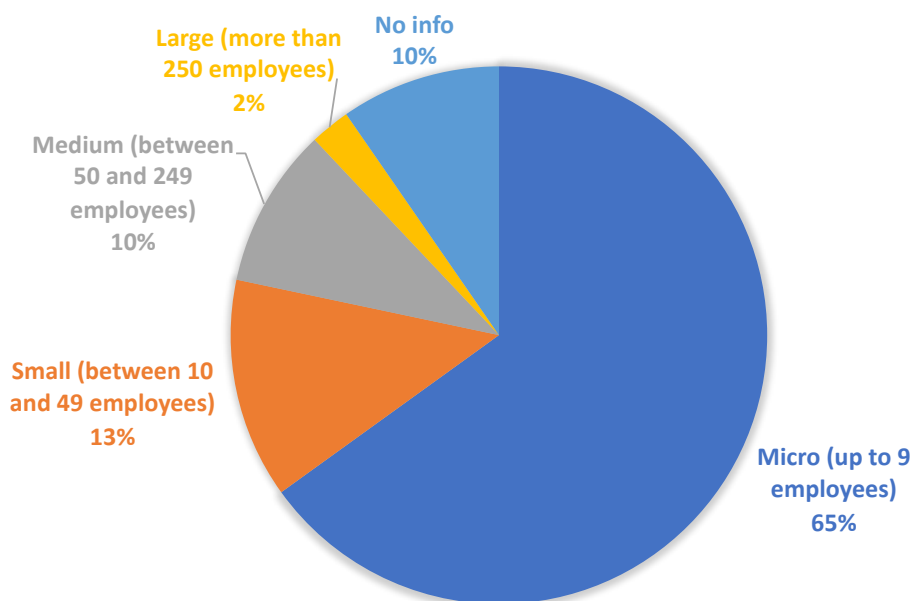


Figure 2. Organization size in terms of employees.

After going through an explanation of the definition of social innovation, participants were then asked if this could help to boost their impact. A staggering 69% answered in the affirmative, whilst only 6% answered with an outright no. The remaining 25% did not deem the question to be relevant to their situation. Further enquiry was made with those who answered in the affirmative, particularly to determine how SI could help to boost their impact. Most participants indicated that SI could enhance the effectiveness of their work, whilst others felt that it could help them raise awareness about their work and increase the visibility of their organization. Furthermore, some respondents indicated that SI had already proved to be a source of inspiration and encouragement to their organizations' stakeholders and that it resulted in the increased activity, take-up, and demand of their organizations' products and services. These results are shown in Figure 3.

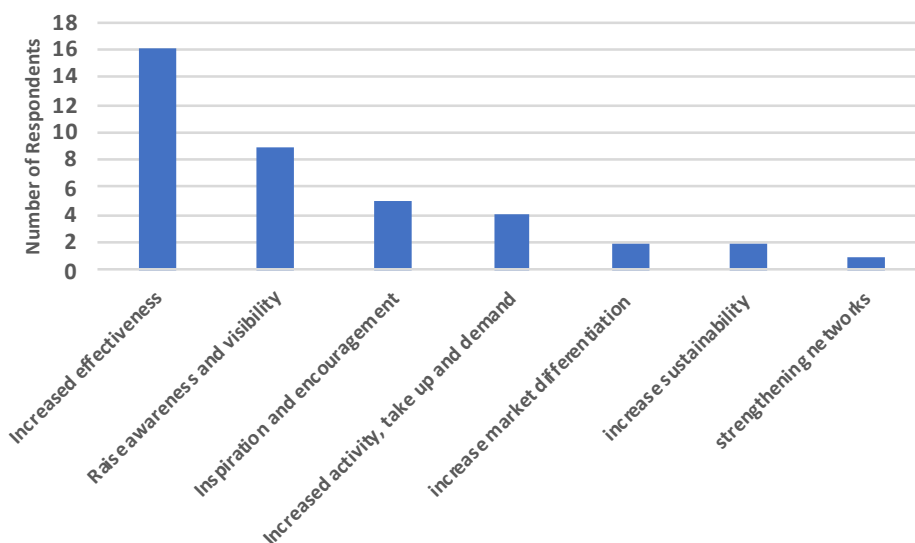


Figure 3. Impact on the organizations’ work or visibility.

When asked whether they collaborate with other entities, the vast majority of the respondents replied in the affirmative (79%). Most stated that they collaborated with other local entities in order to deliver services together, whilst others shared the same local network. As indicated in Figure 4, most respondents collaborated with other local private companies in the same or a different sector, followed by non-profit organizations and national institutions.



Figure 4. The types of organizations that participants worked with.

Malta’s small size, insularity, and remoteness are considered to be barriers to collaboration with other cross-border partners [17]. In fact, Malta also has the tendency to conduct foreign trade and collaborate with very few trading partners, most notably with the United Kingdom for historical reasons, and Italy due to its proximity [18]. Whilst these barriers in practice still inhibit international collaboration, the vast majority of respondents (85%) said they were interested in collaborating with cross-border partners, should the right opportunity present itself.

