



# Strengthening **social innovation** in Europe

JOURNEY TO EFFECTIVE  
ASSESSMENT AND METRICS



*Enterprise  
and Industry*

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JOURNEY TO EFFECTIVE  
ASSESSMENT AND METRICS

November 2012 - Written as part of the Social Innovation Europe Initiative



# Acknowledgements

This report was written by Neil Reeder and Carmel O' Sullivan, with Simon Tucker, Peter Ramsden and Geoff Mulgan.

We thank colleagues Louise Pulford, Connor Friesen and Veyom Bahl for their contributions. In addition, we especially wish to acknowledge the contribution of Diogo Vasconcelos, the founding Chairman of the Social Innovation eXchange (SIX). Diogo's unexpected death on 8 July 2011 was a devastating loss to the field of social innovation in Europe and around the world. Diogo was instrumental in making the SIE initiative possible. For many years, Diogo has been working with the European Commission and individual governments in Europe and beyond, encouraging policy makers to commit to social innovation and facilitating the development of important initiatives such as Social Innovation Europe Initiative.

The report has been based on conversations with members of the social innovation community across Europe and beyond, among them Joeri van den Steenhoven, Jairi Romanainen, Jon Huggett, Marjorie Jouen, Louise Brown, Hans Werner Franz, Agnes Hubert, Antonella Noya, Andreas Rickert, Chris Sigaloff and Roger Spear. We would also like to acknowledge the contributions of the people who participated in the workshops at the Social Innovation Europe Launch event that took place in Brussels in March 2011; those who took part in the TelePresence discussion that took place in October 2011; and respondents to our call out for examples of measurement of social innovation.

All opinions, errors and omissions in the report are the responsibility of the authors alone.

## **This report was coordinated by:**

Directorate-General for Enterprise and Industry  
Directorate B – Sustainable Growth and EU 2020  
Unit B3 – Innovation Policy for Growth

# Contents

	<b>EXECUTIVE SUMMARY</b>	<b>7</b>
<b>1.</b>	<b>INTRODUCTION</b>	<b>10</b>
	1.1 What is social innovation and what can it achieve?	10
	1.2 Problems and opportunities in assessment	11
	1.3 Framework for measuring and assessing social innovation	12
	1.4 Remainder of this report	15
<b>2.</b>	<b>METRICS FOR POLICY-MAKING</b>	<b>16</b>
	2.1 Current research	17
	2.2 Assessment	18
	2.3 Proposals for concrete actions	21
<b>3.</b>	<b>METRICS TO SUPPORT INVESTMENT DECISIONS ON SOCIAL INNOVATIONS</b>	<b>22</b>
	3.1 Strategic fit	23
	3.2 Assessing outcomes	23
	3.3 Assessing changes in outcomes	24
	3.4 Efficiency	25
	3.5 Supporting overall judgments	26
	3.6 Proposals for concrete actions	27
<b>4.</b>	<b>ANALYSIS TO SUPPORT INNOVATIONS' GROWTH</b>	<b>28</b>
	4.1 Strengths and weaknesses of organisations	29
	4.2 Strengths and weaknesses of programmes	30
	4.3 Proposals for concrete actions	31
<b>5.</b>	<b>LEARNING AND KNOWLEDGE</b>	<b>32</b>
	5.1 The challenge of effective systems for learning	32
	5.2 Gaining new insights	33
	5.3 Reformed culture of evaluation	34
	5.4 Better processes for spreading knowledge	35
	5.5 Proposals for concrete actions	35
<b>6.</b>	<b>CONCLUSIONS</b>	<b>36</b>
	<b>Annex 1</b> Examples of research on Social Innovation in the 7 <sup>th</sup> EU Research Framework Programme	39
	<b>Annex 2</b> Projects to develop macro-level measures of innovation	40
	<b>Annex 3</b> Examples of outcome measures	43
	<b>Annex 4</b> Statistical analysis to assess changes in outcomes	45
	<b>Annex 5</b> Assessing the strengths and weaknesses of organisations	46
	<b>Annex 6</b> Checklist on evaluations	48
	<b>ENDNOTES</b>	<b>49</b>

# About the Social Innovation Europe Initiative

The Social Innovation Europe initiative (SIE) represents a major effort to build and streamline the social innovation field in Europe. The project is run by a consortium of partners including Euclid Network, the Danish Technological Institute, and the Young Foundation, and led by the Social Innovation eXchange (SIX). Funded by the European Commission's DG Enterprise and Industry, the SIE initiative will run over two years from January 2011 until December 2012 and will work to connect policy-makers, entrepreneurs, academics and third-sector workers with other innovators from across Europe. It is our goal to become a hub – a meeting place in the network of European networks – where innovative thinkers from all 27 Member States can come together to create a streamlined, vigorous social innovation field in Europe, to raise a shared voice, and to propel Europe to lead the practice of social innovation globally.

**In order to achieve this, SIE is taking three overlapping approaches:**

- › SIE is publishing a series of reports and recommendations for action which will define, analyse and support the best work in the field.
- › The initiative is hosting an online hub: [www.socialinnovationeurope.eu](http://www.socialinnovationeurope.eu)  
This aims to be an indispensable resource providing the latest information on European social innovation.
- › SIE is hosting a series of events across Europe to bring social innovators together offline and build partnerships across countries and across sectors.



For more information please visit:  
[www.socialinnovationeurope.eu](http://www.socialinnovationeurope.eu)

# Executive Summary

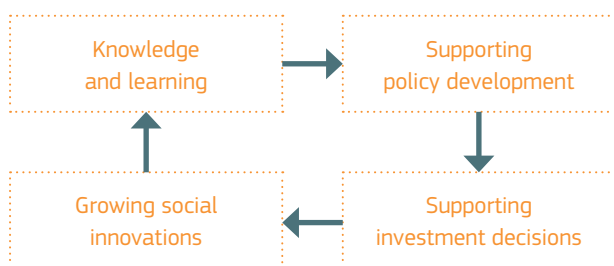
## Strengthening prospects for social innovation

Social innovations are new ideas, institutions, or ways of working that meet social needs more effectively than existing approaches. Social innovations often have roots in simple concepts such as peer mentoring – but their effects can be profound, creating important improvements at relatively low cost. Given the outlook for budgets in Europe, in which many public services, and public funding programmes are likely to be severely restrained, it is essential to make the most of such opportunities.

When done well, assessment illuminates understanding of what innovations work, and what needs to change. Assessment, then, has a vital role to play in supporting innovators themselves, as well as enabling leaders and managers make informed decisions on policy instruments, and funders and investors to decide where, when and how much to spend.

This paper sets out the current approaches to assessment of social innovation as a field in itself; and the effects of social innovations that are implemented through programmes, projects and enterprises. We examine metrics to support policy development; approaches that support investment decisions; metrics to support the growth of social innovations; and actions that can support knowledge and learning.

FIGURE I.1



Assessment in social innovation is an emerging agenda. There are many puzzles to solve – from how to persuade more people to adopt more environmentally friendly lifestyles, to when and where innovation funds or procurement innovation clauses should be used. Unfortunately, there is no simple, single solution to better assessment, no single tool that can transform understanding of how to tap into social innovation; instead, better answers emerge from a broader range of experiences, insights and data.

The challenge is to create a ‘virtuous circle of learning’, in which improvements in knowledge lead to the conditions for more improvements. Although not easy to achieve, with a sense of purpose and priority it should be possible to kick-start a process of more openness on data, more sharing of benchmarks, more sharing of techniques on how to assess, and more peer networks for sharing of insights.

Europe’s social innovators and Europe’s funders (including the European Commission, foundations, investors and governments) can and should act to bring about this ‘virtuous circle of learning’ for social innovation. In particular, at the European Union level, the Commission should act in close co-operation with policy makers at national, regional and city levels to remove barriers that slow down progress.

Some of these barriers are cultural, some are financial, and some relate to the sheer complexity involved in organising knowledge of the scale, role and impact of social innovations. This report offers a number of practical recommendations to overcome these barriers, and focuses on where the EU-level can provide added value – in supporting policy development; in supporting investment decisions; in assisting innovations to progress; and in supporting knowledge and learning.

## Assessment and metrics for policy-makers

Relatively little is known on the extent of social innovation and how well it is supported. Data systems struggle to cope with the issue – for social innovation is an approach, rather than a sector, with achievements that are often centred on new types of relationship and changed minds rather than tangible products. It is unlikely that there will ever be one single social innovation indicator in the EU.

Instead, we propose that the Commission, in cooperation with Member States and regions, develops and publishes a prototype scoreboard, compiled for each Member State, which draws out progress on the agenda, and highlights where more effort is needed (separate, more detailed analysis by others such as Member States would of course be highly welcome).

Our proposal has three elements, centred on the extent of social innovation; the drivers of social innovation; and the wider context to support and sustain social innovation. Table I.1 below sets out core indicators associated with these elements.

Assessment of social innovation is at a relatively early stage, and so we envisage a process for refining the scoreboard over time – with different indicators, and revisions to indicators. A fuller prototype scoreboard, with a broader set of indicators, is set out in Section 2, along with an outline rapid assessment tool for use in major regions and cities.

