

# SOCIAL INNOVATION THEORY AND RESEARCH

A Guide for Researchers





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# About TEPSIE

This report was written as part of the TEPSIE project, a research project funded by the European Union under the 7th Framework Programme and is an acronym for “The Theoretical, Empirical and Policy Foundations for Building Social Innovation in Europe”. The project is a research collaboration between six European institutions: the Danish Technological Institute, The Young Foundation, The Centre for Social Investment at Heidelberg University, Atlantis Consulting, the Catholic University of Portugal, and Wroclaw Research Centre EIT+. The project explores the barriers to innovation, as well as the structures and resources that are required to support social innovation at the European level. The aim is to identify what works in terms of measuring and scaling innovation, engaging citizens and using online networks to maximum effect in order to assist policy makers, researchers and practitioners working in the field of social innovation. TEPSIE is comprised of eight research Work Packages. These are as follows:

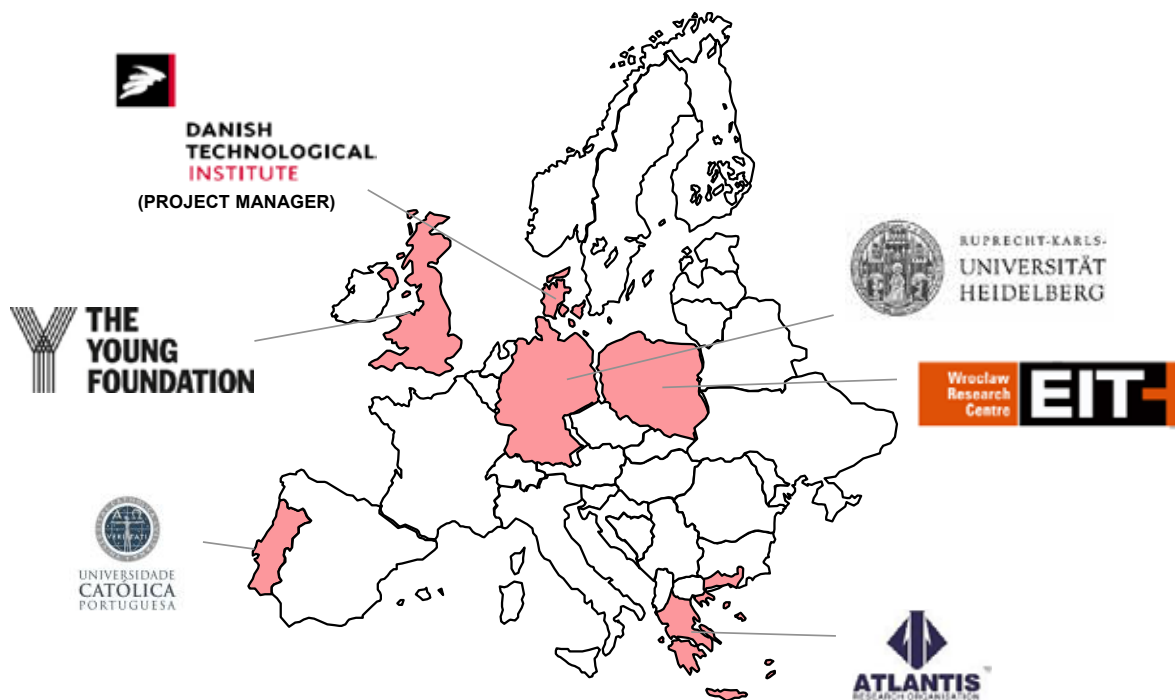
1. Overview of the system of social innovation
2. Measuring social innovation
3. Removing barriers to social innovation
4. Generating capital flow
5. Engaging the public
6. Knowing what works
7. Growing what works
8. Using online networks to maximum effect

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# Contents

Executive summary	4
Introduction	8
Defining social innovation	10
TEPSIE's definition of social innovation	14
Measuring social innovation	16
Developing the field and overcoming barriers	20
Financing social innovation	26
Digital technology in social innovation	28
An area of debate	31
Conclusion	34
Resources	39
Annex	40

# Executive summary

Although the field of social innovation is developing rapidly, at the time TEPSIE started in 2012, the state of research on the subject was limited and did not allow the undoubted potential of social innovation across Europe to be fully tapped. In particular, the European Commission, together with the TEPSIE consortium identified eight inter-related areas which subsequently became the work packages of the research programme.

## Overview of Work Packages

### **WP1: Overview of the system of social innovation.**

WP1 offers an overview of the field of social innovation, providing the theoretical underpinnings of the broader TEPSIE programme, a content and methodological framework as well as ensuring consistency of definitions and understandings across all work packages. After a 3-year process of research and debate, we think social innovations are best defined as *new approaches to addressing social needs. They are social in their means and in their ends. They engage and mobilise the beneficiaries and help to transform social relations by improving beneficiaries' access to power and resources.*

### **WP2: Measuring social innovation.**

Effective metrics about the scale, scope and impact of social innovation at the macro-level are critical to guiding policy makers in developing and supporting the field. WP2 analysed available data to better understand the growth, impact and potential for social innovation in Europe. Based on that, we have developed a blueprint of indicators for measuring social innovation and its framework conditions at the societal level. However, this is only the first step for a profound measurement system which will require much more broad-scale data.

### **WP3: Removing barriers to social innovation.**

The development and growth of social innovation is impeded by factors such as limited access to finances, poorly developed networks and intermediaries and limited skills and support structures. WP3 provides a conceptual framework for analysing the major barriers to social innovation. According to this, three levels of challenges can be distinguished: environmental challenges (lack of finance, non-financial resources, networks, etc.); underlying challenges (difficulties of adopting an open innovation paradigm; measurement-related challenges) and actor-related challenges (lack of capacities and competencies).

### **WP4: Generating capital flows.**

The relationship between social investment and social innovation has been under-researched and poorly understood. WP4 examined how the social economy is funded, the pros and cons of different forms of funding and how the strategy and organisational development of social innovators can be promoted in terms of funding. We found that while both money and non-financial resources are still lacking for many social innovators, still they often prefer to finance their endeavour from their own income, as the acquisition of investment usually brings high capital costs and risks. Enhanced cooperation between different actors will help to improve income sources and also the opportunities for more investment in the field, as we have found there are a substantial number of innovators ready and willing to acquire investment.

### **WP5: Engaging the public.**

Citizen engagement is widely recognised as a key component to many social innovations, especially within the public sector. Over the last decade there has been a proliferation of methods and approaches to citizen engagement. WP5 explored and mapped the methods, role and value of citizen engagement

in the development of social innovations. In particular, we developed a conceptual framework for mapping various kinds of engagement activity within the social innovation process. We have found that the value of engagement and collaboration of citizens has arguably taken on the status of orthodoxy; yet, there are risks and limitations associated with citizen engagement, and further research is needed to understand the impact of participation on society and individuals.

#### **WP6: Knowing what works.**

The evaluation of social innovation is a field of growing interest. Evaluations help to identify what works, what does not and why. They can make organisations that deal with social change more effective and contribute to good governance. WP6 reviewed how social innovation is being evaluated and synthesised, the best evaluation methods and practices for different types of social innovation initiatives. We found that there are certain tools which are more commonly adopted and have a wider spectrum of application, e.g. the Social Return on Investment (SROI), the Social Reporting Standard (SRS), Social Cost Benefit Analysis (SCBA), and Randomized Control Trials (RCTs). The flexibility and cost of a tool influences how attractive a tool is to a larger audience; in particular, technical knowledge required in complex methods may call for external expertise which can reduce attractiveness.

#### **WP7: Growing what works.**

Spreading social innovation is particularly problematic for the social sector. In WP7 we conducted a comprehensive literature review on the growth of social innovation, provided detailed case studies identifying the various factors which have helped and hindered their spread and growth, and looked at the policy supports for growing social innovations. We found that scaling is a problematic framing for social innovation as it implies standardization, and in reality the social innovation world is varied. Thus often it will be more useful to speak about diffusion, adoption or replication. We discovered that networks of trusted peers are critical for spreading awareness and take-up of an innovation, that context is significant, and that intermediaries play a significant role in the adoption process. We also developed an ecosystem model for thinking about the support that social innovations need to spread, focusing on both demand and supply side factors.

#### **WP8: Using online networks to maximum effect.**

As online networks are substantially changing the character of communication, collaboration and relationship building, we need a qualified framework for reflection on the impact of online networks. WP8 examined the development of online media and networks in relation to social innovation. We found that social needs can often be met more efficiently and effectively using digital technology if it is carefully embedded into existing activities. Technology can dramatically change operations, social and business models and strategic considerations, although new governance arrangements are typically needed to make this work well. Digital technology is deployed in using existing and creating new assets or in shortening value chains and cutting out intermediaries who do not add value. Significant scaling can be achieved using digital technology through networks of opinion formers and influencers who then act locally and in context.

### **Cross-cutting findings**

Across our findings from TEPSIE, we have identified a number of overarching themes about social innovation.

#### **Variance and sectoral differences.**

Social innovation is an umbrella term that covers a broad range of activity, and there is a stark difference between market facing social innovations (such as Fair Trade products, renewable energy, ethical goods etc.) and those which cannot operate in regular competitive markets (such as large parts of the fields of culture, youth aid, job qualification, and other social services). These types of social innovation vary considerably: they require different forms of finance and governance arrangements; they face different challenges and barriers and varying levels of legitimacy and civic support; they have distinct conditions for growth and will usually spread in different ways.

#### **Diffusion and growth.**

We found that most social innovations start within civil society (either in the non-profit sector or the informal/communities sector) which historically has played a vital role in identifying and articulating social needs, suggesting ways of addressing them, staging competing claims for the good society

and encouraging various forms of engagement. However, civil society lacks the mechanisms for scaling and growth, as well as the capital, surplus time, organisational capacity, and the models and individual actors' ambitions to turn ideas into social innovations and scale them. For social innovations to spread and grow, they usually need to be mainstreamed through the market or with support from the state, i.e. be connected with growth models not very much inherent in the respective sectors.

### **From scaling to systems innovation.**

If we are most interested in large scale societal transformation (e.g. to a low carbon economy or co-production of public services), thinking in terms of scaling a social innovation might be limiting. We need to better understand the relationship between scaling a social venture, systemic innovation and societal transformation. With this being the case it might be useful to look at national or territorial systems of social innovation, just as in innovation policy the focus is innovation systems rather than tools and mechanisms for growing specific innovations.

### **Unpacking the concept of social innovation in the context of growth.**

Discussions about spreading social innovation will be more meaningful when we are specific about the unit of analysis we are concerned with spreading: We need to be clear about whether the innovation to be spread is a new practice, a new process, a new type of organisation, or a new law or regulation. Therefore we need to be cautious when using the language of 'scaling' or 'scaling up', as adoption of this language can narrow the way we think about routes and approaches to growth.

### **A note of caution.**

While social innovation is high on the political agenda, we should be cautious. First, the term risks becoming a buzzword, leading to a loss of credibility and support, as well as unjustified concentration on innovation at the expense of traditional actors who may create immense social impact without being particularly innovative. Second, we should be cautious that social innovation is often filling gaps that were deepened as a result of austerity politics. Yet, social innovation is neither capable of making up for all of the budget cuts and welfare policy gaps, nor should it be considered a 'silver bullet' against complex social problems that have to be tackled by major and broad-scale public reforms.

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## **Areas for further research**

Based on our findings from the TEPSIE project, we offer several areas for further research:

### **Types of social innovations.**

We need to identify types of social innovations, e.g. those that operate in private markets and those which do not, to better understand their distinct needs and mechanisms, and how to effectively link actors investing in socially innovative processes and those who benefit.

### **Data and monitoring.**

Most of the future research questions we identified would benefit greatly from advanced databases containing information on social innovation, social needs, the social economy and its innovative potential, other environments of social innovation, relevant actors and networks, technological innovations, etc.

### **Civil society and the social economy as incubators.**

Our hypothesis that civil society provides a particularly fertile ground for the generation and early development of social innovations requires further validation.

### **Effective collaborations.**

We do not yet know much about the effectiveness of collaborations: Which types of actors must be involved in what ways, and how do we get actors with differing interests to cooperate? What role(s) can ICT play in such processes?

### **Management of complexity.**

Social innovation is complex in numerous respects, and most social problems defy linear responses and do not allow a single 'end' or 'solution'. Although it is more important to continuously manage complex problems than trying to resolve them per se, we know little about how to do that for social innovation.

### **Demand side of social innovation.**

To look at the demand side of social innovation – procurement and commissioning – as well as how to encourage and stimulate private demand, we need to further explore the nature of social innovation in terms of its outcomes and impacts as common goods, as this profoundly influences how demand is perceived and satisfied.



### **The role of the public sector in promoting social innovation.**

It is relevant to further explore how different welfare systems, the setup of political institutions, local framework conditions and supportive instruments impact the birth, growth and sustainability of social innovations.

### **Social and technological innovation.**

As social innovations have much in common with technological ones, we need to further review existing methodologies for technological innovation, assess which of these can be built upon, and tap into existing data sources on national technological innovation systems.

### **Social movements, power and politics.**

Much of the existing literature on social innovation is influenced by a business/technology view of social innovation. The study of social movements may suggest ways in which social innovation can bring forth social policy change and shifts in social norms and dominant paradigms and thus shed light on the role and impact of power and politics in social innovation.

# Introduction

Long-standing issues such as unemployment, child poverty and growing inequalities remain challenges for governments and communities across Europe. New challenges have also emerged over the past few decades. Migration and highly diverse communities have put pressure on community cohesion and, in some cases, placed additional demands on already pressed local services; a rapidly ageing population has dramatically increased demands on health and care services as well as public and personal budgets; and new lifestyles have brought with them problems of obesity and an increase in chronic disease such as diabetes.