Since funding is a key imperative for SI to start and continue sustainably, a significant focus is placed on fact-finding in this regard. As indicated in Figure 5, most of the organizations surveyed (48%) replied that they did not depend on any non-repayable loans or donations to finance their activities.

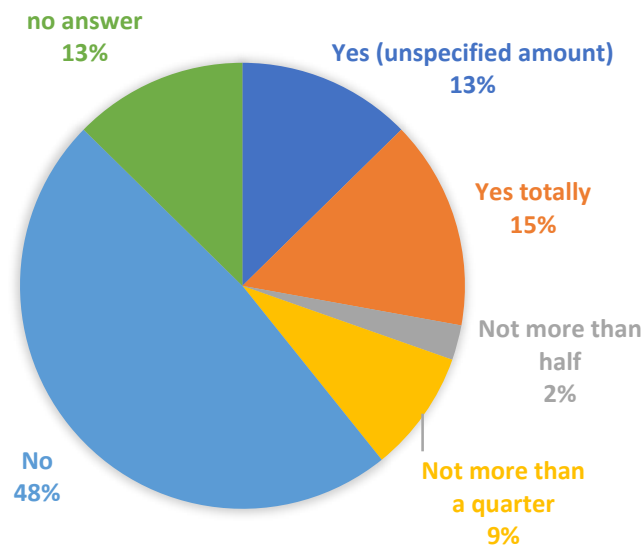


Figure 5. Organizations that depend on non-repayable loans, donations, or any other financial instrument.

As indicated in Figure 6, a reliance on private investment was also identified in relation to financing current activities, with respondents stating that these were financed through the sales of products and/or services. This notwithstanding, a number of respondents benefitted from some kind of support for their social innovation ideas, such as crowdfunding, government grants, in-kind support, and prizes for social innovation and equity finance. Furthermore, the majority of respondents in Malta relied on private investments to start up their enterprises.

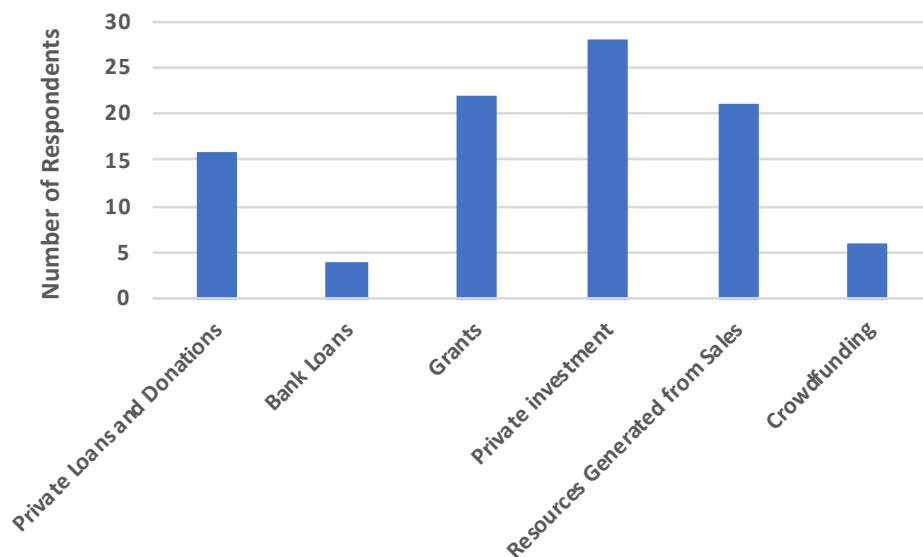


Figure 6. Financing of activities.

Since SI is still in its infancy in Malta, it is important to establish what barriers may be keeping it from growing. As indicated in Figure 7, the lack of sufficient financial resources was identified as the main barrier which hindered respondents from being more active in the social innovation sphere. A lack of human resources and time were also emphasized by the respondents.