Proposals for concrete actions by the Commission:

- › *Prototype a Social Innovation Scoreboard, in the first instance by refining and applying Table 1;*
- › *Develop and apply a suitable rapid assessment tool for major regions and cities, in the first instance by adapting the illustrative example set out in Section 2;*
- › *Use TEPSIE to strengthen the knowledge base on indicators for social innovation, including greater consistency and endorsement among statisticians of the definition of social innovation.*

## Metrics for decision-making and growing innovations

Analysis can reveal what has happened to previous similar projects; pinpoint current progress; and highlight true chances for success. Unfortunately, compared to ISO quality standards and accountancy principles, social innovation lacks agreed frameworks. Hundreds of tools are used, each with their own underlying concepts. Greater consistency would facilitate benchmarking and improve robustness. Our proposal is to draw on the ‘wisdom of crowds’, encouraging providers to give feedback on tools, so enabling the most useful ones to be identified and creating a ‘virtuous circle of learning’.

Proposals for concrete actions by evaluation functions:

- › *Support development of user feedback (e.g. social enterprises) on measurement tools (in particular, for those four agendas relating to Europe 2020 outcome targets in the first instance), categorising feedback to allow for different views on early versus late-stage social innovations;*

TABLE I.1 • Prototype scoreboard for social innovation (core indicators)

Purpose	Possible existing indicator
Extent of social innovation – core indicator 1) policy awareness and policy take-up	SI1a) Europe 2020 employment target (as per a proposed measure put to the European Parliament and Council) <sup>1</sup>
	SI1b) Europe 2020 innovation target
	SI1c) Europe 2020 climate change target
	SI1d) Europe 2020 education target
	SI1e) Europe 2020 social exclusion target
Extent of social innovation – core indicator 2) user driven innovation	SI2a) Importance of citizens as clients or users for the development of innovations in the public sector
	SI2b) Introduction of customer-driven innovations in social enterprises
Extent of social innovation – core indicator 3) procurement policy supporting innovation	SI3) Procurement of potentially innovative solutions
Drivers of social innovation – core indicator 4) hubs and incubators	SI4) Extent of specialist hubs and incubators to encourage entrepreneurship and disseminate good practice
Wider context – core indicator 5) higher quality relationships and networks to meet social needs	SI5a) Ability to ask a relative, friend or neighbour for help
	SI5b) Participation in informal voluntary activity



- › Support development of databases (covering those four agendas relating to Europe 2020 outcome targets in the first instance) that provide 'open data' on programmes' core outcomes and baselines, including data on sustainability of results, as assessed through preferred tools;
- › Encourage those developing such databases to also include information (possibly qualitative) on unexpected side benefits not included among the core outcome metrics, as well as key insights on the effects (positive and negative) of the social relationships that affected the innovation;
- › Encourage the use of 'randomised evaluation' approaches where appropriate, drawing on the methodological insights of J-PAL;
- › Identify and disseminate suitable tools for assessing risk and return within a portfolio;
- › Identify and disseminate effective tools and guidelines to identify whether local peoples' concerns and realities have been properly met;
- › Outline broad-brush assessments of the impacts of programmes against Europe 2020 goals.

Proposal for concrete actions by leads of programmes and projects:

- › Encourage those providing data and assessing performance to use the most prominent of the measurement tools identified by their peers as the most suitable metrics;
- › Pilot this approach in funding programmes that are directly managed by the European Commission, such as the Framework Programmes for Research (and successor Horizon 2020).

## Promoting learning and knowledge through assessment

Current approaches to evaluation can be weak at understanding providers' needs, and lack empathy with the 'social' nature of social innovation. This can be overcome, but it requires a change in the culture of evaluations. A broader range of stakeholders should choose evaluators and steer work. Programmes as a whole should also make much more use of 'meta-analysis' and 'open data'. Lastly, even good reports have to be disseminated through good peer networks if their message is to be heard.

Proposals for concrete actions:

- › Evaluation functions should receive user feedback on the effectiveness of their approach, including the extent to which they encouraged greater peer learning and meta-analyses among fields; and the extent to which data and past evaluation reports are accessible;
- › Evaluation functions and lead of EU programmes should hold liaison sessions with coalitions and intermediaries (such as professional associations), to determine ways to improve their work, and to promote disseminate findings of reports and other sources of learning as appropriate;
- › Evaluation functions should develop and test an appropriate checklist of evaluation, potentially using the draft contained in this report, to promote a more diverse culture of evaluation.

## Future activities?

The principles of social innovation – working collaboratively, with a focus on what the user wants and needs, and being prepared to change practice when there is a better way – are increasingly recognised as important. Those principles can and should be used to critique current measurement and assessment practice. Seen from that perspective, there is, too often, an inflexible, supplier-led, silo-based approach. Improvement is essential if the field is to grow and develop.

The European Union has a critical role to play in mobilising and coordinating activity. It has an urgent challenge to face in ensuring that its funding (whether directly managed or shared) and its social policies are directed with purpose and full impact. This is not a call for *more* monitoring and reports; rather, we seek *better*, practical-focussed analysis that builds on others' work and draws out key insights.

Our vision is that, by 2021, the tools and approaches for measuring take-up, support, and impact of social innovation have been embedded and mainstreamed in practice amongst providers, funders and policy-makers. Our vision is of a step-change in the *quality* and *aims* of evaluation and assessment, to create a much stronger and immediate basis for practical decision-making on funds and policies. Our vision is that the principles of social innovation – working collaboratively and innovatively for a social purpose – are applied effectively to measurement and assessment practice.

# 1. Introduction

## 1.1 What is social innovation and what can it achieve?

*“Social Innovations are innovations that are social both in their ends and in 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”.*<sup>2</sup>



From open source software to crowd source investment, from co-produced care for the elderly to circles of friends for children with disabilities,<sup>3</sup> social innovation is an approach that can influence all walks of life for the better. Policy-makers, analysts and entrepreneurs are increasingly aware of its potential. As President Barroso has put it: “Europe has a long and strong tradition of social innovation: from the workplace to hospices, and from the cooperative movement to microfinance. We have always been a continent of creative social entrepreneurs who have designed systems to enhance education, health, social inclusion and the well-being of citizens”.

The field of innovation for social purposes is developing rapidly, with new institutions, methods and actors. Social innovators are changing the way governments work, the way civil society achieves impact, and the way business is transacted. A review of social policy experiments in the European Union found action underway in education, employment, homelessness, minimum income benefit and youth, in countries from Austria to the UK.<sup>4</sup>

That pace of innovation needs to continue. There is an urgent need for wide dissemination of those new solutions which analyses show can make a big difference to outcomes and efficiency. For the economic crisis has forced Europe to face hard facts on public sector debt; productivity trends for public services are at best weak;<sup>5</sup> and the long term effects of demographics and climate change present formidable challenges. Even so, social innovation has the potential to make a major difference, and it is essential to fulfil its potential if the goal of sustainable and equitable growth in Europe is to be achieved.

### BOX 1.1

## The Europe 2020 growth strategy

The Commission has set out a 10-year strategy for reviving Europe, casting a vision of ‘smart, sustainable, inclusive’ growth rooted in a greater coordination of national and European policy. The Union has set five ambitious objectives to be reached by 2020, with each Member State adopting national targets in each area, underpinned by concrete actions at EU and national levels. Social innovation can create solutions that contribute to achieving all five key targets:

1. Employment – 75% of the 20-64 year-olds to be employed

## 1.2 Problems and opportunities in assessment

### Problems in assessment

Many obstacles that need addressing to grow the field of social innovation – for instance, skills need to be enhanced, finance needs to be made available – and a range of actions are underway by Social Innovation Europe and others to meet such gaps.<sup>6</sup>

This report focusses on a further key barrier – weaknesses in the assessment of social innovation.

Effective assessment is essential to ensure a good level of understanding of what social innovation can achieve – and how it can be developed quickly but competently. That means having in place metrics and knowledge on the ‘field of social innovation’ for policy-makers; and analyses of outcomes, efficiency and impact of social innovation projects and programmes for funders making investment decisions.

There are, however, difficult issues to be overcome to achieve that desired result:

- › *Complexity of relationships in social innovation.* Social innovation is embedded in the ‘social fabric’ of communities. Such partnership working makes it hard to attribute effects, and so qualitative assessments are needed to reveal the essence of what is often a complex picture;
- › *Mutability of social innovation:* Particularly at the prototyping stage, social innovation is changeable, reacting to the specific context. Evaluation and assessment has to be done carefully and proportionately if this flexibility is not to be put at risk;

2. R&D / innovation – 3% of the EU’s GDP (public and private combined) to be invested in R&D/innovation

3. Climate change / energy – greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990; 20% of energy from renewables; 20% increase in energy efficiency

4. Education – reducing school drop-out rates below 10%; at least 40% of 30-34-year-olds completing third level education

5. Poverty / social exclusion – at least 20 million fewer people in or at risk of poverty and social exclusion.

- › *Little known as a concept:* many social innovations take place without them being known under that term, causing problems when asking for evidence in surveys and interviews. Indeed there are still debates to be had as to how precisely social innovation should be defined;<sup>7</sup>
- › *Cross-cutting nature of social innovation.* Social innovation is not a specific sector; it is not an easily defined activity. Statisticians have yet to develop an agreed approach, and so we lack reliable measures of spending on social innovation and indicators of its scale of activity;
- › *Diversity of measures of impact.* Many tools and frameworks are available – each with different concepts and metrics. In the private sector there are generally accepted measures, such as profit. By contrast, in social innovation, the goals as well as processes can be fiercely contested.<sup>8</sup>