The economic and financial crisis of 2007-2008, the subsequent cut-backs in public services and the accompanying 'austerity agenda' across Europe and elsewhere have exacerbated many of these trends

and thus spurred the interest in, and deployment of, social innovation approaches in order to address the gap. For example, Castells et al. have documented the impacts of the crisis in Barcelona, showing how people have increasingly engaged in non-capitalist economic practices (e.g., consumer cooperatives, exchange and social currency networks, free universities) since 2008 simply to survive.<sup>1</sup> These solutions are coming from ordinary people in their own localities responding creatively and innovatively to the pressing challenges they and their communities are experiencing.



Credit: Graphic Footprints

As such, before and beyond the economic crisis, there are a broad range of social, economic, environmental and demographic pressures which are intensifying at a time when public budgets across Europe are being dramatically reduced. Social innovation can be a means for addressing these challenges and to modernise the public institutions which are responsible for them.

At the start of the project in 2012, the ability for Europe to coordinate and galvanise the undoubted potential of social innovation across Member States was limited by the lack of the systematic and sophisticated infrastructures of support available to other fields. These included the absence of reliable metrics for assessing the effectiveness and impact of innovations, and of policies and programmes to promote social innovation; effective capital market instruments and financial supports; suitable regulatory and policy frameworks for ensuring scale and impact; a codified and widely understood set of methods; networks and other vehicles to spread methods, learning and skills; co-ordinated leadership; and enabling cultures. As such, the goals and objectives of TEPSIE were to build the theoretical, empirical and policy foundations for building social innovation in Europe and prepare the

way for developing the tools, methods and policies to be part of the EU strategy for social innovation. We aimed to strengthen the foundations for other researchers, policy-makers and practitioners so that they can analyse and plan with greater confidence. As part of our work, we mapped the field, reviewed theories, models, methods and identified gaps in existing practices and policies, as well as pointed towards the priorities for future strategies.

The aim of this paper is to highlight the findings of TEPSIE, identify areas for further research and explore issues relating to social innovation that we have uncovered during the project. The paper begins with a brief overview of the development of the field of social innovation and discussion of the term *social innovation*. We present the definition of social innovation used in the project, followed by key findings about measuring social innovation, developing the field and overcoming barriers, financing, and digital social innovation. Finally, there is a critical discourse debate and examination of cross-cutting issues and suggestion of areas for future research. This report is one of three final reports for TEPSIE, the first for practitioners<sup>2</sup> and the second for policymakers.<sup>3</sup> All are available on [tepsie.eu](http://tepsie.eu).



# Defining social innovation

*Social innovation* is used to describe a very broad range of activity. This includes: the development of new products, services and programmes; social entrepreneurship and the activity of social enterprises; the reconfiguration of social relations and power structures<sup>4</sup>; workplace innovation; new models of local economic development; societal transformation and system change<sup>5</sup>; non-profit management<sup>6</sup>; and enterprise-led sustainable development.<sup>7</sup> There is no single, commonly agreed definition of social innovation.<sup>8</sup> This reflects the fact that social innovation is predominantly a practice-led field in which definitions and meanings have emerged through people doing things in new ways rather than reflecting on them in an academic way.

There are a number of developments which have had an effect on the practice of both innovation and social innovation. For example, ‘open innovation’, first coined by Henry Chesbrough, represents a paradigm shift in the field of innovation.<sup>9</sup> The concept describes a new model of product development based on the free flow of information and ideas across departments and organisations. The term has since taken on a wider meaning, largely as a result of digital technologies that have enabled new forms of collaboration between users and firms. The concept and practice of ‘open innovation’ is very much mirrored in the social field where there has long been a focus on engaging citizens in the design and development of social innovations.

More recently, there is an emerging literature focused on learning from frugal or ‘jugaad’<sup>10</sup> approaches to innovation, which is about improvising solutions to problems using scarce resources, based on a rich understanding of local needs. These frugal approaches to innovation are now impacting on corporate ideation processes.<sup>11</sup> Instead of researching and developing products in the West and then adapting them for developing markets, companies are creating innovations in

resource-constrained developing markets and then distributing them globally. This overlaps with the concept of inclusive innovation and innovation at what Prahalad has called the ‘bottom of the pyramid’.<sup>12</sup>

Other significant contributions to the field of social innovation include systems thinking and design thinking. The former is integral to the work of a number of academic institutions working in the overlapping fields of social innovation, sustainability and socio-technical systems, such as The Waterloo Institute for Social Innovation and Resilience and the Dutch Research Institute for Transitions (DRIFT). The latter has been particularly influential on the practice of social innovation, and organisations and networks such as IDEO and DESIS have played an important role in raising awareness about design methods and how they can be used to generate and promote social innovation.

## A ‘quasi-concept’

Academics and practitioners have emphasised different aspects of social innovation, adding to the lack of consensus over definitions. The fact that social innovation has been embraced by policymakers, practitioners and academics in spite of the confusion and lack of clarity over its meaning, suggests that, in Bernard’s terminology, it is a ‘quasi-concept’.<sup>13</sup> Harrison and Jenson define a quasi-concept as ‘a hybrid, making use of empirical analysis and thereby deploying scientific methods, but simultaneously having an indeterminate quality making it adaptable to a variety of situations and flexible enough to follow the twists and turns of policy’.<sup>14</sup> It is this flexibility which on the one hand leaves the quasi-concept of social innovation open to criticism on theoretical, analytical and empirical grounds but on the other makes it so useful to policymakers. As McNeill explains, ‘What is special about such an idea is that it is able to operate in both academia and policy domains’.<sup>15</sup> Other quasi-

concepts include, for example, ‘social capital’, ‘social cohesion’, ‘impact investment’ and ‘sustainable development’.

This notion of a quasi-concept is a useful framing device and allows for and explains the myriad of interpretations, definitions and approaches to social innovation across the policy and academic worlds. It is important to recognise that the fact that social innovation is a quasi-concept does not mean that it is merely a buzzword or that it has no substance. We certainly do not use this label in a pejorative sense. However, awareness of the character of ‘social innovation’ as a quasi-concept serves to remind us of the need to be clear about how we use the term ourselves.

Over the last decade and particularly in the last few years, there has been a considerable increase in the body of scholarship on social innovation, with many researchers and academics contributing their own definitions.<sup>16</sup> We discuss here a number of emerging themes amongst these definitions in order to highlight some of the tensions, points of divergence and issues of contention in this burgeoning field. Although this is not a comprehensive summary of the state of the field, and the table of definitions in the Annex is not exhaustive, together they provide an overview of the most important current themes and debates.

## Key themes and debates

### Defining the ‘social’ in ‘social innovation’

One of the main differences across definitions is how the ‘social’ in ‘social innovation’ is treated and defined. For example, the Stanford Social Innovation Review defines ‘social’ in terms of social value, whereby an ‘innovation is truly social only if the balance is tilted toward social value—benefits to the public or to society as a whole—rather than private value—gains for entrepreneurs, investors, and ordinary (not disadvantaged) consumers’.<sup>17</sup> BEPA also speak to this notion of value, defining social as ‘the kind of value that innovation is expected to deliver: a value that is less concerned with profit and more with issues such as quality of life, solidarity and well-being.’<sup>18</sup> Another way to consider ‘social’ is through the lens of needs. The Social Innovation Exchange, for example, emphasises finding new ways to ‘meet pressing unmet needs.’ This is echoed

by Murray et al. who define social innovations as ‘new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations.’<sup>19</sup> Other writers distinguish social innovations from other innovations by focusing on wellbeing, defining social innovations as those that ‘deal with improving the welfare of individuals and community’.<sup>20</sup>

Some define the ‘social’ in social innovation in terms of social impact. For example, Gillwald describes social innovation as ‘societal achievements that, compared with already established solutions, provide improved solutions that are to a lesser extent defined by their absolute novelty more than by their consequences.’<sup>21</sup> Whether these solutions are necessarily ‘better’ is another subject of debate, explored further below. It is conceptually important, however, to distinguish between innovations that have a social impact (such as new technologies or social media platforms such as Facebook and Twitter) and social innovations. According to Hochgerner, what distinguishes innovations from social innovations are the intended aims and objectives, and not necessarily the outcomes which may overlap.<sup>22</sup> Murdock and Nicholls suggest considering ‘social’ within the context of the actors involved in creating or experiencing the innovation, the multiple levels at which this can occur, and by the general ‘type’ of social innovation (process or outcome).<sup>23</sup> That the ‘social’ in social innovation can refer, at a minimum, to values, needs, well-being, and social impact, demonstrates the complexity and multi-faceted nature of social innovation.

### Multiple levels of social innovation

Social innovations can occur at multiple levels or different scales. Murdock and Nicholls, for example, draw a distinction between innovations that are incremental (which focus on products and services), institutional (which focus on markets), and disruptive (which focus on the political, or social movement levels).<sup>24</sup> Moulaert discusses social innovation as improving social relations at the micro level (between individuals) and the macro level (between classes and social groups).<sup>25</sup> Others have identified three scales – niche, regime and landscape – in their analysis of socio-technical transitions.<sup>26</sup> These scales are more or less equivalent to micro, meso and macro levels. Under this schema, niches refer to the spaces, or “safe environments,” where social innovation can occur, while regimes are the larger rules or practices that shape innovation. The landscape consists of the ‘backdrop that sustains

society'<sup>27</sup> and refers to the macro level of 'political constellations, economic cycles, and broad societal trends'.<sup>28</sup>

More recently, Avelino et al. put forward a framework that conceptualises societal transformation as not an inherent property of social innovations, but rather 'shaped and produced by particular patterns of interaction between social innovation, system innovation, game-changers and narratives of change'. As such, the authors shift away from the multi-level perspective, and towards the notion of a 'co-evolutionary process', which they call 'transformative social innovation', and which depends on the dynamics and interactions between these various types of change and innovation at various levels.<sup>29</sup>

While the interpretation and typologies of levels may differ across researchers, practitioners and fields of study, it is widely accepted that social innovation can occur at various levels. One exception to this is the definition offered by Frances Westley who defines social innovation as 'an initiative, product, process or program that profoundly changes the basic routines, resources and authority flows or beliefs of any social system' which 'have durability and broad impact'.<sup>30</sup> What is interesting about this definition is that it requires a product, process or programme to be 'systemic' to be called a social innovation; the innovation must have an impact on, and be 'disruptive', of the whole social system, rather than simply at the organisational or micro level. According to Westley's definition then, social innovation only occurs at the meso and macro levels.

Relevant to this debate around the levels of social innovation is the notion of success, whereby WILCO cautions against assigning a level of 'success' only to those social innovations that have scaled up to a system-wide level, and that there is much success and lessons to be learned from local social innovations, which can often be shorter-lived.<sup>31</sup>

### **Holistic vs. reductionist definitions**

According to Moulaert et al., social innovation means improving social relations, which entails dimensions of both process (through mobilisation and participation) and outcome (improvements to social relations, governance structures, etc.). The three broad features of social innovation he highlights are: the satisfaction of social needs; reconfigured social relations; and greater collective empowerment, the latter of which is fundamental to meeting citizens' unmet needs.<sup>32</sup> Nicholls and

Murdock concur, noting that social innovation can refer to processes or outcomes.<sup>33</sup>

A more reductionist interpretation of social innovation is illustrated by Mulgan et al.'s definition that social innovation refers to 'new ideas that work in meeting social goals', and lays emphasis to purpose and replicable models and programmes.<sup>34</sup> Similarly, Phills et al. defines social innovation as 'a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions', which also focuses more on the 'product' dimension of social innovation.<sup>35</sup> Moulaert et al. caution against this reductionist view of social innovation, that it is simply a new, 'utilitarian' solution to a pressing social challenge or issue, which, from their perspective, 'renders social innovation contributive to neoliberalism'.<sup>36</sup> This is problematic, given that neoliberal agendas are closely linked to economic and social inequality. He argues that acknowledging that the processes, complexities and contexts of social innovation are always different and evolving is critical to their success.

### **Normative vs descriptive definitions**

Another source of contention is whether or not a social innovation is a normative construct or an objective fact or phenomenon which can be described. That is, are social innovations defined normatively – i.e. social innovations are a good thing/what social innovations should be and what they should do –, or are they described objectively – i.e. what social innovations are and what they actually do? The former assumes that social innovations are a good thing, whereas the latter is 'ambivalent' about whether or not social innovations are 'good' or 'bad'.

Moulaert, for example, defines social innovation along three primary dimensions that are at the same time normative and interactive, that is, satisfaction of human needs, changes in social relations, and increased empowerment.<sup>37</sup> BEPA also falls more in line with the normative assumption, in that they state that social innovations 'are innovations that are not only good for society but also enhance society's capacity to act'.<sup>38</sup> Many definitions, however, examine goals such as meeting 'human needs' and 'wellbeing', which are inherently normative concepts, thus making it challenging or impossible to be objective.

