

# Does social innovation mean inclusion? 1/20/25



Head of Pan-Baltic Diversity and Inclusion  
Practice, PwC Latvia  
Agnese Cimdina

In today's world, innovation has become a critical component of competitiveness and economic growth. Companies and individuals around the world are looking for new solutions in the hope that the market will recognise and demand them. Innovation usually means the introduction of new ideas, methods or products that promote growth and competitiveness by improving processes, services or technologies. However, when pursuing progress, it is important to assess whether innovations will truly improve society as a whole and whether the benefits they offer are accessible to everyone. Specifically, will innovations be inclusive? In this article, we will explore the link between social innovation and social justice, or how innovation can help reduce social exclusion, provide accessible solutions for all and promote long-term positive change in society.

Europe and Latvia today face several serious social challenges that affect the lives of many people. Still 22% of Europeans, i.e., 95.3 million EU citizens, do not have sufficient resources to meet their basic needs.<sup>1</sup> The highest risk of poverty is in Romania, Bulgaria, Greece, Spain and Latvia.<sup>2</sup> In 2023, 399 thousand people or 21.6% of Latvia's population, were at risk of poverty. The groups most at risk of poverty include the unemployed, older people (over 65), especially single people, single-person households with dependent children and individuals between the ages of 18 and 24. The risk of poverty also increases in families with two adults and three or more children.<sup>3</sup> In addition, 40% of the Latvian population have faced discrimination.<sup>4</sup> These figures raise important questions: How can innovation help reduce the risk of poverty? Will solutions be created that are also accessible to those who cannot afford to pay for them? And above all, how can we ensure that people's needs and well-being are prioritised when developing innovations?

## Social, inclusive, or frugal innovation

Innovation is defined as the systematic process of developing, introducing and implementing new ideas, processes, products or services. This includes the introduction of completely new ideas, the adaptation of existing ideas in new ways and the improvement of ideas and their transformation into new processes, products or services. Innovation is not just about new products or services, but rather a systematic process that aims to create value in both economic and social terms (e.g., the renewal and expansion of services and markets, the development of new production methods and the introduction of new management systems, etc.).<sup>5</sup>

On the other hand, social innovation is the development and implementation of new ideas, strategies or engagement processes to address social problems and bring about positive change. It involves collaboration between different stakeholders, including individuals, organisations, communities and governments, to find innovative solutions that improve the quality of life of individuals and communities.<sup>6</sup>

**Social innovation** has gained popularity over the past two decades. Unlike traditional innovations, which are primarily focused on economic gain, social innovation aim for social impact and sustainability. The goal is to create solutions that are accessible, effective and sustainable while meeting the needs of different social groups.<sup>7</sup> Some examples of social innovations around the world are:

- **Teach For All:** A global network that provides training for individuals who want to become inspiring teachers — change agents in disadvantaged communities.<sup>8</sup>
- **Grameen Bank (Bangladesh):** Provides microloans to low-income women, especially helping cover medical expenses, medication, or other healthcare-related cost.<sup>9</sup>
- **Buy One Get One (BOGO) models:** Companies donate an equivalent product or service to those in need for every product sold.<sup>10</sup>
- **Manabalss.lv (Latvia):** An online platform that allows Latvian citizens to submit collective petitions to the Saeima, thus promoting participation in decision-making and engaging the public in political processes.<sup>11</sup>

There are also concepts such as “frugal innovation” and “inclusive innovation” Although this approach to innovation is still relatively new and the amount of research on this topic is therefore still quite limited, the common denominator of these concepts is the “mindset” In other words, various extreme circumstances, scarcity of resources and the specific needs of people have contributed to the emergence of such innovative approaches, with the aim of making services and products accessible to those populations that often face barriers to access or availability.

**Frugal innovation:** It is a process in which the cost of goods and their production is reduced, often by eliminating unnecessary features, to make products more accessible. The business journal **The Economist** was one of the first to notice this trend, publishing an article about frugal innovations in healthcare in India.<sup>12</sup> **Frugal innovation** emphasises the essence of innovation — “doing more with less.” However, frugal innovations have a significantly larger potential, offering additional benefits beyond cost-effectiveness. They foster positive change, sustainability, greater social benefits, and economic development. Some examples of frugal innovations include:

- **JioPhone (Indija):** An especially cheap smartphone produced by Reliance Jio. It is designed to provide internet access to millions of people in India, promoting their digital inclusion, including access to information and education.<sup>13</sup>
- **Clay pot refrigerator:** A simple cooling system that uses the natural properties of clay to maintain a stable temperature and keep food fresh in areas without electricity. This innovation is especially useful in remote and rural areas where access to modern refrigeration devices is limited. It promotes a sustainable lifestyle by utilising local materials and natural processes.<sup>14</sup>

Although there are not as many prominent examples in Latvia as in India or Africa, the principles of frugal innovation are applied in various fields, especially where effective solutions are needed with limited resources, such as in social enterprises, non-governmental organizations, and small and medium-sized businesses. These sectors, particularly in regional areas, often face resource shortages and are forced to be creative in finding low-cost solutions to compete in the market.