### Opportunities for improvement

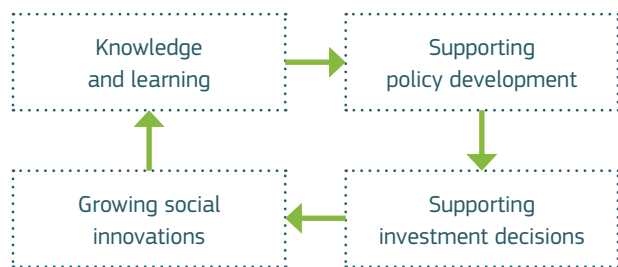
Despite the difficulties, there are encouraging examples of what can be achieved, that demonstrate the value of a strong evidence base that is driven by co-ordinated action:

- › *Randomised Evaluations.* Economists such as Abhijit Banerjee and Esther Duflo have extended the use of this approach beyond its traditional medical forum, by using randomised control trials to examine problems faced by those living on less than a dollar a day.<sup>9</sup> They found answers to such questions as: Why is it so hard for children in poor areas to learn even when they attend school? Why do the poor need to borrow in order to save? Why do they miss out on free life-saving immunizations but pay for drugs that they do not need?
- › *New approaches to assessing 'hidden innovation'.* A study by NESTA (National Endowment for Science Technology and the Arts) found much innovation was 'hidden' from traditional statistics, and that sector-specific measures (such as the take-up of modern methods of construction) could give a much more realistic picture of progress.
- › *New approaches to streamlined, comparable datasets of performance.* A major project by the UK government in 2007 acted to reduce the number of performance indicators that local authorities were ordered to produce, from over 1,000 to less than 200. These indicators in turn formed the basis for benchmarks and more effective performance management.<sup>10</sup>

## 1.3 Framework for measuring and assessing social innovation

Our framework for analysis considers four key roles for assessment as shown below – examining social innovation as a 'field' in itself, promoted by policy-makers; reviewing social innovation projects or programmes that are being considered for funding; assessing the strengths and weaknesses of organisations taking forward social innovations; and drawing out key insights and learning.

FIGURE 1.1

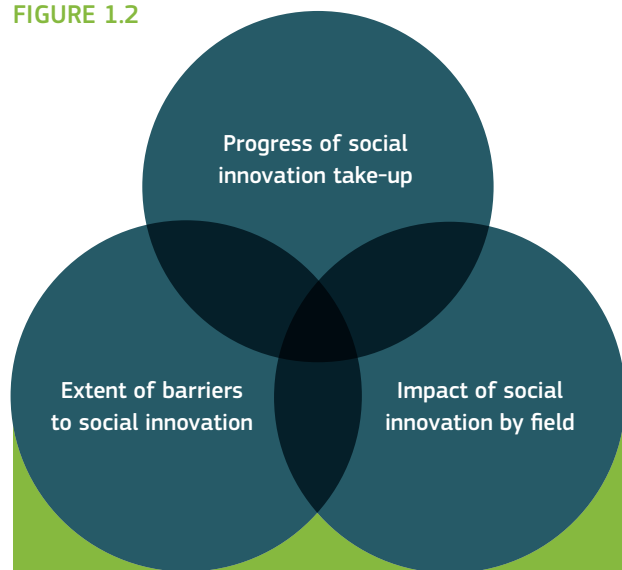


We consider each role in turn.

### Supporting policy development

Policy-makers have an important role to play in promoting social innovation. Good evidence and assessment has an important role to play in shaping such policy developments in three related respects:

FIGURE 1.2



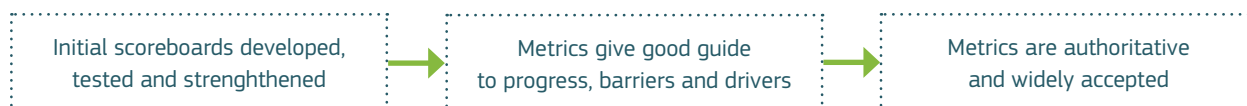
*Progress of social innovation take-up* – the extent to which social innovation is used across societies and economies. Such analysis could usefully be conducted both at Member State level and regional or city level

*Extent of barriers to social innovation* – the availability of effective leadership, finance at all stages of the innovation journey, specialist skills such as co-design, user inputs such as willingness to volunteer, and incentives for change

*Impact of social innovation by field* – the extent to which social innovation is changing outcomes and value for money (for example, the effects on unemployment among young people, and unit cost in achieving results)

Currently, social innovation metrics for policy-makers are at the feasibility stage. Section 2 sets out the evidence for that assessment, and presents an indicative scoreboard for discussion.

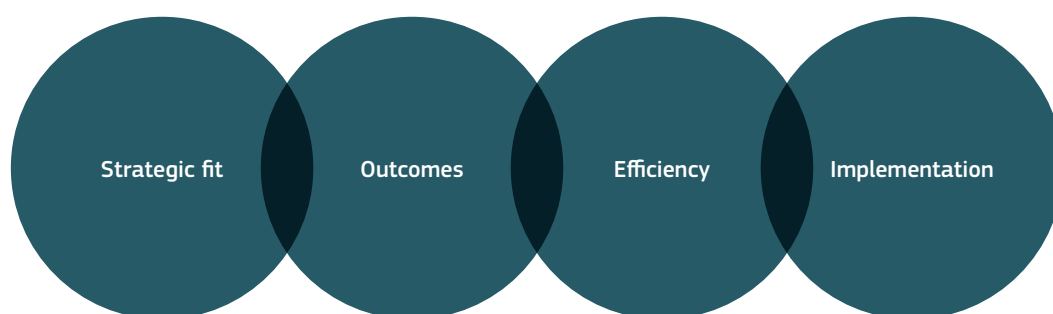
FIGURE 1.3



### Supporting investment decisions

Stronger effort to provide forecasts of the potential effects of innovations on outcomes and finances would have many benefits. From billion euro transport infrastructure choices through to European climate change policy, good metrics to support investment decisions are an important need.<sup>11</sup>

FIGURE 1.4



Four key dimensions to a decision on whether to support and scale up a social innovation are:

- › What is the *strategic fit* of the social innovation? Does the approach fill a 'gap' in solutions to priority issues? Is there a blend of risk and return so that innovations with high potential are not lightly cast aside?
- › What are the *impacts on outcomes* that the project will achieve – both directly, and indirectly through culture change in the community and/or organisations in its field?
- › What are the effects on *efficiency* that the project will achieve – both now, and in the future if and when it is scaled up, or associated projects are brought into fruition?
- › What are the realistic prospects for successful *implementation* of the approach, taking into account the strengths and weaknesses of the project team, and the ability to handle risks?

All of these issues are important, but a particular issue for this report relates to assessments of *outcomes*. Within each and every field from culture to climate change, a diverse multitude of tools and indicators seek to assess project and programme *outcomes* and *changes in outcomes* (or impact).

We believe there is scope and huge benefits to be gained from a journey towards greater consistency, greater ease of use and deeper learning within each separate field, as well as learning lessons from other fields. Such a journey is not

easy to co-ordinate and direct, however. As figure 1.5 shows, many groups have a stake in shaping and driving forward the assessment of social innovation.

Some have asked: can all these be persuaded to adopt a *single methodology or single group* of metrics for a given field such as climate change? **It is, however, hard to believe that such a unified consensus could be readily gained, even in a single field.**

Instead, good practice examples show that it is much more possible to bring about coalitions of partners that agree on the need for an assessment culture. These partners seek to adopt common methodologies and metrics, and strive to learn from the past to achieve better for the future.

Section 3 outlines the evidence for our assessment, and depicts ways to achieve stronger coalitions of partners for a stronger assessment culture.

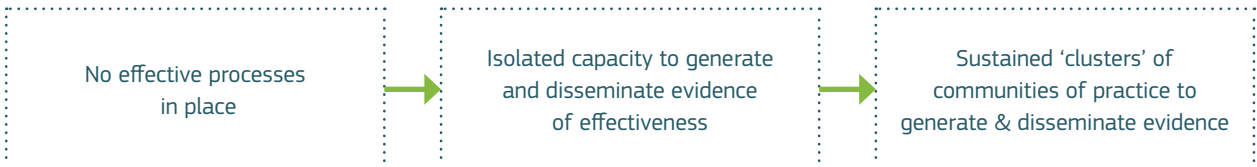
### Progressing social innovations

Social innovations are particularly hard to manage. They are by their very nature a new experience; and they often rely heavily and in a complex way upon the co-operation of others, such as clients.

