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Inclusive Innovation through the Lens of Instrumental Freedoms

Inclusive innovation is the development and implementation of new ideas which aspire to create opportunities that enhance social and economic wellbeing for disenfranchised members of society (George et al., 2012). It is both a process and an outcome practiced and produced by socially-driven firms, governments, NGOs and social entrepreneurs. In both development and BoP entrepreneurship literatures there is a widely held assumption that the best means of development is to increase the rate of economic growth, which entails getting the institutions right. In this paper, we examine inclusive innovations by looking at the use of microcredit across numerous developing economy contexts and their instrumental freedoms. Instrumental freedoms is one of the underpinning concepts of Sen's capabilities approach (Sen, 1999). An understanding of a person's capabilities involves an appreciation of the substantive freedoms and choices that an individual has over their functionings i.e. what they can achieve (Sen, 1987). These are guided by institutions which determine an individual's political freedoms, economic facilities, social opportunities, and overall wellbeing (Nussbaum, 2000). Substantive freedom, understood as the enhancement human capabilities, is both the end and the means of development. Freedom, in Sen's view, is not a single entity. It rather manifests itself through five distinct instrumental freedoms: economic facilities; political freedoms; social opportunities; transparency and protective security. These freedoms are complementary and mutually reinforcing. We argue that in order to better understand inclusive innovative activities, we need to move away from perspectives that overemphasize the relevance of institutional arrangements towards considering the substantive freedoms and choices that an individual has over their functionings. This allows us to focus on the means to development, not on desired ends. In looking at how instrumental freedoms lead to inclusive innovation, we focused on 19 Latin American countries and assessed how Sen's instrumental freedoms of economic facilities (microfinance provision), social opportunities (education equality), political freedoms (freedom over life choices) and transparency guarantees (transparency) combine to produce higher rates of microcredit clients among micro entrepreneurs. This microcredit setting suggests the presence of inclusive innovative activities. Our data stems from a variety of sources including IDB Multilateral Investment Fund, Human Development Index, Transparency International, and Gallup World Poll. Since instrumental freedoms interrelate with one another, they need to be observed together, which calls for configurational comparative methods. Drawing on fs/QCA, our analysis yielded three combinations of instrumental freedoms leading to inclusive innovation. Each of these combinations of freedoms represents a distinct set of countries, suggesting different emerging approaches to - inclusive innovative - development, being articulated by people based on what they value and can do. The table below summarises our findings. Certainly, the relevance of microfinance provision and transparency and the lack of education equality are not surprising, yet uncovering the unique ways in which they combine to produce inclusive innovation reveals new scenarios with instances, for example, in which microfinance provision is not necessary for inclusivity when transparency, life choices and education inequality are present. This paper enhances our understanding of the role of inclusive innovations as an approach which looks to engage with the disenfranchised. It suggests that inclusive activity can be a function of different constellations of instrumental freedoms – the three distinct solutions.