**Inclusive innovation** is a process aimed at creating solutions that are socially and environmentally friendly, taking into account local needs and conditions. The main objective is to ensure that the benefits of innovation are accessible to those who are usually excluded, such as people with low incomes or marginalised groups like individuals with disabilities, minorities, people with lower education levels, etc. This approach fosters the development of new products and services tailored to these groups, helping them integrate into society and participate in various processes. Inclusive innovation ensures that well-being and opportunities are available to all, not just a select segment of society. In doing so, it promotes fairer and more sustainable development.<sup>15</sup>

## Similarities and differences

Looking at the different interpretations, we can conclude that the goal of social innovation is to address social problems and improve societal well-being, the goal of frugal innovation is to create cost-effective solutions that are accessible to lower-income consumers and resource-limited environments, and the goal of inclusive innovation is to reduce inequality and ensure that the benefits of innovation reach all members of society. A structured comparison of these three forms of innovation looks as follows:

	<b>Social innovation</b>	<b>Frugal innovation</b>	<b>Inclusive innovatio</b>
<b>Focus</b>	Solving social problems and improving societal well-being	Cost reduction and affordable product development	Achieving social and environmental goals, taking into account the local context.
<b>Target audience</b>	Population, especially vulnerable groups	Developing countries and population groups subject to social exclusion and poverty	Groups of people who are subject to social exclusion and poverty, and marginalised communities
<b>Suitability of the solutions</b>	New services, programs, and policies that improve quality of life	Simple, effective products that provide essential functions	Goods and services that are accessible to all members of society
<b>Costs</b>	Can be high as long-term funding and support are often required	Low, focusing on cost reduction and efficiency	It can be moderate, as solutions need to be adapted to the local context

Although there are differences between the definitions of innovation, they can sometimes complement each other. To better understand how each approach to innovation approaches problem solving, taking into account costs, resources and target groups, we offer an example from bridge building.

In the context of frugal innovation, bridge building would involve the use of recycled materials and local labour. This approach would focus on reducing costs and utilising available resources to ensure that the bridge is accessible and functional, even if it is not as modern. Social innovation would focus on developing new technologies for bridge construction. These technologies would be aligned with government, private sector and NGO interests and designed to improve efficiency, safety and sustainability and make bridge construction more accessible and safer for the general public. Meanwhile, inclusive innovation would focus on ensuring that the construction and use of the bridge is accessible to all members of society, particularly those living on a low income or at risk of social exclusion. This could include adapting the design of the bridge to local conditions and needs to ensure that the bridge is accessible and useful to all.

## Prerequisites for implementing the approach

To develop innovations that are not only alternatives but also address a wide range of needs and are useful to everyone, regardless of their socio-demographic indicators, several prerequisites are necessary. Let's mention three of them related to diversity and inclusion aspects:

1. **Inclusive Design Approach:** Business must ensure that product or service development considers the needs of various groups of people, including individuals with disabilities, older adults, and people from different ethnic and social backgrounds. This approach helps create solutions that are accessible and usable by everyone, not just specific groups.
2. **Access to Resources and Opportunities:** For innovations to be inclusive, equal access to resources and opportunities must be provided, both in production and distribution. This includes ensuring that newer and more efficient technologies are available not only to large corporations but also to small and medium enterprises and social organizations, fostering a more equitable environment.
3. **Promoting Diversity in Teamwork:** Inclusive innovation thrives when teams consist of people with diverse perspectives, experiences, and insights. Companies must foster diversity within

their teams to create solutions that are flexible and capable of addressing a wide consumer base, taking into account different social, economic, and cultural contexts.

To fully realise the potential of innovation, it is essential to change perspective and focus on people's needs. Businesses and policy makers must not only focus on efficiency and productivity but also integrate human rights principles and policies into their operations and consider the impact of innovation on people who face barriers due to social exclusion, poverty or discrimination. Otherwise, the progress driven by innovation will only benefit a limited part of society, exacerbating inequality and division and jeopardising long-term positive change for the community.

---

<sup>1</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/DDN-20230614-1>

<sup>2</sup> <https://stat.gov.lv/lv/statistikas-temas/iedzivotaji/monetara-nabadziba-nevienlidziba-un-sociala-atstumtiba/preses-19?themeCode=N>

<sup>3</sup> <https://stat.gov.lv/lv/statistikas-temas/iedzivotaji/monetara-nabadziba-nevienlidziba-un-sociala-atstumtiba/preses-19?themeCode=N>

<sup>4</sup> <https://www.lm.gov.lv/lv/media/22110/download?attachment>

<sup>5</sup> <https://www.scielo.br/j/cebape/a/K38LzCKjPFyRKPNyJgyFZMR/?lang=en>

<sup>6</sup> <https://www.gsb.stanford.edu/experience/about/centers-institutes/csi/defining-social-innovation>

<sup>7</sup> <https://www.tandfonline.com/doi/full/10.1080/13511610.2022.2036952>

<sup>8</sup> <https://teachforall.org/our-purpose>

<sup>9</sup> <https://grameenbank.org.bd/>

<sup>10</sup> <https://borgenproject.org/bogo-model/>

<sup>11</sup> <https://manabalss.lv/>

<sup>12</sup> <https://www.scielo.br/j/cebape/a/K38LzCKjPFyRKPNyJgyFZMR/?lang=en>

<sup>13</sup> <https://www.kaiostech.com/driving-innovation-for-public-and-social-services-through-the-mobile-internet/>

<sup>14</sup> <https://reap-eastafrica.org/the-clay-pot-fridge/>

<sup>15</sup> <https://www.inclusiveinnovation.io/>