FIGURE 1.5



FIGURE 1.6



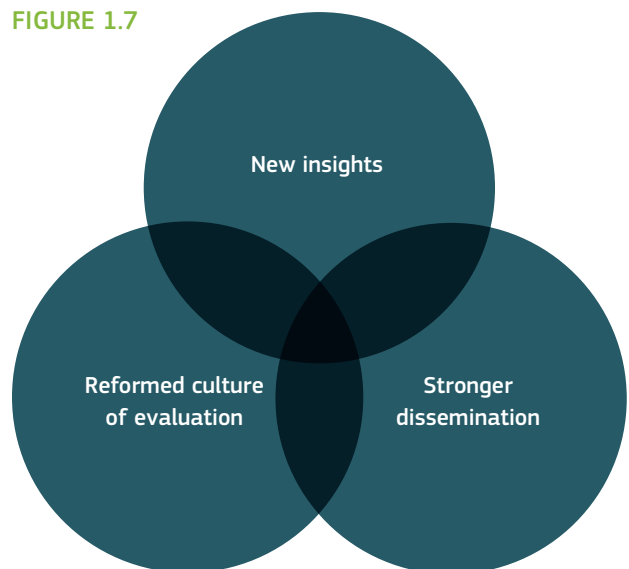
That makes it useful to develop metrics to assess the strengths and weaknesses of the organisation taking them forward. Various scorecards, such as EFQM, do precisely that. They diagnose such characteristics as leadership, skills and business model, to highlight what needs to change to increase prospects of success, moving from innovations' early stages through to scaling (see Box 1.2 below).

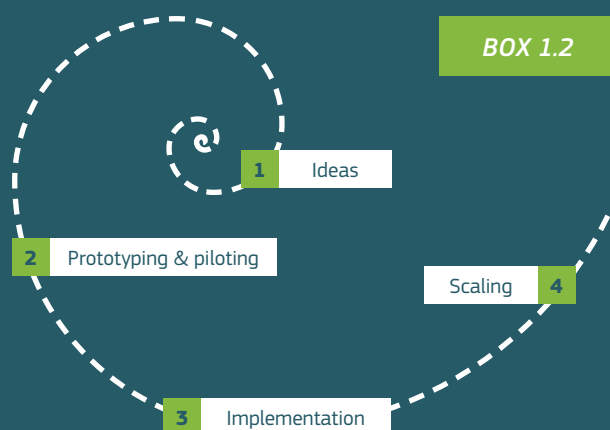
Section 4 outlines potential for improvement in the use of evidence to progress social innovations, and outlines recommendations to achieve that potential.

**Knowledge and learning**

It is sometimes said that 'those who cannot remember the past are condemned to repeat it.'<sup>13</sup> Evaluations can draw together insights to ensure that future actions learn appropriate lessons from the past. More than that, new approaches to evaluation are creating qualitative knowledge on a much more timely basis. This enables organisers to adapt and refine their approach during the course of a project, building on feedback from partners.

FIGURE 1.7





## The Innovation Lifecycle

*Depending on the stage of the social innovation lifecycle the purpose of measurement is different.*

*A useful framework to understand the process of social innovation is to consider the various stages that take an idea from inception to impact.*

*The process of social innovation is not linear, often involving feedback loops and jumps between stages, but research tends to identify the following four key phases:<sup>12</sup>*

- 1. Ideas.** *The stage of ideas generation and/or prompts on need for innovation – such as a crisis or poor performance. As well as insights and experiences, this can involve formal methods such as design creativity to widen the menu of options.*
- 2. Prototyping and piloting.** *The stage where ideas are tested and piloted in practice. This can be done through simply trying things out, or through more formal pilots and prototypes. Through iteration, and trial and error, conflicts are resolved and measures of success tend to come to be agreed upon.*
- 3. Implementation.** *The stage where the idea becomes everyday practice. It involves sharpening ideas and identifying income to ensure the long term financial sustainability of the organisation. In the public sector this means identifying budgets, teams and other resources such as legislation.*
- 4. Scaling.** *Many strategies exist to boost to scale – organisational growth, growth through franchising, federations. Innovations take hold in a variety of ways – not least through inspiration and emulation, as well as adaptation of know-how from another.*

### BOX 1.2

These new approaches, based on stakeholder feedback, are also being combined with new approaches to collaborations and networks, drawing together insights from a wide range of peers. Some of these take a discursive, qualitative approach; some provide a confidential platform for learning from failure; others are able to construct rigorous 'meta analyses' to showcase what works and what does not.

In particular, it is vital to understand the extent to which particular social innovations are transferrable – that is, what features and practices of a social innovation are of general applicability, and which are highly embedded in a specific culture and context. The first ones are 'relatively' easy to transfer (though issues of risk aversion, financing and measurement can still impose major barriers), whereas the second group can be extremely difficult or even impossible. Learning which is which is of vital importance.

Section 5 outlines our assessment of the strengths and weaknesses in the evaluation culture for EU funded projects, and sets out recommendations for improvement.

## 1.4 Remainder of this report

The Social Innovation Europe Initiative has prepared this report for the European Commission exploring current approaches to measuring social innovation in Europe, and determining ways these can be strengthened. This broad assessment is based on a literature review, a series of interviews with experts in the field and a mini-seminar held in October 2011 gathering together representatives from across Europe. This report sets out recommendations for:

- › Actions that the EU should encourage within its own projects and ventures to achieve a proportionate, stage-gated approach to measurement and assessment of social innovation, building up an effective knowledge base on what metrics are useful and what they imply.
- › An approach whereby the EU acts as an agenda setter in the measurement of social innovation, working with and liaising with the private sector, venture capitalists, and foundations to facilitate a consensus around metrics for given sectors and the embedding of processes to share knowledge.

In the remainder of this report:

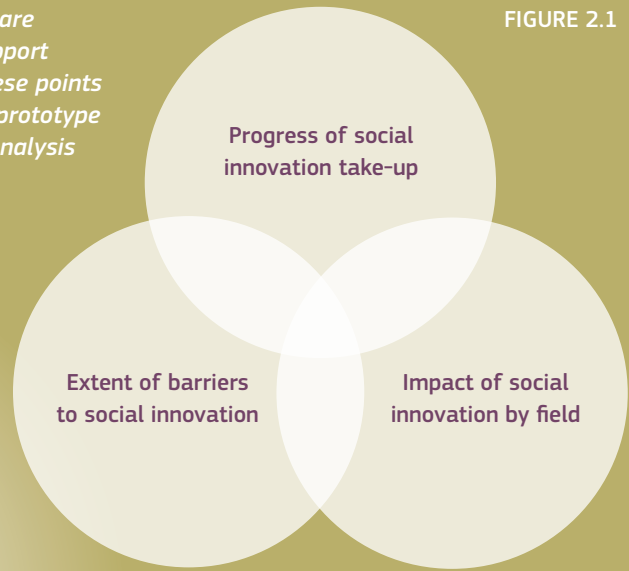
- › Section 2 considers assessment for policy-makers;
- › Section 3 reviews metrics for investment decisions;
- › Section 4 covers assessment to underpin progression of innovations;
- › Section 5 examines approaches to sharing learning and extending knowledge; and
- › Section 6 concludes.



## 2. Metrics for policy-making

*To make informed decisions, policy-makers need to be aware of the extent of progress, and the effectiveness of the support arrangements. However, the metrics that can highlight these points are only at an early stage. Our approach, in setting out a prototype for a suite of indicators, has been to apply lessons from analysis of related issues.*

FIGURE 2.1





## 2.1 Current research

There are currently no commonly agreed indicators on the scale and extent of social innovation.<sup>14</sup> Much of this is due to technical challenges. It is, for example, hard to summarise new ways of working either in terms of patents or in measures of economic value.

The need for more research is widely accepted, and this is currently being progressed at the European level through the 7<sup>th</sup> Research Framework Programme (FP7) (see Annex 1). Initiatives include TEPSIE (“Theoretical, empirical and policy foundations for building social innovation in Europe”), as well as research on social innovation against inequalities and social innovation for vulnerable populations.

Moreover, in the Innovation Union Flagship Initiative<sup>15</sup> the Commission committed itself to support a substantial research programme on public sector and social innovation, looking at issues such as measurement and evaluation, financing and other barriers to scaling up and development. HORIZON 2020<sup>16</sup> – the future research and innovation funding programme – will also call for the support of broader innovations including non-technological and social innovation.

For the time being, however, efforts to produce a provisional scoreboard must proceed on the basis of what has been done in analogous areas (such as service innovation studies and public sector innovation reviews) as well as provisional proposals on policy measures for social innovation.

Our literature review considered the following proposals and studies (see Annex 2 for details of aims, approaches and key findings):

- › Proposals for social innovation indicators on labour market policies (see Box 2.2);
- › The OECD *Oslo Manual on methodologies for measuring innovation*;
- › The European *Public Sector Innovation Scoreboard* (EPSIS) project;
- › The MEPIN project *Measuring innovation in the public sector in Nordic countries*;
- › The WARM *Wellbeing and Assessment Model* tool assessing the social capital and wellbeing of local areas;
- › The TEPSIE work programme; and
- › The National Endowment for Science Technology and the Arts (NESTA) reports *Hidden Innovation* and *Innovation in Public Sector Organisations*.

### BOX 2.1

## *Connections between social innovation and public sector innovation*

*Social innovations can be defined as “innovations that are social both in their ends and in their means - new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations”.<sup>17</sup> Social innovations can, therefore, be initiated and disseminated by public or private sector organisations, social enterprises, or charities or other voluntary organisations delivering services – providing that they are working to meet social needs in a new way that creates new social relationships.*

*The link between innovation in public sector organisations and social innovation is particularly important. Social fields such as health or education or protecting the environment are often core themes taken forward by public sector organisations; they are also areas where social innovation can make and is making a prominent contribution. As a result, the increasing literature on metrics of innovation in the public sector provides useful learning for those seeking to measure social innovation.*

## 2.2 Assessment

Many studies stress the need for a rounded picture in making assessments, while being careful about any aggregation (it will take much progress in analysis before we can move to a position comparable with the index of Europe 2020 targets set out in Pasimeni (2011)<sup>19</sup>).