Howaldt, on the other hand, challenges this normative application of 'social' and its close link with socially accepted values, claiming that even technological innovations can work to address and solve social problems, and further, that social innovations 'by no means have to be regarded as 'good' per se in the sense of being socially desirable depending on interests and social attribution in order to be called *social* innovation'.<sup>39</sup> Similarly, Lindhult states, 'there is no inherent goodness in social innovation.'<sup>40</sup> Their benefit and their effects, depending on the point of view, just as in the case of technological innovations, can indeed be ambivalent.<sup>41</sup> Along these lines, Nicholls and Murdock emphasise that not all social innovations are socially positive – they can sometimes be socially divisive and exclude social groups, or have unintended consequences.<sup>42</sup>

In this regard, many have highlighted that at the core of social innovations is this *intention* to create something better. But while these motivations might at the outset be positive, it is problematic to assume that social innovations are a fundamentally positive phenomenon. This is because it is only possible to know whether the innovation is better than existing alternatives with hindsight and usually only once a considerable amount of time has lapsed. WILCO, for example, states that 'whether or not they can be seen as 'better' (more effective, more democratic, more just etc.) is a question of its own that can only be answered in retrospect'.<sup>43</sup> Much of this evaluation can also vary depending on the audience, as 'people are different and have often quite contradictory intentions based on diverse interests and needs. What may appear 'social' (beneficial) to one group, at a given time, in a certain social strata or region, may prove irrelevant or even detrimental to others'.<sup>44</sup> That social innovations are highly complex and context-dependent means challenges and unintended consequences can occur during any stage in the process of social innovation.

# TEPSIE's definition of social innovation

What follows is a definition based on the work of the TEPSIE consortium over the last three years. Our aim in offering this definition is to bring together research- and practice-led perspectives, better distinguish between what is and isn't a social innovation, and seek a balance between specificity and generalisation. We draw on earlier definitions which emphasise the product, process, and empowerment dimensions. In offering this definition we hope to contribute to the ongoing discussion on social innovation.

We define social innovations as new approaches to addressing social needs. They are social in their means and in their ends. They engage and mobilise the beneficiaries and help to transform social relations by improving beneficiaries' access to power and resources.

We define social innovation in the following way:

- *New*  
A social innovation is new to the context in which it appears. It might not be entirely new but it must be new to those involved in its implementation.
- *Meets a social need*  
Social innovations are created with the intention of addressing a social need in a positive or beneficial way. Social innovations can also play a role in articulating or shaping social needs; they can help to legitimise new and emerging social needs or those which have so far gone unrecognised. Because social innovations are concerned with meeting specific social needs, we argue that social innovations are distinct from innovations which have a social impact.<sup>45</sup>

- *Put into practice*  
Like innovations more generally, social innovations are ideas that have been put into practice. In this way, social innovations are distinct from social inventions (new ideas that have not been implemented).
- *Engage and mobilise beneficiaries*  
Beneficiaries are involved or engaged in the development of the social innovation or in its governance. This is either achieved directly, or through appropriate intermediaries or other actors who themselves have direct contact to the beneficiaries. It might also take place via actors who directly support the beneficiaries or have legitimate knowledge of their needs. This engagement often helps to ensure that the social innovation serves legitimate goals and involves the members of the target group themselves in addressing and owning their own problems. This can, in turn, lead to better and more innovative solutions, as well as increasing their awareness, competences, and even their dignity and self-esteem.
- *Transform social relations*  
Social innovations aim to transform social relations by improving the access to power and resources of specific target groups. As such, social innovations can empower specific target groups and challenge the unequal or unjust distribution of power and resources across society. In this way, social innovations contribute to discourses about the public good and the just society.

Aside from the five criteria above there are also a number of factors, which often characterize social innovations, but do not necessarily have to be present:



- *Bottom up vs. top down*  
Unlike other forms of innovation, especially innovation in large scale companies, social innovation often tends to be ‘bottom up’ rather than ‘top down’ and ad hoc rather than planned. It often emerges from informal processes and the entrepreneurial actions of citizens and groups of individuals.
- *High level of uncertainty*  
At the outset, social innovation is typically marked by a high level of uncertainty, in part because it has never been implemented before. As a result of this uncertainty it is impossible to say at the outset whether the social innovation is ‘good’ or more ‘effective’ or ‘better’ than alternatives. This can only be seen in hindsight.
- *Embedded in routines, norms and structures*  
At the beginning, a social innovation will be different from widespread or mainstream practices. But, depending on the social, political and cultural context in which it appears, it may become embedded in routines, norms and structures and thereby become a widespread everyday practice. Once the innovation has become institutionalised, new needs and demands might arise, leading to fresh calls for social innovation.
- *Unintended consequences*  
Despite good intentions, social innovations might prove to: be socially divisive; have unintended consequences that have negative social effects (by excluding people who are affected by the innovation in the design and implementation stages); and become vulnerable to co-optation and/or mission drift.<sup>46</sup>

### Types of social innovation

Social innovation is a broad term which refers to a wide range of activity. A key reflection on our research is that we often need to go beyond using ‘social innovation’ generically and be clear about what kind or type of social innovation we’re talking about. To this end, we’ve developed a typology of social innovations which sets out five forms or types of social innovation. Some social innovations might cut across more than one type.

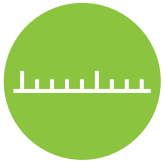
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#### Read more

- Caulier-Grice J, Davies A, Patrick R, Norman, W. (2012). Defining Social Innovation.

All available at [tepsie.eu](http://tepsie.eu)

Type of social innovation	Description	Example
New services and products	New interventions or new programmes to meet social needs	Car-sharing; zero energy housing developments (e.g., BedZED)
New practices	New services which require new professional roles or relationships	Dispute resolution between citizens and the state in the Netherlands (the professional civil servant role has changed dramatically and citizens’ social needs are much better met)
New processes	Co-production of new services	Participatory budgeting (started in Brazil and since widely scaled; is not dependent on ICT, though ICT often used); Fair Trade
New rules and regulations	Creation of new laws or new entitlements	Personal budgets (e.g. in Denmark and the Netherlands where older people can decide themselves how to spend much of their support money)



# Measuring social innovation

Measuring social innovation can take place at various interrelated levels. On one level, whether or not and to what extent single interventions and entrepreneurial activities take place, can be measured. On another level, research can analyse the extent to which societies, regions, or larger communities have the potential to be socially innovative, or whether they provide fostering framework conditions as ecosystems to social innovation. And finally, one may look at how interventions and entrepreneurial activities have a societal effect, i.e. in how far they achieve an impact on society.

## Measuring social innovation framework conditions

### Social innovation and the social economy

We propose that there is a strong connection between social economy organizations and social innovation. Social economy organisations are a major component of the economy and therefore warrant attention. For instance, the sector generates 7% of the national income in Denmark and employs up to 10% of the total workforce in Germany.<sup>47</sup> In other countries (as is the case in Greece) there is no data to be found on employment in the social economy. Thus, we are still lacking more comprehensive and comparable data on the sector. The Third Sector Impact project that started early in 2014 will help to make this data available.<sup>48</sup>

Nonetheless, the extent to which social economy organisations are in fact innovators depends on numerous variables, e.g. the size of the social economy and also on the welfare regime. Early evidence suggests that where social services are dominated by state procurement the sector seems to be less innovative. Instead organisations react to the conditions of procurement.<sup>49</sup> In contrast, where social services are delivered in quasi-markets we see a competition of service providers making them

more proactive and innovative.<sup>50</sup> However, these first findings require more detailed research.

The potential innovative impact of the sector is in part a function of its overall size and of the way in which it operates. In addition to the high number of people working in it, the sector also benefits from a large pool of volunteers. Typically, these social economy organisations and their teams are in close contact with communities where pressing social problems are evident. Potential social innovators are then well placed to know about unmet needs, be aware of the untapped assets and capacities within communities which may be harnessed to shape solutions, engage citizens and communities, and command professional knowledge about interventions. Thus they are positioned to unleash a wave of social innovation. Further research on the specific capacities of third sector organizations for social innovation is therefore worthwhile, part of which will be done in the ITSSOIN project that started in March 2014.<sup>51</sup>

### Terminology and metrics

When it comes to understanding and measuring social innovation, we still witness some confusion in the terminology used by social economy, third sector or civil society organisations which acts as a profound barrier to measuring the scale, scope and impact of social innovation and adds complications to producing reliable data.

Concerning *metrics* for social innovation, we found that there are significant overlaps between technological and social innovations in terms of measurement. During the last decades indicator systems for capturing technological innovations have made a major leap forward. Social innovations differ in many respects from technological innovations, but they also share many traits and framework factors. Thus, reviewing existing methodologies and assessing the existing elements is worthwhile to fostering synergies instead of establishing a completely new and detached

approach to measuring social innovation. We should therefore try to harness relevant knowledge in the field and tap into existing data sources on national technological innovation systems.

Examples for such established metrics that can be used that are directly linked to *innovation* measurement in private or public sector organisations or measurement systems include: The Innovation Union Scoreboard (European Union), Global Innovation Index (INSEAD), Innovation in Public Sector Organisations (NESTA), Measure Public Innovation in the Nordic Countries (MEPIN), Global Competitiveness Index (WEF). Probably even more important are metrics that focus on social, normative or environmental dimensions, which are particularly appropriate for capturing the *social* aspect of social innovation; these include: OECD Better Life Index, European System of Social Indicators (GESIS), Civil Society Index (CIVICUS), National Footprint (Global Footprint Network).

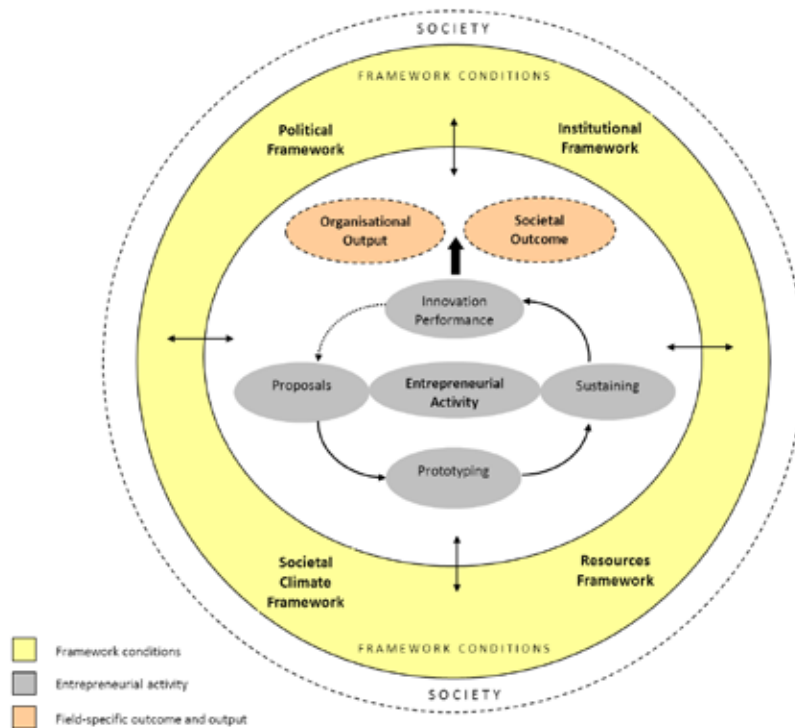
As a preliminary assessment of the current state-of-the-art innovation research, our review of 30 existing approaches to innovation measurement revealed that there is a complex set of criteria to analyse more deeply, in particular with respect to the ‘social’ elements to be measured. Based on our

review, a blueprint for measuring social innovation was developed. It is based on three inter-related levels which each have a set of indicators.

### Summary of the Social Innovation Framework Model

- Measuring the *framework conditions* for social innovation is a very promising avenue for the measurement of social innovation. We can get insights in structural conditions for social innovation. Thus policy makers gain insights on how to create conditions that are more favourable for social innovation.
- Measuring the *organisational outputs and societal outcomes* of social innovations gives insights into the impact of social innovation.
- The *entrepreneurial activities* that produce social innovations are nearly completely uncovered by the existing indicators. It has become clear that survey-based data related to social innovation are necessary. Considering the importance of entrepreneurial activities as push-factors for social innovation, we need empirical survey data on organisations that are socially innovative in order to better understand how social innovation emerges and how well it develops in societies.

Figure 1: The TEPSIE Social Innovation Framework Model



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## Areas for further research

1. Improving statistics at the organisational level. We need further evidence for (or against) our propositions that (a) the connection between social economy organizations and social innovation is a strong one, (b) there is a significant extent to which social economy organisations are in fact innovators, and that (c) this extent varies depending on numerous variables, such as the size of the social economy, the respective welfare regimes and also the social problem we look at.
2. Examine existing methodologies for technological innovation and foster synergies between social and technological innovation measurement approaches. Future research should build on existing knowledge and data sources on national technological innovation systems and make attempts to identify patterns in these systems.
3. Empirical testing of the proposed indicator system. Further research should explore whether or not certain indicator values have to be equally high for regions/societies to be socially innovative, or if some indicator values may 'substitute' others (such as favourable policy conditions 'making up' for less favourable financial resource conditions), i.e. are there alternative 'routes' for a society to be/become socially innovative in terms of the proposed indicator system?

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## Read more

- Schmitz B, Krlev G, Mildemberger G, Bund E, Hubrich D. (2013). Paving the Way to Measurement – A Blueprint for Social Innovation Metrics. A short guide to the research for policy makers. Available at [tepsie.eu](https://tepsie.eu)
- Krlev G, Bund E, Mildemberger G. (2014). Measuring What Matters—Indicators of Social Innovativeness on the National Level. In: Information Systems Management 31 (3), S. 200–224.

## Knowing what works at the micro level

As social innovation is an area of increasing interest and investment the importance of its evaluation has started to grow. Thorough and transparent assessment of interventions which apply efficient and credible assessment or evaluation open more potential than those that are left unmonitored. Specifically, the evaluation process is important in the following ways:

- To acquire a blueprint of what has or hasn't worked in similar interventions;
- To obtain greater acceptance of the intervention, assuming evaluation results confirm valuable impacts and outcomes;
- To facilitate access to funding through public and private sources;
- To increase the potential for replication of the intervention, based on the demonstrated reliability.