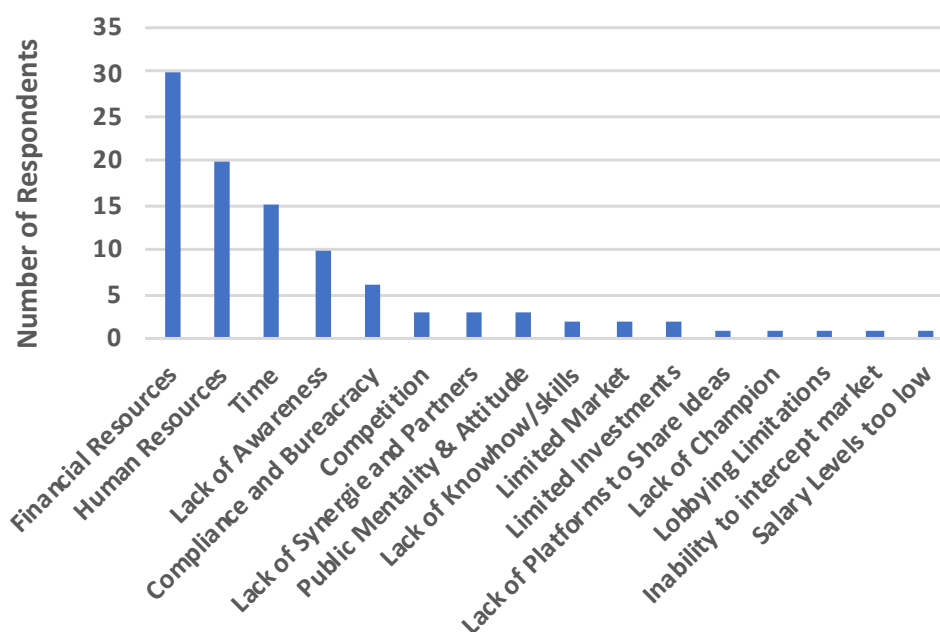


Figure 7. Barriers.

Apart from identifying the status and perception of SI in Malta, it was also the goal of this study to start to identify intervention measures, so as to boost SI. Hence, this research activity also sought to identify the services that respondents wished to procure externally, their relative suppliers, the type of non-financial services they used and required, and their ability or otherwise to enter and feed network logics. Mentoring and coaching were identified amongst the most desired services, closely followed by the desire to have access to professional services of various kinds, activities through which to engage the public on social issues, and the provision of business incubators. Participants felt that promotion frameworks, platforms for the exchange of ideas, and social innovation networks, in particular, were useful for boosting social innovation. Moreover, financial resources and tax incentives were identified by the majority of respondents as a way through which the government could boost social innovation. Respondents also emphasized the fact that, in their opinion, the government should focus spending on social innovation in a manner which targets identified social needs and is based on policies and the impact that an activity could generate.

4. Discussion and Conclusions

SI is increasingly being used by governments to address social issues sustainably whilst also stimulating economic growth. The five core elements of SI, as described in Section 1, and the inherent six stages of how it takes place are used as markers to identify SI. In addition, when mapping the status of SI, one must cast a wide net and consider all sectors of the economy, since there are several types of SI that can happen anywhere. The goal of this paper was to determine the status of SI in Malta and hence recommend a few measures to help government policy boost social innovation sustainably.

Unfortunately, SI awareness is very weak in Malta. Whilst over half of the respondents knew exactly what CSR was, only a third knew exactly what SI was. This indicates that Malta is still in its infancy with respect to SI. However, after explaining what it is, many recognized the importance of SI and acknowledged that boosting SI would boost the impact of their social enterprise. In fact, many agreed that SI had already enhanced the effectiveness of their work, raised the awareness and visibility of their enterprise, proved to be a source of inspiration and encouragement for their organizations' stakeholders, and resulted in the increased activity, take-up, and demand of their products and services.

Mentoring and coaching was identified as being the most desired in-kind service, closely followed by the desire to have access to professional services of various kinds. This makes sense, especially given

that SI is still young in Malta and capacity building is needed to boost it further. Other in-kind services mentioned included sponsored activities through which to engage the public on social issues and the provision of business incubators to help start-ups take root. Moreover, tax incentives were identified by the majority of respondents as a way through which the government could boost social innovation.

It is an accepted fact in Malta that being such a small island state means that resources are spread thin, and diseconomies of scale prohibit critical mass from growing naturally and organically in most fields. Hence, funding frameworks for SI need to be adapted to the context of a small country if they are to prove effective and sustainable. In fact, this study identified access to funding as the biggest barrier hindering the respondents from being more active in the SI sphere. This indicates that a financial injection into the sector would make a tremendous difference in boosting SI. This is substantiated by the fact that the vast majority of the respondents active in SI managed to obtain a grant or private investment to launch and sustain their endeavor. However, policymakers need to be very strategic regarding where they place financial stimuli, since these organizations are invariably going to be relatively small, and obtaining critical mass is going to be challenging. However, the resulting impact still needs to be effective to start up and sustain the innovation ecosystem, especially in SI's infancy, and a focus should be placed on acute needs in line with policies that are designed to address clear social challenges.

Most of the respondents collaborated with other local entities, hence strengthening the premise that the island enjoys strong social cohesion. However, there was not much evidence of cross-border collaboration. This is probably due to the remoteness of the small island state and the resulting insularity which tends to plague embryonic sectors in Malta. However, the outlook is rather positive since most respondents were open to the possibility of international collaboration, should the right opportunity arise. After all, the smaller states' specialized needs could also be a market in themselves and the pooling of market opportunities could be beneficial.

Therefore, the innovative services needed relate to the criteria that were the most crucial to the respondents, and this should serve as an initial guide to decision makers when drawing up sustainable social innovation policies in Malta and possibly in similar small jurisdictions.

Because Malta has very little to invest in SI, it is critical that the limited resources are placed where they can have the most social impact. This impact in itself will then serve as a catalyst to stimulate further investment not only through governmental funds but also through private equity. The results of this paper are, therefore, critical for Malta to consider when drawing up SI policies and setting SI activity roadmaps that are targeted towards ramping up the SI ecosystem.

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