We agree with the need for a rounded picture. Drawing on the literature review, our proposal is that a scoreboard of social innovation contains three broad categories, with one or more indicators in each:

- › Extent of social innovation;
- › Drivers of social innovation;
- › Wider conditions for social innovation.

Table 2.1 below sets out a prototype of a scoreboard for policy-makers.

With that caveat in mind, we outline promising metrics for the dimensions.

### *Core indicator 1) Policy awareness and policy-take up*

Proposals to assess the extent to which social innovation is embedded in policy are being considered in relation to active labour market policies (as per box 2.2). This can and should be extended to the other Europe 2020 outcome agendas of *climate change/energy, education and poverty/social exclusion* – both with respect to Europe as a whole, and in relation to Member States national reform programmes.

### *Core indicator 2) User driven innovation*

Standard definitions of process/organisational innovations do not explicitly include those actions that directly aim to change clients' attitudes, behaviours, and control over service provision. Yet these effects are the hallmark of many effective social change programmes.<sup>20</sup> The EPSIS methodology report (23<sup>rd</sup> January 2012) includes a question on connections to users which is set out in the prototype scoreboard. The question is to be contained in Innobarometer 2011 (on innovations in public services).<sup>21</sup>

### BOX 2.2

## *Measuring innovation in labour market policies*

*A proposed new regulation of the European Parliament and of the Council puts forward an integrated programme for social change and innovation,<sup>18</sup> and is a move towards measuring innovation more in Europe more systemically. The table below shows a list of indicators.*

*Support development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation.*

Indicator	Current Situation	Long Term Targets
Incidence of up-take of social innovation results in the design and implementation of active labour market and social protection policies	Supporting social innovation is a new area of intervention. There is a lack of more systematic approach to full use of the social innovation results in active labour market and social protection policies.	Every Member State in its National Reform Programme reports at least one example of planned or actual up-take of available social innovation results in the design and implementation of its active labour market and social protection policies
Awareness of social innovation	As above	As above

TABLE 2.1 • Prototype scoreboard on social innovation

CATEGORY	INDICATOR
Extent of social innovation	<p><i>Core indicator 1) Policy awareness and policy take-up of social innovation (with a particular focus on Europe 2020 targets)</i></p> <ul style="list-style-type: none"> <li>› SI1a) Europe 2020 employment target (as per a proposed measure put to the European Parliament and Council)</li> <li>› SI1b) Europe 2020 innovation target</li> <li>› SI1c) Europe 2020 climate change target</li> <li>› SI1d) Europe 2020 education target</li> <li>› SI1e) Europe 2020 social exclusion target</li> </ul>
	<p><i>Core indicator 2) User-driven innovation</i></p> <ul style="list-style-type: none"> <li>› SI2a) Importance of citizens as clients or users for the development of innovations in the public sector</li> <li>› SI2b) Introduction of customer-driven innovations in social enterprises</li> </ul>
	<p><i>Core indicator 3) Procurement</i></p> <ul style="list-style-type: none"> <li>› SI3) Procurement of potentially innovative solutions</li> </ul>
	<p><i>Supplementary indicator(s)</i></p> <ul style="list-style-type: none"> <li>› TEPSIE is examining economic indicators (potentially covering economic value and employment)</li> </ul>
Drivers of social innovation	<p><i>Core indicator 4) Hubs and incubators (information that can potentially be drawn from use of rapid assessment tool in major regions and cities)</i></p> <ul style="list-style-type: none"> <li>› SI4) Extent of specialist hubs and incubators to encourage entrepreneurship and disseminate good practice</li> </ul>
	<p><i>Supplementary indicator(s) (information that can potentially be drawn from use of rapid assessment tool in major regions and cities)</i></p> <ul style="list-style-type: none"> <li>› Specialist forms of finance for social innovation</li> <li>› Links are made between innovative projects and mainstream agencies</li> </ul>
Wider context	<p><i>Core indicator 5) Higher quality relationships to meet social needs</i></p> <ul style="list-style-type: none"> <li>› SI5a) Ability to ask a relative, friend or neighbour for help</li> <li>› SI5b) Participation in informal voluntary activity</li> </ul>

However, the Innobarometer survey will not include social enterprises, which are instead covered (alongside for-profit companies) by the Community Innovation Survey. We propose that this Survey consider including such questions for sectors where social innovation is particularly important - public health, education and welfare-to-work (ISIC version 4 classification numbers 78, 85 and 86/88 respectively). If a close connection to OECD methodology is required, a suitable question might be:

*“Whether the organisation has implemented, within the last three years, a new or significantly improved product, delivery or organisational method (i.e. business practice or workplace reorganisation) that serves a social need and has one or both of the following features: (a) Harnesses customers’ ideas throughout design and development; and (b) Harnesses customers’ energies and/or creates social collaborations as a core feature of front-line service delivery.”*

TABLE 2.2 • Draft rapid assessment tool for social innovation

STATEMENT	SCORE *	EVIDENCE **
<b>Awareness</b>		
There have been concrete efforts to raise awareness of social innovation		
Local authorities are working with social innovation as a concept		
Health authorities are working with the concept		
Social innovation is mentioned in the ESF programme document		
Social innovation is mentioned in the ERDF programme document		
Transnational exchange is used to promote social innovation		
<b>Strategy and metrics</b>		
There a social innovation strategy for the municipality or region		
Social Innovation is included in the smart specialisation / regional innovation strategy		
Indicators for social innovation have been developed		
Success rates of established innovative projects compare well with alternatives in selected EU operational programmes		
<b>Capacity</b>		
There have been concrete efforts to build capacity for social innovation		
Social innovation units have been set up inside government agencies		
Incubation facilities and processes exist for social innovation (either specialist for social innovation or as part of generic incubators)		
There are agencies supporting the agenda (e.g. foundations, units inside government)		
Links are made between innovative projects and mainstream agencies		
<b>Finance</b>		
Specific (public and/or private) funds exist for financing social innovation pilots		
Specific funds been set up for implementing and scaling up social innovations		
Social innovation projects have been financed under Cohesion Funds		
Innovative projects get higher grant rates in ESF operational programmes		
Social innovation can be financed under generic programmes and funds		

NOTE: \* 0 = minimum, 5 = maximum; \*\* rated either as poor / fair / good or excellent.

### *Core indicator 3) Procurement.*

Innobarometer has undertaken assessments of procurement of potentially innovative solutions.<sup>22</sup> Although not perfect as a correlator with social innovation, we believe that this is an important facet of policy action to promote social innovation, and therefore well worth including within a scoreboard.

#### *Supplementary indicator(s)*

The TEPSIE project has the measurement of social innovation as one of its workstreams.<sup>23</sup> It has examined data from such sources as 'Civil Society in Figures', which includes data on employment and value added in monetary terms. If suitable analytical progress can be made, this would represent important information for policy-makers.

### *Core indicator 4) Hubs and incubators*

Innovation is much more likely to flourish if there are effective intermediaries who can pinpoint to funders where the good ideas are; and highlight to providers who is in the market for supporting their new approaches. There are no current available data sources, and we propose collation through the outline rapid assessment tool set out overleaf.

#### *Supplementary indicator(s)*

Finance is a vital part of enabling social innovations to fulfil their potential. There are no current available data sources, and we propose collation through the outline rapid assessment tool set out overleaf. A further key agenda is in mainstreaming social innovations into mainstream agencies. Again, we propose use of the rapid assessment tool.

### *Core indicator 5) Proportion regularly or occasionally involved in volunteering work*

The issue here is to obtain a perspective on the 'social fabric', the sense of a community, that social innovations both require and sustain. Eurostats' EU-SILC 2013 module on wellbeing includes question PW180 setting out the (perceived) ability of citizens to obtain help from friends and relatives;<sup>24</sup> while the 2006 SILC module on social participation<sup>25</sup> includes question PS100 on the level of informal voluntary activities that are undertaken (for further information on this topic see the recent Innobarometer Survey (75.2) conducted in 2011<sup>26</sup>).

## **Approaches to obtaining data**

Social innovation lacks well established data sources. One useful approach that can be conducted in the interim is to develop and utilise a rapid assessment tool that can assess the factors in place to support social innovation at regional / city level. Previous tools have been used to examine agendas ranging from 'Progress and Equal' through to the support infrastructure for microfinance at local level.