## Evaluation tools within social innovation

A literature review of various working assessment methods, tools, and practices revealed that there are certain tools which are more commonly adopted and have a wider spectrum of application. The acceptance of the Social Return on Investment (SROI), the Social Reporting Standard (SRS), Social Cost Benefit Analysis (SCBA), and even Randomized Control Trials (RCTs) serve as distinct proof for the utilisation, or adoption, of certain tools based on their ease in application and their overall acceptance. Furthermore the more flexible a tool is, the more attractive it is to a larger audience, thus increasing its probability of adoption. Another factor which may weigh into a tool's acceptance is cost, as the technical knowledge required in complex methods may require external expertise and thus additional cost. Furthermore, the review and subsequent case study analysis of different types of intervention have different goals for applying assessment tools. To summarise, we make the following conclusions:

- Due to the lack of standardisation for both the term and implementation of social innovation there is no golden rule, or practice, regarding assessment. Although, the use of specific tools within certain fields, such as the RCT method for health related issues, are highly accepted.
- The goals of an intervention's assessment are often dictated by funders.
- It is important to closely tie the intervention's goal to the chosen method.
- Assessment of social innovation interventions can span the length of an intervention, from assessment of its development (ex-ante) to long-term impacts (ex-post), and in between.
- The need for assessment is not evident in all cases yet tend to facilitate an intervention in gaining any, or even all, of the following: credibility, funding, stability, transferability, social awareness
- The evaluation of social issues, even those which are targeted by state-run interventions, may often use external experts to run assessments, as well as the development of interventions, due to the possible lack of expertise and thus results in the potential issues of the expertise remaining outsourced and increased costs.

Where methods of assessment were applied we saw a specific pattern regarding funding. Access to funding is often linked to having a demonstrable track record and being able to outline the expected outcomes of the intervention, i.e. evidence which credible evaluations provide. For example, within the German cases where the use of the Social Reporting Standard<sup>52</sup> was common, involved parties

highlighted its significance and value in the fund raising process. The importance of the SRS was also closely tied to the ease of the overall assessment process, as it breaks down a perplex situation into understandable terms and clearly depicts impacts and actualised goals.

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### Areas for further research

1. **Funding:** The ex-ante, beforehand, assessment method is a means of presenting expectations based on the current situation. As it has been made clear, the need for making the fundraising process easier is extremely important and getting a clear view of what the funding bodies require should be made easier.
2. **Terminology:** It is also evident that there is an extremely large gap between the technical terms used in the field. This gap is found between the practitioners, the funding bodies, and potentially the assessor. This can be illustrated in situations where even the definition of social innovation varies from organisation to organisation. It is imperative that a common language, in the field of social innovation, be developed and utilised.

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### Read more

- Modikos K, Kennard C. (2014). List of approaches and methods for measuring the impact of social innovation projects.
- Modikos K, Kennard C. (2014). Good Practices: Assessing Social Innovation Interventions.

All available at [tepsie.eu](https://tepsie.eu)



# Developing the field and overcoming barriers

## Removing barriers to social innovation

Many factors and barriers currently prevent social innovation in Europe from reaching its full potential. As social innovation is a complex field cutting across multiple levels and sectors, understanding the full range of barriers and their interconnections is almost an impossible task. While some barriers are specific to a particular sector, type of organisation or geographical region, others are cross-cutting and apply to most social innovations regardless of their context. It is the latter category of barriers that we have focused on in our research.

### A focus on public sector innovation

Given that existing research on challenges to social innovation in the public sector is very generic we focussed on specific challenges and how they manifest themselves in the context of public sector social innovation at a country level. The key barriers we captured in our model of environmental, underlying challenges and actor-related challenges confirmed that a structural/agency framework helps to capture barriers to social innovation. At the same time we found that barriers emerge on multiple levels and are different depending on the country and contexts. For example, in the UK, social enterprises competing for public sector funding face multiple barriers relating to the legal and administrative framework, and a lack of communication and networks to spread awareness of these opportunities. Given the importance of the public sector to social innovation, and of social innovation to the future of the public sector a

general conclusion is that both future research and policy makers need to focus on barriers to social innovation and the public sector.

Both our work undertaken on financing social innovation and our case study work on barriers in the public sector concluded that although the public sector needs to innovate to meet the increasing demand of citizens, innovation in the public sector is more difficult to define and identify and manage. Efforts to better understand and to promote public sector innovation are greatly hindered by a lack of quantitative evidence and the need to think beyond the boundaries of the public sector.

According to our research the key barriers for public sector innovation to focus on in the near future are:

1. Addressing environmental challenges:
  - Development of finance mechanisms for social innovation
  - Creation of networks and intermediaries
2. Addressing underlying challenges:
  - Adoption of Open Innovation paradigms
  - Focus on evaluation and impact measuring
3. Addressing actor-related challenges:
  - Capacity building on social innovation

To be able to effectively learn from one another, greater consensus about levels of barriers and key categories might enable better comparability between countries and contexts and could lead to more homogeneous data about social innovation and opportunities for social innovations in future.

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## Areas for further research

1. **Develop a common framework to describe specific barriers and track how they have been overcome** - Such systematic research into how systemic barriers have been overcome at national or local levels are important insight for policy makers and practitioners and should focus on concrete families of barriers such as working with the public sector, capacity and skills, the next generation welfare state, etc.
2. **Develop common impact indicators** - There is a lack of research on how barriers have been overcome and how established social indicators such as poverty, social exclusion, joblessness are being improved by social innovation solutions. The application of the elements of the framework showed that it could serve to describe the social innovation context in different countries. It also showed though that more work needs to be done to define what the categories entail and potentially develop indicators to demonstrate how different countries score, provided the relationship between social innovations and improvement in social indicators could be proven.
3. **An important factor is the network effect** - Our findings show that barriers could be divided into environmental, underlying and actor-related barriers. However as the case studies have shown, 'barriers' to social innovation seldom appear in isolation and it is the interplay between barriers which is of importance and merits further examination. The network effect and the barriers if such effects are not used effectively have been reviewed as part of our work on the use of digital technologies to support and enable social innovation.
4. **Social innovation is about system change and system change requires a dynamic model** - Further versions of a framework should consider the inter-connectedness of categories and factors and to define and describe a model that can measure the dynamic nature of social innovation.

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## Read more:

- Mendes A, Batista A, Fernandes L, Macedo P, Pinto F, Rebelo L, Ribeiro M, Ribeiro R, Sottomayor M, Tavares M, Verdelho V. (2012). Barriers to Social Innovation
- TEPSIE. Examining the barriers to social innovation. A Synthesis Report

All available at [tepsie.eu](https://tepsie.eu)

## Engaging the public

Public and civic engagement activities are critical in building trust in public institutions, social capital and social cohesion in local communities, greater legitimacy in public decision making processes and more effective use of resources, as well as community and individual empowerment. These assumed benefits are so widely believed in that government and civil society activities are often seen as illegitimate if they do not include some form of citizen engagement.

Citizen engagement and public participation are two terms which are often used interchangeably. They refer to a broad range of activities which involve people in the structures and institutions of democracy or in activities which are related to civil society – such as community groups, non-profits and informal associations. We define citizen engagement in social innovation as the many ways in which more diverse actors can be brought into the process of developing and then sustaining new solutions to social challenges – essentially how citizens can be involved in developing social innovations and in social projects which are innovative. In our research, we outline three main functions of citizen engagement in social innovation – 1) providing information and resources (e.g., crowdsourcing), problem solving (e.g., co-design), and taking and influencing decisions (e.g., participatory budgeting). Our research further identified four important dimensions of citizen engagement with reference to social innovation.

### **Bringing specific knowledge**

First, citizens have *specific knowledge of their own lives* which no other actors can claim. Particularly in early stages of an intervention and developing an innovation, involving citizens in numerous ways may help to get a better understanding of the needs they are currently experiencing. In some cases, where it is citizens themselves who develop an innovation, needs and challenges will already be well understood. Often though, those driving an innovation process are civil servants, public policy makers and non-profit leaders who do not experience these problems in their own lives. Citizens themselves are best placed to articulate these challenges, as they are experts of their own lives. This tacit knowledge that citizens hold is often critical to the innovation process. Engaging citizens gives a first hand and more profound understanding of the social problems that an innovation might address and also of the feasibility of potential solutions.

### **Divergent thinking**

Second, *citizens' divergent thinking* can be the source of innovative ideas which helps to find novel solutions to complex problems. Diverse perspectives may add particular value when we are trying to solve tough problems. This is because people with different perspectives usually have different *heuristics* or methods and tools for finding solutions. Diversity is especially important where the problem at hand is complex: if we only look to experts with similar perspectives and heuristics, then they are likely to 'get stuck in the same places', while a diverse group of solvers might not. Research also suggests that problem solvers who are 'marginal' in some sense – e.g. they have expertise in a very different field of study, or are in some sense distant from the 'establishment' in their own professional community – are often not bound by conventional thinking which means that they are often able to approach a problem with novel insights.<sup>53</sup>

### **Management of complex problems**

Third, we find that citizen engagement is necessary because of the *complex nature of the social challenges* we face. Many social problems defy linear, top-down policy responses, because complex problems, by definition, do not have a single 'end' or a 'solution'. Consequently, it is more important to continuously *manage* complex problems than trying to *resolve* them per se. In particular, addressing many of these complex challenges requires behaviour change. Solutions to these complex problems

therefore cannot be delivered in the way that commercial products are delivered – they require the participation, co-operation and 'buy in' of users.

### **Legitimacy of projects**

And fourth, citizen engagement can have the critical effect of *increasing the legitimacy of projects and decisions*. Where citizens have been involved in the design, co-production, development and implementation of a social innovation or in a decision making process relating to that innovation, the innovation is more likely to be deemed legitimate than if it had been developed without such a process. Thus, if we take into account the complex nature of social problems and social innovations addressing them and the resulting need for ongoing "management" and involvement, the need for citizen engagement in these process must not be underestimated.

### **Challenges**

However, there are also some caveats to be taken into account concerning citizen engagement, and we must acknowledge that citizen engagement is not a 'silver bullet' solution, rather there are associated risks and challenges. For instance, the value of engagement tends to be contingent on the form and practice of that activity, the context in which it is performed, and the supporting structures around it. And it is also important to make sure the right people are being engaged, and that self-exclusion or co-option by vested interests and elite groups is prevented. And finally, even where engagement does lead to positive outcomes it may be that these are not necessarily the outcomes that policymakers, funders, practitioners and participants are expecting. This suggests that stakeholders need to be comfortable with a certain amount of uncertainty and need to be open to the possibility of unanticipated outcomes.



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## Areas for further research

1. We need to better understand specific types of engagement activities and the particular functions they perform in developing and sustaining social innovations.
2. The term citizen engagement also requires further analysis – we need to better understand the operationalization of and break down the term citizen engagement into something more manageable, and study it in relation to specific types of activity.
3. Additional research is needed to understand how participation processes can be designed so that they reach a diverse range of potential problem solvers who also have relevant knowledge about a social problem.
4. Evidence of the benefits of participation for society and individuals is limited. There is thus a need to rigorously evaluate and understand the impact of citizen engagement on society and individuals.

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### Read more:

- Davies A, Simon J. (2013). The value and role of citizen engagement in social innovation.
- Davies A, Simon J. (2013). Citizen engagement in social innovation – a case study report.
- Davies A, Simon J. (2013). Engaging Citizens in Social Innovation: A short guide to the research for policy makers and practitioners.
- Davies A, Simon J, Patrick R and Norman W. (2012). Mapping citizen engagement in the process of social innovation.

All available at [tepsie.eu](http://tepsie.eu)

## Growing what works

There are many exciting social innovations, however too often these exist in isolated pockets and are not given the support they need to reach more beneficiaries. Additionally, with greater publicity many could be adopted and adapted so that they could be used in other sectors, geographical areas or contexts. Our research investigated the ways in which individual social innovations spread. We also considered what an ecosystem which was supportive of socially innovative organisations might look like.

We found that how we talk about growing social innovation reflects our underlying assumptions. Scaling implies standardization and often when we speak about growing social innovation it will be more useful to speak about diffusion, adoption or replication. From our perspective, growing what works, or spreading social innovation, refers to taking an innovation to a new location or setting. This may include the spread of social innovation through organisational growth and new programmes, practices and structures.

Through four in-depth case studies we researched the latter processes to identify the various factors which have helped and hindered them. The findings illustrate several principles about the nature of spreading social innovation. From our case studies we discovered that networks of trusted peers are critical for spreading awareness and take-up of an innovation, context is significant and that intermediaries play a significant role in the adoption process.

### Trusted peers and networks

*Trusted peers and networks* are often significant for spreading awareness and take up of an innovation. Adoption of innovation may be successful because of groups that can spread information about and confidence in the innovation, such as networks of key actors who are capable of establishing links to the communities where the innovation is to be rolled out. It is largely the quality of such networks that determine the success of roll-out processes. This finding is very much supported by the literature on diffusion which suggests a key role for trusted peers and strong interpersonal ties for successful and rapid adoption.

## Intermediary organisations

Intermediary organisations (i.e., institutions, groups and networks that enable the transfer of knowledge about social innovations) providing a range of support to facilitate the adoption process are highly important. Two key characteristics of these organisations were notable from our research:

- They have a *changing role* over time. Initially the support provided is largely about reducing barriers to adoption by providing the necessary tools and resources (training, manuals, consultancy and so on) and as such supporting the adoption of the core ‘content’ of the innovation. After this initial period, their role is likely to shift so that it is more about facilitating connections and fostering networking and co-learning
- There are clear *trade-offs* for support organisations between control, which is often seen as determining quality, and the speed and extent of the spread they can help achieve. High quality replication of an innovation is ensured when organisations hold tight control over who can implement it. However, this tends to slow down the rate of innovation spread. The right way to balance these two factors will need to be assessed on a case by case basis, depending on the nature of the innovation concerned and the risks associated with a low quality version of it spreading.