## **2.3 Proposals for concrete actions**

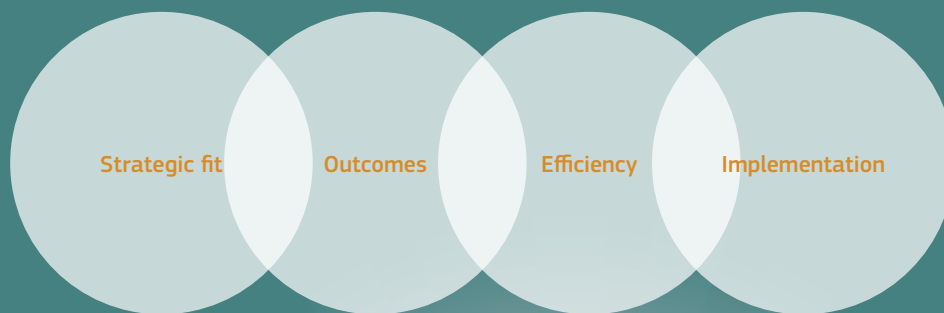
- › *Prototype a Social Innovation Scoreboard, in the first instance by refining and applying Table 2.1;*
- › *Develop and apply a suitable rapid assessment tool for major regions and cities, in the first instance by adapting Table 2.2;*
- › *Use TEPSIE to strengthen the knowledge base on indicators for social innovation, including greater consistency and endorsement among statisticians of the definition of social innovation.*

# 3. Metrics to support investment decisions on social innovations

*Metrics can play a very useful role in supporting decisions on what activities to fund. This process is not always easy, however. Partly, there is a lack of benchmarks to highlight what really can be achieved; partly, there are trade-offs to recognise (such as differing effects on outcomes and efficiency).*

*This section sets out issues to face in producing a more effective information system for assessing strategic fit, outcomes and efficiency; while section four examines metrics on implementation.<sup>27</sup>*

FIGURE 3.1

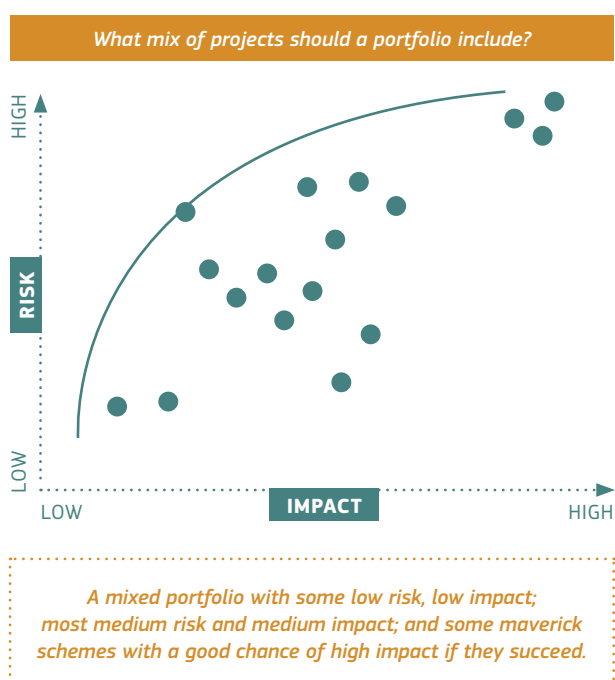


### 3.1 Strategic fit

Decisions on funding are made within a context of aims and choices. Three important issues to take into account are (a) goals; (b) connections to other projects; and (c) desired levels of risk and return:

- ▶ *Aims of the funder, aims of the clients.* For funders, a key question is: how well does the proposed project fit with our main aims? For clients, a key question is: will the project do what I need, want and prefer it to do?
- ▶ *Connections to other projects.* Some projects impede others, some provide key material that enables progress to be made on a range of agendas. For funders, a new approach that fills a 'gap' on a priority issue is far better than re-treading ground that is already well covered.
- ▶ *Risk and return.* A broad perspective by a decision-maker looks at a portfolio as a whole – and does not readily cast aside innovations of high potential, even if they do carry high risks.

FIGURE 3.2



Consequently, to meet decision-makers' needs, metrics and tools need to be able to identify:

- ▶ If the project has a strong connection to the key outcomes that the funding seeks to achieved;
- ▶ Potential 'high value' projects; and
- ▶ Ways that projects would either duplicate, or act to strengthen, other projects.

Unfortunately, current metrics approaches to these and other issues of strategic fit are sparse, and we see this as an urgent issue for research. If evaluated systematically, pilots and systems can act to produce useful insights for public service delivery in general.

In the absence of such modelling, however, a good level of insight into clients' needs (through techniques such as ethnography) is vital. Otherwise investment decisions can be deeply flawed; as one study has put it:

*"Billions have been spent on programs that look good to outsiders, but don't work because they don't speak to local people's concerns and realities" (Keystone Accountability).<sup>28</sup>*

### 3.2 Assessing outcomes

The basic framework for assessing the effects of social innovations is as follows:

FIGURE 3.3 • Assessing the effects of social innovations



An organization uses *inputs* (staff, buildings, equipment and so on) to produce a set of *outputs* (products and services), which then influence the *outcomes* for individuals and society (for example, a less polluted environment, or a deeper set of skills and knowledge).

For example, in health, inputs include doctors, nurses and scanning equipment; these produce outputs such as diagnoses, medical treatments and operations; and these in turn affect the outcomes of longer life expectancy (QALYs - quality adjusted life years), and quality of life.

Although outputs are relatively straight-forward to measure, increasingly the emphasis is on outcomes (for example, programmes that get unemployed people into work being judged on whether clients gain long-term quality jobs). For instance, the highly regarded Harlem Children's Zone in Harlem has one cornerstone metric to determine its outcomes:

*"The only benchmark of success is college graduation. That's the only one. How many kids you got in college, how many kids you got out."<sup>29</sup>*

Many indicators can be used to measure social outcomes, and key categories include:

- ▶ Measures of subjective states of wellbeing (for example, the level of happiness, the extent of physical pain, the depth of self-confidence);
- ▶ 'Objective' metrics of outcomes (such as life expectancy or literacy rate); and
- ▶ Estimates of the monetary value of outcomes.

For details of these see Annex 3.

A strength – and weakness – of social innovations is that they draw out and highlight disagreements over values (for example, a potential trade-off between the punishment and rehabilitation of criminals). If and when this occurs, problem solving techniques, such as co-design (see for example the work of the Design Council in supporting diabetes patients<sup>30</sup>), or workshops on multi-criteria dimension analysis, are used to guide decision-makers towards a solution. With agreement on key values, the question then becomes one of comparing outcomes among different providers and countries.

Only a fraction of providers track their outcomes in a systematic way. Out of those that do, there are many tools used, and there is limited joining-up of analysis. Effective comparisons are often hard to achieve, as illustrated by the views of attendees of a 2011 strategic workshop on climate change.<sup>31</sup>

*“Developing adequate climate change indicators was flagged as another critical requirement for future EU spending. They should go hand in hand with clear targets and be applied at different levels of operation – project, programme and funding instrument/policy. However, it was recognised that developing and applying effective indicator systems are likely to face certain technical difficulties...”*

There are, however, some important efforts being made to encourage standards and wider dissemination of data (see Box 3.1).

Better co-ordination would strengthen knowledge – but many are reluctant to change existing metrics. Many parties are affected by choices on outcome measures: researchers in universities and think-tanks who want to drive forward thinking on what works; trusts and foundations who want to direct grants to effective programs; citizens who want ‘open data’ on performance; public officials and policymakers who want to achieve good outcomes for Ministers; and so on. A key question is: can all these be persuaded to adopt a *single* methodology or *single group* of metrics for a given field such as climate change?

Such consensus is immensely difficult to achieve, even in a single field. No single organisation or group of organisations has the power and influence to determine a single set of metrics that all providers of social innovation should use.

Instead, good practice examples show that it is possible to bring about coalitions of partners that agree on the need for an assessment culture. These partners seek to adopt common methodologies and metrics, and strive to learn from the past to achieve better for the future.

One route, which can be categorised as a ‘top-down’ approach, is shown by the National Indicator set for local authorities in the UK. It had very strong political will, and provided benefits for both information users and information providers (by greatly reducing data collection burdens).

However, our preferred route is to take a ‘bottom-up’ approach, based on user feedback (e.g. social enterprises) on measurement tools. By making clear which tools are easy to use, robust, cost-effective, and used by influential funders, providers have a strong incentive to follow their peers’ choices. Through its funding of programmes and influence among agencies, the EU is in a good position to push for arrangements that collate and highlight user feedback on tools, and then to push for progress in using those tools that peers most highly respect.

### 3.3 Assessing changes in outcomes

A key challenge is to measure the outputs and the change in outcomes associated with a given social innovation on a consistent and understandable basis – either in terms of the effects the initiative has already had or the effect it is anticipated to have in the future.

For funders, managers and purchasers this forms part of selection; for those working on the innovation itself it provides a key piece of management information that allows them to improve the innovation and optimise delivery.

#### BOX 3.1

### *Impact Reporting and Investment Standards (IRIS)*

*A core initiative of the Global Impact Investing Network (GIIN) launched in 2008, IRIS was developed as to improve transparency and increase the comparability of social and environmental performance measurement data for impact investors. IRIS aims to provide a common language, acting as a collection of social, environmental, and financial performance metrics with standard*

*definitions that can be applied across diverse sectors and geographies. IRIS framework provides both cross-sector and sector-specific indicators. The indicators are organized in a framework of following categories: organization description, product description, financial performance, operational impact, product impact and glossary.*



Comparisons of effects can be hard. They rely on “counter-factuals” to express what would have happened to outcomes and expenditure if the project had not taken place – for example, the achievements of a school are better observed if one can compare its outcomes with those of schools that have a similar “quality” of pupil intake.