## Receptive contexts

Lastly, we emphasise the significance of receptive contexts. The success or otherwise of social innovation diffusion is often dependent on ‘fertile ground’ rather than the merits of the innovation itself or the strategies and tactics for spreading innovation. This echoes the findings of the recent WILCO project which concluded that “a good idea is not convincing in itself – it comes when people are open to it... an innovation is adopted when minds are ripe”.<sup>54</sup> While this might seem an obvious point, it is an important reminder of the limited degree of control that should be expected by those who want to embark on spreading innovation in a deliberate way.

Beyond factors of success in spreading social innovation, we made some *observations at the more conceptual level* about the nature of spreading social innovation:

First, *social innovations rarely stay static* when they travel and are adopted in new contexts. Sometimes changes involve adaptations that are more peripheral; their role is to allow the core innovation to fit into a new context. But sometimes adaptations change the nature of the original innovation, building on it or going beyond it in a way that adds new content or features that could not have emerged had the innovation stayed in the same context. In this sense, the process of an innovation spreading can act as a platform for new types of innovation.

Second, tracking the spread of social innovation is inherently problematic, since typically what we want to spread via social innovation is quite complex – changed behaviours, routines, relationships and so on. It remains highly uncertain whether the successful spread of structures and programmes will indeed result in the changes we are interested in. Recognition of this complexity is a perspective that is sometimes missing in the discourse we see about the need to invest in ‘growing what works’.

It is clear from these observations that spreading innovation is not a process that is easy to control or direct. However, they also point to a strong role for intermediary organisations and networks that can provide the support necessary to make adoption more likely, if not certain. We also developed an ecosystem model for thinking about the support that social innovations need to spread, focusing on both demand and supply side factors (see Figure 2). We hope that this will provide a helpful structure which will help individuals assess the sources of support which are available in a given context, and to identify any gaps. This might be useful particularly for policymakers as well as for social innovators seeking to understand where they might be able to access support. From our research into the individual ‘building blocks’ identified in this diagram we believe that more work still needs to be done to foster demand for social innovation through initiatives like socially responsible procurement or the personalization of public services. At a European level, promising initiatives are being pursued by the Commission in both of these areas but it is yet to be seen how these will be implemented by Member States.

## Areas for further research

1. Within the literature we reviewed there is a lack of research on the role of intermediaries, federations and umbrella organisations in the spread and growth of social innovations. In particular it is important to understand how best to structure these intermediary organisations so that they can be most effective.
2. There is also a need to better understand and examine how a single organisation's growth can impact others in a collective movement.
3. Literature on both scaling up and diffusion pay insufficient attention to the politics and power dynamics associated with spreading innovation. Successful innovations will inevitably create conflicting claims for power and resources. This is also an area for further research.

## Read more

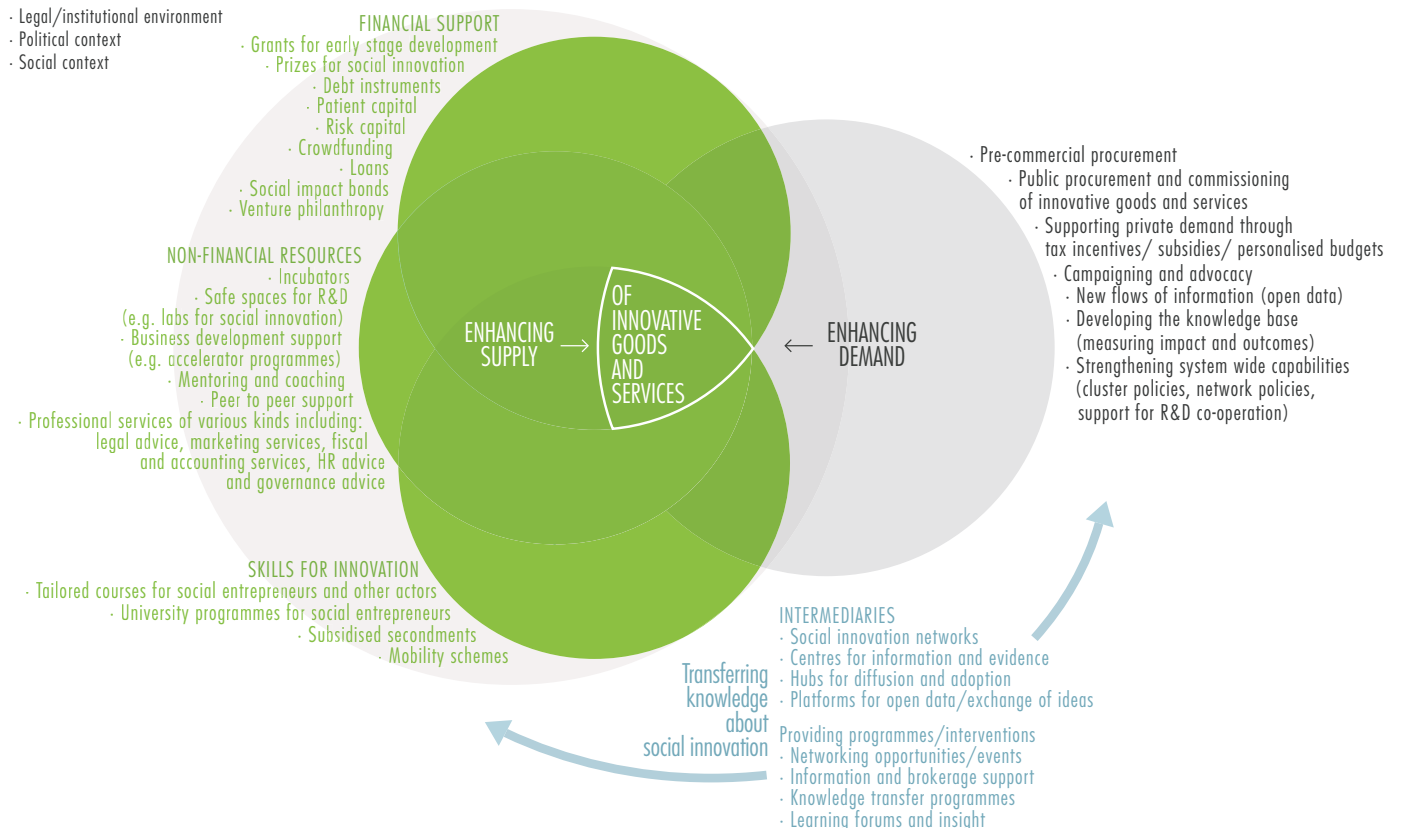
- Davies A. (2014). Spreading Social Innovations: A Case Study Report.
- Davies A, Simon J. (2013). Growing social innovation: a literature review.
- TEPSIE (2014), Building the Social Innovation Ecosystem.

All available at [tepsie.eu](http://tepsie.eu)

**Figure 2: Ecosystem for Innovation Social Purpose Organisations**

### FRAMEWORK CONDITIONS

- Financial/economic environment
- Human resources
- Legal/institutional environment
- Political context
- Social context





# Financing social innovation

It may be useful to stress one central finding about the generation of capital flows for social innovation. The most important resource for social innovation is the income model of social innovators. Although other economic actors may have similar dispositions, social innovators are particularly dependent on their own income sources, as it is decisively difficult to attract other resources for endeavours that are both *social* (and generally less commercially oriented) and *innovative* (and thus risky) at the same time. We found that social innovators very often must finance themselves and further innovations from their own income.

In this respect, we may then distinguish *two types of social innovators*, based on their *income models*: First, there are those social innovators operating market business models and generating the majority of their income from sales (social enterprise activity); and second, there are those dependent on grants and donations (traditional community and voluntary sector activity) and operating in fields where the beneficiaries are so marginalized that functioning business models operating in regular markets are unlikely or impossible.

We may hypothesize that this latter type generally yields more potential for social impact, because of one assumption (which will require further research): The more severe the social problems solved by these social innovators, the less likely it is that they produce enough income from their innovations to sustain themselves, let alone finance investments in growth and further innovation. In contrast, if social innovators do operate successfully in regular markets, then their financing and investments in growth are not such a problem – regular markets and investment actors will channel required resources to where they are needed and where they will produce regular returns. Where social innovation is very much needed, however, market failure persists and the development of functioning markets is unlikely or

even impossible, making it harder to attract capital. Thus, the hypothesis to be further tested is that social innovation is most needed in contexts where the market model does not work properly. However, this is not to say that social innovations which have sustainable business models are somehow of less social value – but generating capital flows for them obviously is less so much of a problem.

Four key findings complement these general observations:

## Financing innovation and growth from income

First, since *financing innovation and growth from income* does not cause any capital costs or the financial risks that acquiring external growth capital brings, social innovators tend to favour it. However, there are often no markets for social innovators to generate income. Thus, many innovators depend heavily on grants and donations. Our findings indicate though that there is a tendency among social innovators to plan to become less dependent on grants and donations and generate more income from sales. Nevertheless, we need to state that the reliability and stability of an income model does not necessarily depend on whether its sources consist in grants or in sales.

## Capital costs

Second, related to this, *capital costs* are the main problem of investment logics to social innovators. The investment logic of commercial or impact investing is applicable on a rather limited basis, partly because of social innovators' income models, but also because of legal and cultural constraints. Online survey results showed that only some 10% of the social innovators surveyed could service commercial types of investment at market terms, while another 40% of the sample is potentially capable of repaying an investment at some reduced cost of capital. Therefore, forms

of low-cost capital are needed, and there are two principle paths to follow here: Either the capital comes directly at low or no cost in the form of a recoverable grant or a low- or zero-interest loan; or the capital comes at regular market costs and (part of) these costs are covered by a third party within some contract arrangement in favour of the social innovator. Further research is needed to analyse ways to exploit investment models through more effective mechanisms of reducing investment capital costs – which are the main barrier for this form of financing. Where financial returns cannot serve as the simple measure of organisational success, more nuanced ways of capturing impact are needed. However, comparability issues and the potential to link measurement with investment objectives and terms are central problems associated with that.

### Existing and potential instruments

Third, we have learned that *existing instruments* can satisfy innovators' capital demands. Instead of new instruments we need more effective use of the instruments available (e.g., equity, debt, grants, guarantees, etc.). It is a fairly solid conclusion that current instruments are sufficient if we make use of them through bundling the individual strengths of different types of actors. There are many different possible combinations between types of investors (banks, foundations, etc.) and types of capital (loans, soft loans, patient capital, etc.) needed by innovators. Each of these combinations comes with a specific bundle of potential advantages and disadvantages to both parties, and if a third party gets involved this relationship changes again which may be one of the most promising levers to employ to increase the effectiveness of funding social innovation. More intermediaries are needed to set up the most suitable arrangements for a given social innovation to be financed professionally and effectively.

### Non-financial support

Fourth, more *non-financial support* is urgently needed in the field at a level which is relatively cost-effective to provide. Here too there are very low-threshold opportunities to improve social innovators' situations. One of the most pressing needs, peer-to-peer exchange of experiences, is relatively easy to establish, e.g. through innovation labs, online platforms, hubs, etc.

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### Areas for further research

1. Further analysis of income models of social innovators and potential strategies for developing and enhancing income models. As income is the most prominent and desirable source of finance for social innovators, we need to learn more about ways to stabilise existing income sources and develop potential new ones.
2. Unpacking the assumption that the more severe the social problems solved by social innovators, the less likely it is that they produce sufficient income from their innovations. If this holds true, social impact is more likely to be generated in areas where income generation is difficult or impossible.
3. Understand modes of and potential for collaboration between different types of actors. We need to learn more about how banks, VC funds, foundations, public bodies, private individuals, 'the crowd', and others involved in resourcing social innovation may share risks, allocate costs, and distribute benefits more effectively.

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### Read more

- Glänzel G, Krlev G, Schmitz B, Mildenerger G. (2013). Report on the feasibility and opportunities of using various instruments for capitalising social innovators.
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All available at [tepsie.eu](https://tepsie.eu)



# Digital technology in social innovation

An increasing number of social innovations are using ICT (Information and Communication Technology), which includes online networks, communities and platforms, in the course of their activities and to achieve their goals. With the rapid growth of cheap, ubiquitous and powerful tools like the internet, the world-wide-web, social media and mobile devices, new ways of carrying out social innovation have become possible. Often this means the barriers to social innovation (e.g. connectivity, outreach and scaling) have been reduced and thresholds lowered.

Thirty case studies were studied in detail, across five major societal themes: employment; health; education; place making (community and local development); and the sharing economy and sharing society. Our research identified three main types of effect:

1. *Supporting*: digital technology is an important supporter of existing types of social innovation by increasing efficiency and effectiveness, facilitating better social innovation through greater connectivity, simplicity and convenience. It permits existing types of social innovation to function better with improved outcomes.
2. *Enabling*: digital technology enables new types of social innovation which deliver new impacts and new opportunities through the use of different combinations of online platforms, and the configuration of online communities and their relationships with offline communities. It also enables new network effects at a scale not possible without digital technology which enables collective, dispersed and large scale intelligence. By facilitating new types of bottom-up and decentralised forms of collaboration, they potentially open vast new fields of social innovation, which we have only recently begun to glimpse but not yet fully understand.
3. *Transforming*: digital technology can dramatically change and disrupt governance and framework structures in society, and help configure new types of social and business models not otherwise possible. This can be highly transformative of existing processes, roles and relationships, particularly because their forms and impacts are unpredictable. The potential is enormous as it re-balances the playing field in favour of a broader range of actors, even those who do not use ICT given that the role of intermediary civil organisations and communities is strengthened enormously.

## What digital technology is being used?

Most successful digital social innovations seem to take place using relatively standard off-the-shelf ICT, i.e. inexpensive ICT readily available through mainstream ICT outlets which require little or very minor adaptation for use. This also implies that most digital social innovations are not at the leading edge of technology, but that much ICT is generally easy to use for large numbers of people in many different contexts and for many different purposes. In such cases, this also means that lack of ICT skills is rarely a huge barrier and can often be relatively easily overcome, even when the beneficiaries constitute a disadvantaged group with low overall skills and low access to resources.

For example, standard ICT, including web portals, mobile apps and social media, which are widely and inexpensively available, is being used in the *TEM* initiative in Greece<sup>55</sup> to support a local currency for the exchange of goods and services within groups with high unemployment and low income. This also makes it possible to retain much more local value (whether monetised or not) within the community, thus building in some resilience against further economic shocks. The majority of cases also use ICT in support of or alongside

traditional activities like mass and print media, as well as face-to-face activities through co-creation, cooperation, socialising, meetings and other events.

### **Who is using digital technology?**

Some successful digital social innovations take place where the beneficiary, whose social needs are being addressed, do not themselves need to use ICT. In such cases, ICT is used in a significant way by other relevant actors, for example by social entrepreneurs or intermediaries in the *Viedome Total Community Platform* initiative in the Netherlands<sup>56</sup> to provide services directly to older people so they can remain in their homes longer. The ICT can also be deployed in parts of the value or process chain that produces the social innovation before the beneficiaries are involved, for example by civil organisations or the public sector who use data to better target pockets of social need and tailor interventions or services. In both situations, this can result in more effective social innovation outcomes, as well as the more efficient use of money and other resources.

### **How is digital technology being used?**

The value chain of digital tools and platforms ranges from tools which focus on creating content and identifying unmet social needs, to those that match assets to needs, to those that identify solutions and take action to meet those needs. In most cases, ICT is used only in early parts of the chain, and this especially applies in the employment, place making and sharing economy cases where much of the rest of the value chain is implemented using traditional and physical activities. For example, the *Streetbank* initiative in the UK<sup>57</sup> uses the internet and mobile apps for identifying someone's needs (e.g., items, skills, recommendations) and then matches these to other people in the neighbourhood. This brings people physically together to share and use assets, helps build community relationships and cohesion, and meet material needs. Some of the health and education cases, however, use ICT along the whole value chain and do not rely on any physical or traditional activities. Examples include online discussion amongst patients with similar health conditions, as in the *Patients Like Me* initiative in the UK<sup>58</sup>, and the online personalisation of education, like the *Professor Why* initiative in Poland where pupils and students design and take their own chemistry courses.

Further analysis along the value chain shows that in many cases digital technology and people mainly focus on tasks which each is best suited to perform in a complementary symbiosis. For example, ICT is typically used for standard, rule-driven and codifiable tasks which are data- and analytics-heavy, and where high speed and global reach are important through reductions in transaction costs and increases in process efficiency. In comparison, people seem best to carry out care, teaching, counselling, advising, advocacy, managing and undertaking uncodifiable tasks. However, the symbiosis between people and technology is constantly changing, so it is important we are aware of these differences.

### **Social needs and social innovation outcomes**

All the cases examined use ICT to produce several, and sometimes many, social innovation outcomes related to social, economic, cultural and psychological needs. For example, many education and employment cases improve personal and social skills, as well as make it easier for such skills to be used to find work. In such situations, improved lifestyles often result, especially amongst disadvantaged and vulnerable groups. Many cases also develop interdependent and complementary on- and offline knowledge communities, and are able to nurture social capital both virtually and physically (like in the case of *Streetbank*).

### **Scaling and dissemination**

Finally, ICT is being used as an important tool for scaling and widespread dissemination, and is sometimes the main tool. Social innovations almost always start very small, whether geographically or in terms of size or scope, often as formal or informal experiments or pilots. ICT can be used alongside traditional and physical activities to quickly spread social innovations within their locality, sector or target group. In some cases, the digital social innovation is so compelling and successful, it becomes 'fashionable' and spreads almost virally via ICT, often to many other countries and continents. This is happening, for example, with local currency initiatives using ICT to exchange goods and services, and with civic engagement cases using both crowd-mapping and crowd-funding to identify and finance local community projects.

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## Areas for further research

1. How digital technology is being used in social innovation, including examining the locus of the innovation, i.e. is it in the technology itself, is it in how social needs are being met, and/or is it a combination of both.
2. Examining how ICT changes the value and process chains, as well as what sort of social innovations outcomes are being achieved in different situations.
3. How ICT is changing the social and business models of social innovation, the sorts of social innovation outcomes resulting and the benefits experienced by the different actors, as well as the drivers and barriers involved.
4. Understanding the role of social and ICT networks, platforms and communities in social innovation, both as a tool for spreading and sustaining a social innovation as well as growing social innovation ecosystems, themselves engines of innovation, adaptation and change.
5. Understanding the role of digital technology in social innovation in balancing the 'real relational local' and the 'virtual impersonal global'. What does digital technology do best and what do humans do best, how can these attributes be best combined and how can the changing relationship between the two be managed? In this context, does ICT reinforce large centralised structures, can it spawn and sustain decentralised models, or can it foster a local re-integration within large-scale networks where real relationships are also enabled by ICT?

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- Millard J, Carpenter G. (2014). Digital technology in social innovation: a synopsis.
- Millard J, Carpenter G. (2014). Digital technology in social innovation: synthesis, gaps and recommendations.
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# An area of debate

In addition to the debates surrounding the operationalization of social innovation, there are several key critical discourses or challenges we have uncovered during the TEPSIE project. In this section, we highlight, in particular, the problematic tendency to conflate discussions of social innovation with those of social enterprise and social entrepreneurship.

## Social innovation, social enterprise and social entrepreneurship

Discussion about social innovation is still dominated by issues about social enterprise and social entrepreneurship. However, while the terms ‘social enterprise’, ‘social entrepreneurship’ and ‘social entrepreneur’ are all closely connected to the concept of social innovation,<sup>59</sup> they are distinct. We argue that the relationship between social innovation and social enterprise needs to be better examined, not least since ‘the social innovation produced by social enterprise has largely been presumed rather than empirically demonstrated’.<sup>60</sup>

While there is little empirical evidence to prove that social enterprises are more successful than other organisational forms in producing social innovations, they can themselves be seen as a social innovation. As Galaskiewicz and Barringer explain, ‘the social enterprise is special because it incorporates contradictory institutional logics into its mission and operations’<sup>61</sup> – for example, the logics of commerce and corporate success on the one hand and social purpose and democratic participation on the other. Although social enterprises (and social entrepreneurship) do require special attention and research, a problem arises when social enterprises generally, and the activities they undertake become synonymous with social innovation.

## What are social enterprise and social entrepreneurship?

Drawing on contexts, Defourny and Nyssens outline three schools of thought within social enterprise and social entrepreneurship.<sup>62</sup> First, originating from the US, there is the ‘earned income school of thought’. The emphasis within this school is on social enterprises as combining social and economic goals, and not necessarily as vehicles for innovation. Second, following Dees and Anderson, Defourny and Nyssens identify the ‘social innovation school’ of thought. Here the emphasis is on social enterprise as the activities of social entrepreneurs, with less concern about income flows and more on the outcomes and social impact achieved by individuals. There is also often an emphasis on the idea of social entrepreneurship as bringing about systemic change through innovation.

Third, is the European research network EMES’ understanding of social enterprise.<sup>63</sup> This includes three dimensions (based on economic, social and governance issues). The economic dimension of social enterprise includes three criteria (a continuous activity producing goods and/or selling services; a significant level of economic risk; a minimum amount of paid work). The social dimension consists of three as well: an explicit aim to benefit the community; an initiative launched by a group of citizens; and a limited profit distribution). Lastly, the governance dimension includes: a decision-making power not based on capital ownership; a high degree of autonomy; and a participatory nature, which involves various parties affected by the activity.

While definitions of social enterprise vary considerably, all three schools of thought share the idea that social enterprises have as their explicit and primary aim the creation of ‘social value’ rather than the distribution of profits generated. Further, social enterprises are not organisations engaged only in activities such as advocacy or grant giving, they must

be directly involved in the production of goods and services on an on-going basis. There are however, three main areas of contention across these schools of thought, namely, the levels of independence or autonomy; the extent to which social enterprise is a collective or individual endeavour; and the degree to which profits are distributed. While there is often an implicit assumption that social enterprises are by nature new, entrepreneurial and innovative, it is only in the second 'social innovation school' that innovation is drawn out as a major defining feature. While this is one of the reasons we should be careful about conflating discussions of social enterprises, social entrepreneurship and social innovation, we still need to acknowledge that much of social innovation comes from these very organisations.

In addition to these definition issues, there are other problems associated with conflating the terms social innovation, social enterprise and social entrepreneurship. First, a focus on social enterprise within social innovation discourses obscures the real and important contributions made by public sector innovators, social movements and non-entrepreneurial civil society organisations. In addition, although some discourses on social entrepreneurship view the concept very broadly, and understand it as operating within a much wider political and social context, there is generally a poor account of how social entrepreneurship relates to politics, social movements and collective action. This is problematic when trying to understand the relationship between these concepts and social change.

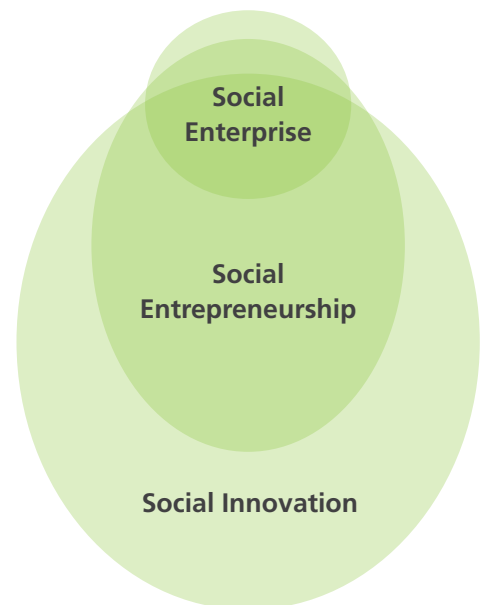
Second and closely related, a focus on social enterprise and social entrepreneurship is problematic because there are limits to what these can achieve. Although they are connected to some 'kind of implicitly shared confidence in market forces to solve an increasing part of social issues in modern societies',<sup>64</sup> it is not clear at all that market activities alone are sufficient to bring about transformative social change. Nicholls and Huybrechts argue that 'enduring social change cannot be the result of social entrepreneurship alone; it necessarily involves political action at various levels from the formal to the informal, as well as partnerships with broader social movements'.<sup>65</sup>

Lastly, social enterprises require particular forms of support which may not be appropriate for other forms of social innovation. Focusing too heavily on the needs of social enterprises and social entrepreneurs may give rise to a range of support structures which are not adequate to the needs of other types of social innovators.

### Drawing clearer distinctions

There is often an implicit or explicit argument that social innovation is distinct because it aims at change at a broader, systems level. For example, Westley and Antadze argue that while 'social entrepreneurship is a human-centred concept that highlights the personal qualities of a person who starts a new organisation', 'social innovation is oriented towards making a change at the systemic level'.<sup>66</sup> Similarly, Phillips et al. suggest that social innovation is distinctive in terms of the depth at which it operates: 'unlike the terms social entrepreneurship and social enterprise, social innovation transcends sectors, level of analysis and methods to discover the processes – the strategies, tactics and theories of change – that produce lasting impact'.<sup>67</sup> Nicholls and Huybrechts also argue that, while social entrepreneurship and social innovation clearly overlap, 'a difference lies in the fact that social innovation is not necessarily market oriented, while social entrepreneurship clearly is'.<sup>68</sup> Elsewhere, the TEPSIE project has argued that 'social innovation is much broader than either social enterprise or social entrepreneurship – but may overlap with one or the other or both. For example, a social entrepreneur may set up a social enterprise which delivers a socially innovative programme'.<sup>69</sup> We illustrate the relationship in Figure 3:

**Figure 3: Relationship between social innovation, social entrepreneurship and social enterprise.**



Adapted from Nicholls & Murdock, 2012

While social entrepreneurship should be viewed as a key component of current thinking within social innovation, it should be recognised that the field of social innovation is much broader than social enterprise and social entrepreneurship. Social innovation is clearly concerned with new combinations of activities and resources to develop new social practices, however, these need not be generated by entrepreneurs, and they need not take the form of market based activity. And while social entrepreneurs may be important actors for social innovation to understand, and social enterprises important organisational forms to study, they do not tell the whole story. In particular, it is important we do not become too fixated on social enterprises as an organisational form, not least because these may (or may not) necessarily involve innovation. Indeed, 'to date, the social innovation produced by social enterprise has largely been presumed rather than empirically demonstrated'.<sup>70</sup>

### **A problematic theory of change**

Dey and Steyaert argue that social entrepreneurship is currently dominated by a 'grand narrative' 'which imparts an optimistic script of social change' characterised by certain values of rationalism, utility, progress and individualism.<sup>71</sup> They argue that this narrative ends up over-simplifying inherently complex social problems and their relation to necessary social change. Just like many discourses on social innovation, the social entrepreneurship debate in this grand narrative contributes to 'the impression that social change can be achieved without causing debate, tensions or social disharmony.'<sup>72</sup> And this impression is achieved because the grand narrative around social entrepreneurship 'introduces a de-politicised image of social change'.<sup>73</sup> Indeed, there is a denial of the political – Dey and Steyaert describe this as a 'neutralization' of social entrepreneurship which

suggests it is ideology free (or post-ideology) and is best understood as a purely pragmatic means of addressing social problems. This tendency within dominant narratives of social entrepreneurship to 'de-politicize, trivialize and individualize' complex social processes 'culminates in a depoliticized story of harmonious social change'.<sup>74</sup>

The concern that the dominant narrative of social entrepreneurship tends to give an apolitical account of social change is shared by Cho who points out that the very act of defining something as 'social' and therefore within the domain of social entrepreneurship is inherently political because there is no broad agreement about what concerns are in a society's 'true' interest.<sup>75</sup> Determining collective social interest is something that we typically have to do by a process of deliberation. But 'when social entrepreneurs organise their actions around values they have identified as social, they have already made demanding epistemological and political claims around their ability to articulate what lies in the public interest'. Cho argues that social entrepreneurship as a field is therefore guilty of 'bypassing political processes in favour of a subject-centred, market-oriented approach to the definition and achievement of 'social' objectives'. The implication of his argument is that social entrepreneurship cannot itself constitute a normative account of social change. Rather, 'social entrepreneurship is a means to an end; it is not itself capable of defining social needs or assessing whether the burdens of meeting these needs are being shared equitably. These are fundamentally political questions'.<sup>76</sup>

These arguments make clear that we need to challenge and better interrogate the underlying assumptions about the concept of social entrepreneurship and its connections to social change. The same process needs to be undertaken for the concept of social innovation.