A study by the Young Foundation looked at methods for measuring value in the built environment<sup>32</sup> and identified nearly 30 in use – some designed to guide investors, and some for developers. These approaches run the gamut from methods using artificial neural networks and ‘hedonic’ price models to fuzzy logic methods and ‘triple bottom line property appraisal methods’.<sup>33</sup>

Some of these approaches are more practical to adopt than others. The choice of approach can require trade-offs to be made between practicality and robustness, a trade-off that should take into account the innovation stage of a project (fully sustained initiatives can and should demonstrate a much more robust level of evidence than promising pilots at an early stage of development). For a discussion of two key techniques – statistical analysis and new social experimentation methods – see Annex 4.

It is important, however, to be realistic about the limits of quantitative techniques, particularly when social innovations are ‘new to the world’. As Clayton Christensen has put it: “markets that do not exist cannot be analysed.”<sup>34</sup> Instead, qualitative approaches – scenario planning, learning by doing, in-depth discussion are better at enabling participants to reflect on what worked, what changed and what did not. And such assessments often work best at a pace that is very different from traditional evaluations – with feedback occurring while the innovation is being tested, and not months or years later. Then again, one key question that longer-evaluations are good at answering is whether improvements are **sustainable** – both short and long run evaluations are needed.

### Assessing wider outcomes

Social innovations often aim to promote a wider set of objectives than is traditional. According to the SELUSI study “social entrepreneurs tend to care about the welfare of people and nature in general”.<sup>35</sup> Several key tools are available to showcase achievements – or the lack of them – among organisations.

- *‘Bilan Social’*<sup>36</sup> (social report). This was established in France in 1977, and used to identify priorities for action. Companies of more than 300 people must publish a social report, covering employment, return, health and safety, working conditions, training, and industrial relations.
- *SELUSI*.<sup>37</sup> This project undertook a survey of social enterprises, to assess their ‘social goals’ and ‘social change’ focus, on a scale of 1 (minimum), to 5 (maximum). A 5 score for the former demonstrates an

organization wholly centered on alleviating a social issue; while a 5 score for the latter denotes an international perspective aiming for systematic social change.

- *Social reporting standards*.<sup>38</sup> These are a set of nationally recognized and shared accountability standards developed by experts and applied by many companies, institutions, professionals and audit firms. The aim is to provide all stakeholders with a comprehensive picture of the company’s performance, establishing an interactive social communication process.

Provided such tools are used in a ‘light touch’ way that is proportionate to the stage of the innovation and the scale of the organization, this approach can be a useful mechanism for organisations to highlight their beneficial effects.

### 3.4 Efficiency

Budgets for many public services in Europe are likely to be severely restrained for the foreseeable future. That makes it important to identify and promote savings – provided this is not achieved in an illusory way by simply passing on costs to someone else.

At the project or programme level, two complementary approaches to assessing efficiency are:

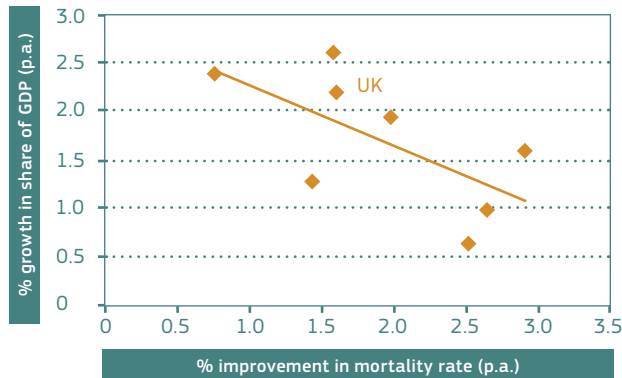
- To calculate savings as a percentage of initial costs, and
- To assess rates of return (roughly speaking, the ‘interest rate’ achieved on the initial investment).

Both measures can give useful perspectives on productivity gains, with the rate of return approach becoming highly relevant if the innovation only relates to a small part of the service delivery process. Broadly speaking, even for small scale innovations, it is important to obtain data on the issues of how much the project costs to implement; how many people are supported; the current costs of that support; and the expectations for the future costs and future support levels of the project.<sup>39</sup>

Key issues in comparing savings as a percentage of costs or rates of return include the timescales for which costs and revenues are calculated, and the discount rates used to put future resources into modern day equivalents. Unless a degree of consistency is enforced, comparisons can be misleading.

At the national level, indicators will inevitably tend to be broad-brush, but comparisons of share of GDP and outcomes are at the very least an important starting point for debate. Figure 3.4, for example, shows a counter-intuitive relationship between improvements in adult mortality rates (for ages 15 and 64) over the period 2000 to 2006, compared to changes in the share of health as a proportion of GDP for those countries.

**FIGURE 3.4** • Change the health spend share of GDP versus % improvement in adult mortality rate



Source: Reeder, N. (2011), citing OECD Health Data 2010 and Young Foundation analysis <sup>40</sup>

### 3.5 Supporting overall judgments

Much effort has gone into methodologies for a single figure to encompass both outcomes and financial effects. For example:

- ▶ *Social Impact Assessment* methods have been in use since the 1960s, trying to capture all the dimensions of value that are produced by a new policy or programme. These attempt to estimate the direct costs of an action (e.g. a drug treatment programme), the probability of it working, and the likely impact on future crime rates, hospital admissions or welfare payments.
- ▶ Within the non-profit world *Social Return on Investment* methods translated the methods of the social impact tradition into the language of rates of return. There are many variants in use around the world. The European Union's Equal Programme advocated use of SROI, and encouraged countries to develop variants, such as Finland's methods for social enterprises.<sup>41</sup>
- ▶ Sweden has developed *Socio-Economic reports* on social enterprises,<sup>42</sup> in which an appraisal is made of the enterprises internal profit (its revenues minus costs), its external profit (its social benefits minus its social costs), and the sum of the two (which it terms the 'cost-benefit value'.
- ▶ *Cost Benefit Analysis* takes a more cautious approach to valuing benefits in a monetary way, with an emphasis on assessing 'externalities' (such as noise and pollution) and customer value. It is widely used, particularly for transport and major capital projects (though it has a reputation for under-estimating costs and over estimating benefits).<sup>43</sup>

One issue raised by these methodologies is the importance of using standardised parameters for assessments (for use with a given social field). If two projects would enable a person to achieve employment for the same period then their business cases should value that achievement in a similar way (subject to wider benefits, such as self-confidence, being equal).

It is, however, a particular feature of SROI that it has no standard parameters to use – the onus is on users of the system to choose their own values and justify them. Some databases exist

to underpin such work (e.g. VOIS at [www.thesroinetwork.org/vois-database](http://www.thesroinetwork.org/vois-database), has collated good practice examples of metrics in agendas ranging from tackling homelessness to reducing CO<sub>2</sub> emissions), but there is a distance to go to obtain a detailed knowledge bank.

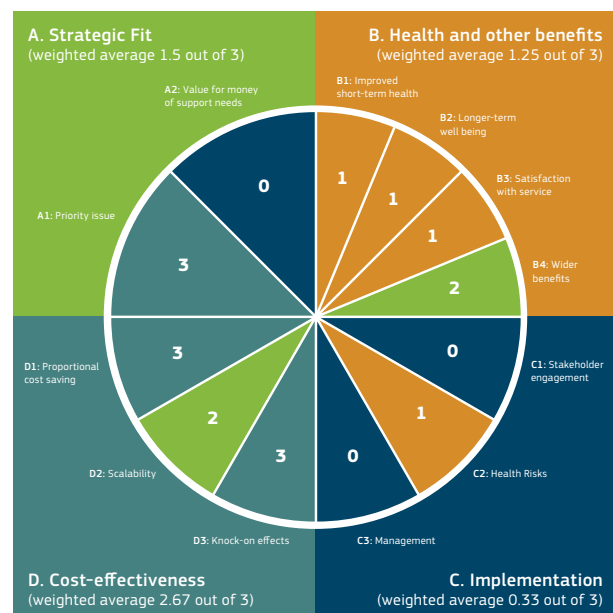
A further key issue is the attempt to put a monetary value on all benefits. Although SROI and Cost Benefit Analysis provide precise numbers, the rigour of assumptions is often open to debate. There is not and there is never likely to be a reasonably robust approach that can estimate in monetary terms for a wide group of people over a wide range of time such intangibles as the 'value of happiness'. Yet the benefits of social innovations are often intricately related to intangibles such as social cohesion, family and peer relationships. That makes an insistence upon monetization deeply problematic.

Geoff Mulgan, among others, has argued that the compression of disparate values into one figure is highly problematic.<sup>44</sup> Having the elements of judgments made visible is better for transparency, decision-making, and evaluation.

Consequently we recommend an approach that:

- ▶ Disaggregates out outcomes, efficiency, implementation and strategic fit, rather than artificially compressing them into a single figure;<sup>45</sup>
- ▶ Sets out financial benefits in financial terms;
- ▶ Highlights key outcomes – and is open to including intangible social outcomes; and
- ▶ Uses standardized parameters.

**FIGURE 3.5** • Late stage innovation - Project H2O



The Health Metrics tool, used to assess applications to the Regional Innovation Fund in the UK, acts as a framework for highlighting strategic fit, outcomes, implementation and efficiency. It also embeds an assessment of the robustness of the judgements in each dimension.

Together, these would enable programmes to build up a common database of outputs and outcomes for use in later venture support and social investment stages. A potential template for such a system is offered by the EQUAL programme (see Box 3.2 below).