# Conclusion

Across our findings from our TEPSIE research, we have identified a number of overarching themes about social innovation. These are findings that have been observable throughout our research, each of which have manifested in sometimes different but often fairly similar forms. The following cross-cutting findings have an influence on social innovation and therefore require our attention, and relate to questions for further research which follows.

## Cross-Cutting Findings

### Sectoral differences

Social innovation is an umbrella term that covers a broad range of activity. During the course of our research we uncovered a stark difference between market facing social innovations (such as Fair Trade products, renewable energy, ethical goods etc.) and those which cannot operate in regular competitive markets (such as large parts of the fields of culture, youth aid, job qualification, and other social services). There are a wide range of social innovators that operate in the private market and the challenge they face is about reconciling their social mission with the commercial realities of operating in the market on a day to day basis. Other social innovations, however, simply cannot operate in the private market. This may be because they do not have a sustainable revenue model – perhaps the beneficiaries they serve cannot afford the services they require, or because it is undesirable or impossible to commodify the social innovation. Many of these social innovations, especially where they are about the provision of social services<sup>77</sup>, will need support from the state, ideally in the form of a quasi-market.

These types of social innovation vary considerably: they require different forms of finance and governance arrangements; they face different challenges and barriers as well as varying levels of legitimacy and civic support; they tend to have distinct and unique conditions for growth and they will usually spread and grow in different ways.

### Different financial options and needs

Social innovations are often financed in very different ways: Some of them operate in regular commercial markets or market niches (e.g. Fair Trade); some depend entirely on private donations; other operate on the basis of grants from foundations or from public bodies; a considerable fraction is active in quasi-markets not entirely competitive on the basis of supply and demand but heavily regulated (e.g. public services in the UK and health or elderly care in Germany). The majority of social innovators have more than one single source of income and many even combine different types of income (e.g. donations plus market income) – hybrid financial models are prevailing.

Depending on the type of social innovation and the corresponding financing options available some types of financing will be inappropriate, particularly in terms of capital costs. For example, our research suggested that some social innovators would not be able to repay a loan, while others would be able to repay a loan but only at 2-3%. Very few of the organisations we interviewed would be able to repay a loan at 6-8%, the rate at which many social investment funds make investments. This suggests limitations to the role that social/impact investment can play in funding and financing social innovations. Clearly, there remains a significant role to be played by philanthropic organisations and public agencies providing capital at low or no costs. In particular, the provision of non-repayable forms of funding will remain important, since very often most impact can be made by social innovations

where the beneficiaries are not in a position to pay for them, whilst society as a whole profits a lot when these people are supported (e.g. when offenders are rehabilitated instead of relapsing into crime).

In addition, we have argued over the course of the TEPsIE programme that finance is not enough to support the incubation and growth of social innovations. The provision of business support services, legal advice, accounting advice, office space, access to networks, as well as access to potential partners and funders is just as important.

### **Diffusion and growth**

Over the course of the project we have found that most social innovations start within civil society (either in the non-profit sector or the informal/communities sector). Historically, civil society has played a vital role in identifying and articulating social needs, suggesting ways of addressing them, staging competing claims for the good society and encouraging various forms of engagement – such as volunteering and association. It is therefore unsurprising that civil society has proved to be fertile ground for the generation and genesis of social innovations.

However, civil society lacks the mechanisms for scaling and growth. The informal, community sector which often generates ideas, lacks the capital, surplus time, organisational capacity but also the models and individual actors' ambitions to turn ideas into social innovations and scale them. The non-profit sector is the source of many pioneering approaches to tackling social needs, through campaigns, advocacy and the provision of services. However, the majority of organisations in this sector are small, dependent on grants and donations and therefore limited in their ability to scale – in addition, scaling is not so much inherent in this sector as is growth in the private sector or as is large scale from the outset in the public sector.

So, if social innovations are to spread and grow then they usually need to be mainstreamed through the market or with support from the state. That is, the ideas, concepts and solutions generated in civil society need to be connected with growth models not very much inherent in the respective sectors (informal, communities, non-profits). In this respect it is crucial whether or not the approach to be scaled consists in a marketable social innovation; in this case, social innovators 'only' need the management and business skills to exploit market opportunities to set up and grow a social enterprise (although we also know that the people

in charge lack these very skills very often). Even in some of these cases, however, marketing a social innovation may be a very special task and hard to accomplish, e.g. when state procurement and public body commissioners are involved. More often than not, their specific terms and conditions (which are in turn based on often awkward and unfavourable regulation) make it hard for social innovators to sell to them, and the same holds for doing business in quasi-markets which also tend to be very tightly regulated. So routes to growth for market facing social innovations are often not much easier to walk than for those resourced from grants, donations, or volunteer time. The latter, however, may depend much more on solid impact assessment or on a very convincing and credible theory of change.

### **From scaling to systems innovation**

What is the relationship between scaling a social venture, systemic innovation and societal transformation? Building on the literature referenced earlier that speaks to the multiple levels at which social innovation operates (niche, landscape, regime), we need to understand the relationship between these levels. Systemic innovation involves the exploitation of a set of interconnected innovations where each is dependent on the other, with innovation both in the parts of the system and in the ways that they interact. Thus, by definition, scaling one intervention will not lead to systemic change. Multiple, complementary and interdependent innovations will need to be created to effect this. If we are most interested in large scale social transformation (e.g. to a low carbon economy or to the co-production of public services), thinking in terms of scaling a social innovation might be limiting. It might be more fruitful to think of systemic innovation. With this being the case it might be useful to look at national or territorial systems of social innovation, just as in innovation policy the focus is innovation systems rather than tools and mechanisms for growing specific innovations.

### **Unpacking the concept of social innovation in the context of growth**

We recognise that some social innovations operate within the private market, while others operate within civil society or the public sector and that social innovations spread and grow in different ways. This highlights another key finding of the TEPsIE programme: discussions about spreading social innovation will be more meaningful when we

are specific about, or more cognizant of, the unit of analysis we are concerned with spreading. We need to be clear about whether the innovation to be spread is a new practice, a new process, a new type of organisation, or a new law or regulation.

Below we propose a typology of social innovations which suggests how the growth of different types of social innovations might be conceptualised. We acknowledge that some social innovations might cut across more than one type. However, we argue that each of these types of social innovations will spread and grow in different ways. It is for this reason that we also urge caution when using the language of ‘scaling’ or ‘scaling up’ to refer to the growth of all types of social innovations; adoption of this language can narrow the way we think about routes and approaches to growth.

### A note of caution

Social innovation is high on the political agenda, with new dedicated funds, networks and institutions, public procurement policies, and even legal and regulatory structures being set up across Europe. But we should be cautious for two reasons. First, the term risks becoming a buzzword or a passing fad, as many organisations adopt the concept without really embracing the practice. This may lead to a loss of credibility and support in the mid and long run. And although we need best-practice examples, concentrating on innovation as

sort of a ‘holy grail’<sup>78</sup> may mean risking ‘hyping’ a small number of cases at the cost of ignoring or, even worse, de-legitimising traditional actors who may be less innovative at first sight, but nevertheless creating immense social impact.

Second, we should be cautious of unqualified support for the concept. As Cho explains, “‘social’ concepts that attract such unqualified support are usually vacant of normative content or require further examination to uncover the conflicts of interest that inevitably accompany discussions of the common good.”<sup>79</sup> So, as we have also noted earlier, there is a need for debate on what the actual meaning of ‘social’ should be. Otherwise, social innovation could be overburdened with expectations. It may also be that in the name of ‘social’ innovation, resources are spent on projects and causes that may not satisfy any genuine social needs or do so in rather inefficient ways.

It has also been noted that social innovation is often filling gaps that were deepened as a result of austerity politics in the aftermath of the economic crisis of 2007/2008. It has been rightfully criticised that what is celebrated as social innovation is a form of reduction of state expenditures in disguise. Yet social innovation is neither capable of making up for all of the budget cuts and welfare policy gaps, nor should it be promoted as a ‘silver bullet’ against complex and grave social problems that have to be tackled by major and broad-scale public reforms.

Types of social innovation	Examples	Growth could be conceptualised as...
New services	e.g. new interventions or new programmes to meet social needs	Replication, scaling up, mainstreaming, adoption
New practices	e.g. new services which require new professional roles or relationships	Adoption, replication, mainstreaming, change management
New processes	e.g. co-production of new services	Adoption, mainstreaming, implementation, change management
New rules and regulations	e.g. the creation of new laws or new entitlements	Policy diffusion
New organisational forms	e.g. hybrid organisational forms such as social enterprises	Diffusion, replication

## Areas for further research

In this next section we lay out several overarching areas for further research, based on our findings from the TEPsIE project and on the further research areas already presented for each work package. It is important to note that most of these suggestions for further research are in line with the work of several large-scale projects.<sup>80</sup>

### Types of social innovations

Our research has revealed a stark difference between social innovations that operate in the private market and those which do not. More research is required to better understand the needs of these different types of social innovation. In this respect, in particular, types of social innovations whose impact (partly) takes forms of collective goods will have to be identified and further explored, as it appears that such types of social innovators are challenged particularly hard by specific types of barriers. Further, in addition to the collective goods nature of certain social innovation outcomes, there are types of innovation that are producing returns elsewhere from where the original intervention was done and where resources were invested in the process; therefore quite often, it is hard to acquire the resources for such interventions, because investing actors do not get compensated adequately or sufficiently (e.g. in crime prevention where society at large or the state benefits, but a social innovator invests resources in successful interventions). We need to identify such types of social innovations to learn more about their mechanisms and how to effectively link actors investing in socially innovative processes and those who benefit. Here the role of ICT might also be further researched.

### Data and monitoring

It is clear that we require more and better data on social innovation, social needs, the social economy and its innovative potential, other environments of social innovation, relevant actors and networks, technological innovations, etc. Most of the future research questions we identified would benefit greatly from advanced databases containing information on these and other variables. For instance, we could learn more about the *complex nature* of social innovation in general; but we could also make first steps towards reducing such complexity by identifying *types* of social innovations

(economics, size, age, field of activity, actors involved, etc.) on which to base further research; we could develop more effective and convincing *impact metrics*; we could learn more about *environments* in which certain ones of such types have particularly high chances of success or about fields of activity where social innovators can act in highly resource efficient ways; we could learn how certain types of *barriers* could be overcome by involving the right sorts of actors; we could trace *mechanisms of scaling and diffusion* in more targeted ways to learn more about the broad-scale impact of particular interventions and even about the developments and adaptations social innovation goes through once it travels and is adopted in new contexts.

These are just a few of the possibilities that more advanced and nuanced databases would yield. Currently, different approaches to create such databases are on their way: The research centre CRISES<sup>81</sup> in Canada builds a relational database on social innovations; the SI-Drive project<sup>82</sup> will produce a database of around 1000 global social innovations; and the ICSEM project<sup>83</sup> based in Belgium is in the process of building a database on different types of social enterprises all over the world. These efforts are not coordinated at the moment. It will be a task for future research to develop a standard structure that allows such data to be combined and compared.

### Civil society and the social economy as incubators

Our hypothesis that civil society provides a particularly fertile ground for the generation and early development of social innovations requires (further) validation. More research needs to be carried out to examine the extent to which this is the case and to explore the underlying factors. In particular, the connection between social economy organizations and social innovation requires more data for sound analyses. We need to dig deeper into the numerous variables determining in how far social economy organizations are in fact innovators (e.g. the state of the social economy (size, age, heterogeneity, etc.), the respective welfare regime, effects of different entrepreneurial cultures as push-factors for social innovation). All of this requires much more empirical data, in particular data separately considering socially innovative organisations.

### **Effective collaborations**

It is evident that the nature of social innovations requires various actors to collaborate to make them successful (e.g. for reasons of resource acquisition and allocation, for raising legitimacy, for reducing barriers or for spreading). However, we do not yet know much about the effectiveness of such collaborations: Which types of actors must be involved in what ways, and how do we get actors with differing (or maybe also even partly opposing) interests to invest in a common cause? Which factors hinder the formation of such collaborations? In which constellations and for which types of social innovation are they essential, and in which cases are efforts better invested elsewhere? What role(s) can ICT play in such processes?

### **Management of complexity**

Social innovation is complex in numerous respects – it may emerge unnoticed or its initiation may be hard to track; value chains are often opaque, and usually the concept of a ‘chain’ does not adequately reflect the complex nature of social innovations at all; and outcomes and even more so impacts are often hard and frequently almost impossible to assess. As most social problems defy linear responses because their complex nature does not allow a single ‘end’ or a ‘solution’, it is more important to continuously *manage* complex problems than trying to *resolve* them per se. But so far, we know little about how to do that and how to initiate the lasting changes in behaviour necessary in this respect. We also require a better understanding of how to manage the adaptations of social innovations as they develop and disseminate.

### **Demand side of social innovation**

Much research has focused on the supply side of social innovation policy (e.g. how can we fund social innovations and support the development of new social innovations?). Another potential area for future research is to look at the demand side - procurement and commissioning as well as how to encourage and stimulate private demand through, for example, personalised budgets, tax incentives etc. In this respect again, it is worth further exploring the nature of social innovation and its outcomes and impacts as common goods, as this profoundly influences how demand is perceived and satisfied.

### **The role of the public sector in promoting social innovation**

The large number of social innovation cases studied over the course of TEPSIE seems to suggest that the public sector plays an important role in promoting and supporting social innovation. The public sector can act as an innovative force in itself, but can also play a significant role in providing support and creating enabling framework conditions through e.g. financial support, non-financial support (infrastructure, networks, skills, and knowledge), enabling legal frameworks and dissemination of practices and methods. It could be relevant to further explore how e.g. welfare systems, the setup of political institutions, local framework conditions and supportive instruments impact the birth, growth and sustainability of social innovations.

### **Social and technological innovation**

Concerning metrics for social innovation, there are significant overlaps between technological and social innovations, both in their practice and research. As social innovations share many traits and framework factors with technological ones, we should further review methodologies existing for technological innovation, assess which of these can be built upon, and tap into existing data sources on national technological innovation systems.

### **Social movements, power and politics**

What can we learn from the literature on social movements? Much of the existing literature on social innovation is influenced by a business/technology view of social innovation (social innovation as social enterprise/social innovation as a product). The study of social movements, however, suggests that, if successful, they can bring forth social policy change and shifts in social norms and dominant paradigms.<sup>84</sup> Understanding social movements and its theoretical underpinnings may offer insights into the relationship between social change and social innovation, and how social innovations come about and grow. Furthermore, it would bring to fore the very important issue, role and impact of power and politics in social innovation.



# Resources

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To find out more see [tepsie.eu](http://tepsie.eu).

## Useful links

- Social Innovation Exchange – the global network of social innovators  
[www.socialinnovationexchange.org](http://www.socialinnovationexchange.org)
- [Siresearch.eu](http://Siresearch.eu) – a platform which brings together all EU funded research on social innovation
- Social Innovation Europe – the European network and community of social innovators <https://webgate.ec.europa.eu/socialinnovationeurope/>

# Annex:

## Reviewing Definitions of Social Innovation

Author /Organisation	Definition	Distinguishing Features
WILCO	<p>"...ideas, turned into practical approaches; new in the context where they appear; attracting hopes for better coping strategies and solutions; marked by a high degree of risk and uncertainty due inter alia to the specific context wherein they appear... social innovations are, in a significant way, new and disruptive towards the routines and structures prevailing in a given (welfare) system or local setting. Whether or not they can be seen as "better" (more effective / social /democratic) is a question of its own that can only be answered in retrospective."<sup>85</sup></p>	<ul style="list-style-type: none"> <li>• High degree of risk and uncertainty</li> <li>• Disruptive</li> <li>• Can't presume good from outset</li> </ul>
TRANSIT	<p>"Systemic change takes place at a meso level and involves fundamental changes related to the ways we live and how we use resources in societal (sub)systems that are defined in terms of function and/or geography (e.g. energy system, transport system, a particular city or region, etc.). Social innovations are social in [their] means and ends and they include new social practices, new ideas, models, rules, relations, services and/or products. Social innovations take place at the micro scale. Societal transformation is a process of fundamental change at the level of societies and it is the result of change at macro, meso and micro level."<sup>86</sup></p>	<ul style="list-style-type: none"> <li>• Better use of assets and resources</li> <li>• Satisfaction of social needs</li> <li>• Multi-level (micro, meso, macro)</li> </ul>
SI DRIVE	<p>A social innovation is a "new combination or figuration of practices in areas of social action, prompted by certain actors or constellations of actors with the goal of better coping with needs and problems than is possible by use of existing practices. An innovation is therefore social to the extent that it varies social action, and is socially accepted and diffused in society (be it throughout society, larger parts, or only in certain societal sub-areas affected). Depending on circumstances of social change, interests, policies and power, social ideas as well as successfully implemented SI may be transformed and ultimately institutionalised as regular social practice or made routine. Following the end of such a life cycle, when the innovation becomes standard, new demands for change may occur and possibly call for further social innovations."<sup>87</sup></p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Link to social innovation life-cycle</li> <li>• Social acceptance</li> </ul>

Alex Nicholls and Alex Murdock	<p>“...the production of new ideas and new structures and a process of re-contextualisation within socially (re)constructed norms of the public good, justice and equity.”</p> <p>“...such innovation demonstrates a contingent construction of societal change that gives primacy to the ‘knowledge and cultural assets of communities...”</p> <p>“...social innovation cuts across all sectors of society. Indeed...it can often be defined by its unique combinations of the conventionally disparate logics of the private, public, and civil society sectors.”</p> <p>“...varying levels of deliberative change that aim to address suboptimal issues in the production, availability, and consumption of public goods defined as that which is broadly of societal benefit within a particular normative and culturally contingent context.”</p>	<ul style="list-style-type: none"> <li>• Social change in social relations</li> <li>• Empowerment dimension</li> <li>• Social innovation can take place in any sector</li> </ul>
Josef Hochgerner	<p>“Social innovations are new concepts and measures for solving social challenges that are accepted and utilized by social groups affected.”<sup>88</sup></p>	<ul style="list-style-type: none"> <li>• Socially accepted social changes</li> </ul>
The OECD’s LEED Forum on Social Innovations	<p>“Social innovation deals with improving the welfare of individuals and community through employment, consumption or participation, its expressed purpose being therefore to provide solutions for individual and community problems.”<sup>89</sup></p> <p>Social innovation “is not about introducing new types of production or exploiting new markets for the sake of exploiting them, but is about satisfying new needs not provided by the market (even if markets intervene later) or creating new, more satisfactory ways of insertion in terms of giving people a place and a role in production” .90</p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Empowerment dimension</li> </ul>
The Stanford Social Innovation Review	<p>“...a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.”<sup>91</sup></p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Social justice dimension</li> </ul>
Lester M. Salamon	<p>‘...an “innovative” program or service is a new or different way to address a societal problem or pursue a charitable mission that is more effective, efficient, sustainable, or just than prevailing approaches.’<sup>92</sup></p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Social justice dimension</li> </ul>
Michael Harris and David Albury	<p>“...innovation that is explicitly for the social and public good. It is innovation inspired by the desire to meet social needs which can be neglected by traditional forms of private market provision and which have often been poorly served or unresolved by services organised by the state. Social innovation can take place inside or outside of public services. It can be developed by the public, private or third sectors, or users and communities – but equally, some innovation developed by these sectors does not qualify as social innovation because it does not directly address major social challenges” .<sup>93</sup></p>	<ul style="list-style-type: none"> <li>• Intentionality and motivations</li> <li>• For the ‘public good’</li> <li>• Satisfaction of social needs</li> <li>• Social innovation can take place in any sector</li> </ul>

Author/ Organisation	Definition	Distinguishing Features
Frances Westley	<p>“...an initiative, product or process or program that profoundly changes the basic routines, resource and authority flows or beliefs of any social system. Successful social innovations have durability and broad impact. While social innovation has recognizable stages and phases, achieving durability and scale is a dynamic process that requires both emergence of opportunity and deliberate agency, and a connection between the two. The capacity of any society to create a steady flow of social innovations, particularly those which re-engage vulnerable populations, is an important contributor to the overall social and ecological resilience.”<sup>94</sup></p>	<ul style="list-style-type: none"> <li>• Social and ecological resilience</li> <li>• Complexity theory and systems thinking</li> <li>• Link to social innovation life-cycle</li> <li>• Empowerment dimension (participation and engagement of marginalized groups)</li> </ul>
Julia Gerometta, Hartmut Haussermann and Giulia Longo	<p>“The satisfaction of human needs (content dimension); changes in social relations especially with regard to governance (process dimension); and an increase in the socio-political capability and access to resources (empowerment dimension)”<sup>95</sup></p> <p>“...social innovation is understood as both a normative and analytical concept in the formation and analysis of solutions to social exclusion problems in European cities and one with an eventual input into the development of new social integration strategies”.</p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Changes in social relations</li> <li>• Empowerment dimension</li> </ul>
Frank Moulaert	<p>“Social innovation is path-dependent and contextual. It refers to those changes in agendas, agency and institutions that lead to a better inclusion of excluded groups and individuals in various spheres of society at various spatial scales. Social innovation is very strongly a matter of process innovation – i.e. changes in the dynamics of social relations, including power relations. As social innovation is very much about social inclusion, it is also about countering or overcoming conservative forces that are eager to strengthen or preserve social exclusion situations. Social innovation therefore explicitly refers to an ethical position of social justice. The latter is of course subject to a variety of interpretations and will in practice often be the outcome of social construction.”</p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• Changes in social relations (e.g. governance, participation of deprived groups)</li> <li>• Empowerment dimension: increasing socio-political capability and access to resources to increase participation and satisfaction of human needs</li> </ul>
Mulgan et al.	<p>“Innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social.”<sup>96</sup></p>	<ul style="list-style-type: none"> <li>• Intentionality and motivations</li> <li>• Satisfaction of social needs</li> </ul>
BEPA	<p>“Social innovations are innovations that are social in both their ends and their means. Specifically, we define social innovations as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words they are innovations that are not only good for society but also enhance society’s capacity to act.”<sup>97</sup></p>	<ul style="list-style-type: none"> <li>• Satisfaction of social needs</li> <li>• For the ‘public good’</li> <li>• Empowerment dimension</li> </ul>

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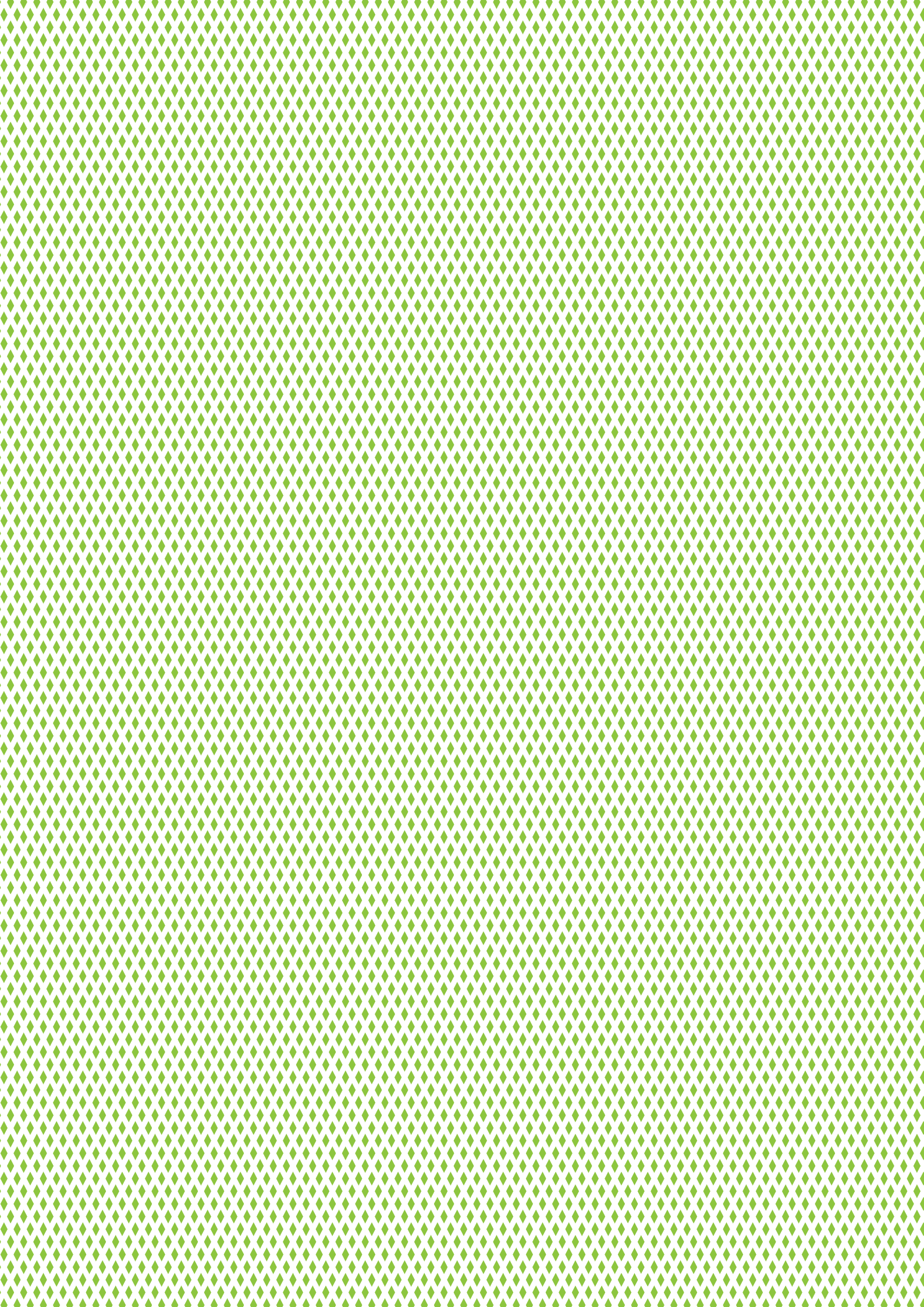
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