### 3.6 Proposals for concrete actions

Fields for social change (education, health, climate change and so on) often lack a shared perspective on outcomes and theories of change on what really does make a difference. At the same time, fields for social change encompass a range of different organisations with widely divergent goals.

What is required is greater consensus (within each social field) on key outcomes and sources of value added, so that parallel tools can be used within organisations to guide management and accountability.

At the same time, measurement needs to distinguish between early stage innovation that is bound to be exploratory and dependent on qualitative feedback, compared to more mature ventures where more formal measurement of economic and social outputs and outcomes is appropriate.

This points to a need for Evaluation functions to:

- › Support development of user (e.g. social enterprise) feedback on measurement tools (in particular, for those four agendas relating to Europe 2020 outcome targets in the first instance), categorising feedback to allow for different views on early versus late-stage social innovations;

- › Support development of databases (covering those four agendas relating to Europe 2020 outcome targets in the first instance) that provide 'open data' on programmes' core outcomes and baselines, including data on sustainability of results, as assessed through preferred tools;
- › Encourage those developing such databases to also include information (possibly qualitative) on unexpected side benefits not included among the core outcome metrics - as well as incorporating key insights on the effects (positive and negative) of the social relationships that contributed to the final outcomes of the innovation;
- › Encourage the use of 'randomised evaluation' approaches where appropriate, drawing on the methodological insights of J-PAL;
- › Identify and disseminate suitable tools for assessing risk and return within a portfolio;
- › Identify and disseminate effective tools and guidelines to identify whether local peoples' concerns and realities have been properly met; and
- › Outline broad-brush assessments of the overall impacts of programmes against wider trends on Europe 2020 goals.

And for leads of programmes and projects to:

- › Encourage those providing data and assessing performance to use the most prominent of the measurement tools identified by their peers as the most suitable metrics;
- › Pilot this approach in funding programmes that are directly managed by the European Commission, such as the Framework Programmes for Research (and successor Horizon2020), and the PROGRESS programmes.

#### BOX 3.2

### Learning from the EQUAL programme

*The European Social Fund (ESF) is one of the EU's Structural Funds, set up to reduce differences in prosperity and living standards across EU Member States and regions, and promoting economic and social cohesion. Over the period 2000 to 2006, the ESF EQUAL programme invested €3.2 billion in projects bringing together 20,000 partners from across Europe to design, test and validate innovative solutions to integrating disadvantaged groups into the labour market. This programme was the first sponsored by the EU that specifically aimed to promote social innovation. "Novelty and superiority" were chosen as the main two criteria to identify innovations.*

*Ex post evaluations used desk research, questionnaires and semi-structured interviews.*

*The analysis captured the number of innovations per theme; process of 'emergence' (import, adaptation or new development), and dimension (goal-oriented, process-oriented, or context-oriented).*

*Useful approaches for assessment were revealed (for example, a system deployed in Portugal based on 7 criteria to identifying successful innovations). However some weaknesses, such as problems in comparing outcomes, were uncovered.<sup>46</sup>*

*Some subsequent work has introduced a set of common output indicators on participants' characteristics, and broader action has been undertaken through Learning Networks to mainstream EQUALs work - exchanging and implementing new solutions in fields as diverse as ageing, migrant integration and inclusive entrepreneurship.*

## 4. Analysis to support innovations' growth

*Across the world, social innovators are making a major difference to social problems of all kinds. But scaling up is often a considerable challenge.<sup>47</sup> Social innovations are by their very nature new and often reliant in a complex way on co-operation –*

*which makes it important to be able to diagnose strengths and weaknesses if they are to grow. This section therefore looks at the issue of how to obtain good management information on how well a social innovation project or programme is progressing.*

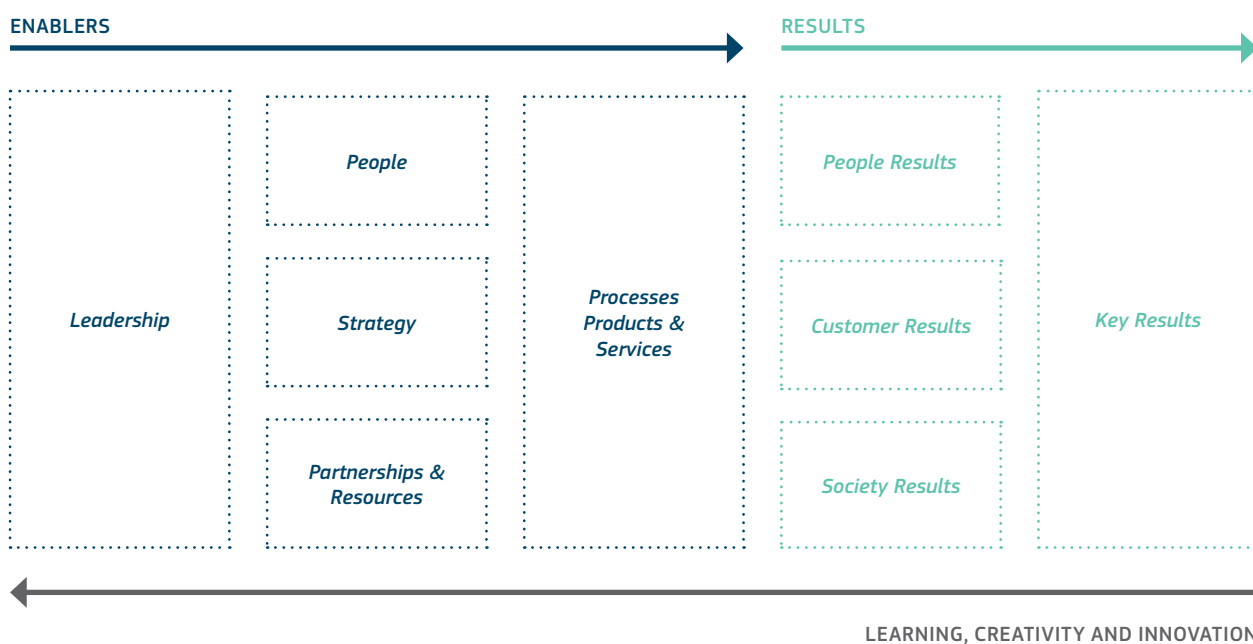


## 4.1 Strengths and weaknesses of organisations

Prospects for a successful social innovation improve with a better understanding of the strengths and weaknesses of the organisation that is aiming to promote it. Various scoreboards, such as EFQM<sup>50</sup> and the Bell-Mason stage-gate model, as well as the South Korean government's Government Innovation Index (GII) aim to do precisely that. These approaches generally diagnose such characteristics as leadership, skills and business model, to highlight what needs to change to increase the prospects of success in moving from innovations' early stages through to scaling (for details of these see Annex 5).

**EU sponsored programmes and EU innovation funds have the potential to form a valuable database on 'what works' in effectively scaling up social innovations.** Such a database would ideally be standardised in terms of the characteristics that are included – taking care to include characteristics that reflect the nature of social innovation (such as its embedding in the social fabric of a community; and its frequent agenda of empowering individuals and communities). It will also be vital to bear in mind the necessity to retain a proportionate burden that varies with the scale of the organisation and the stage of the innovation.

FIGURE 4.1 • EFQM Excellence Model



### BOX 4.1

## Proposal for stage-gate model of funding for social innovation

*Social Innovation Europe, in a report on finance, recommended a stage-gate model of funding.<sup>48</sup> It would have high drop off rates in progressing from small grants for early stage ideas, through to direct procurement for innovations.<sup>49</sup>*

*This stage-gate model would be based on the principle of conditionality, so that future funding would be targeted at organisations demonstrating successful outcomes in previous stages.*

## 4.2 Strengths and weaknesses of programmes

Analysis to support innovations at the programme level often relies on 'network effects'. By establishing a good evidence base with consequent useful benchmarks, others are attracted to input their data, and more funders see benefits from adopting the framework - all leading to a better evidence base.<sup>51</sup>

Major pathfinders include:

- ▶ The Innovation Zone (iZone), a community of 81 schools across five boroughs of New York. iZone schools adopt new approaches of instruction, using online courses, adaptive technologies, and real-time data to help teachers create more targeted lessons. Students advance by showing they have the attained required skills, abilities and knowledge; they are given personalized learning plans that reflect preferred learning styles, including independent learning, one-on one learning with a coach, collaborative learning in small groups, online learning, and real world learning. Learning on "what works" is shared across the network.
- ▶ The Socially Integrative City programme in North Rhine-Westphalia. This started in 1993 and has involved 80 neighbourhoods. A 'learning programme', the Socially Integrative City provides the framework for testing new schemes and strategies. Self-evaluation is considered as a continuous process in the neighbourhoods.

A further route to assessment of innovations at programme level is through a centralised institutional arrangement. One forerunner here is the UK's National Institute for Health and Clinical Excellence (NICE). Set up in 1999, this provides guidance, sets quality standards and manages a national database to improve people's health and prevent and treat ill health. NICE revolutionised the way that drugs and treatments were commissioned in the UK. By assessing not just a treatment's efficacy but also its cost, it moved pharmaceutical firms and others towards cost-effectiveness as a priority.

Other countries have followed the UK lead in creating a body to evaluate new medicines and technologies.<sup>52</sup>

Either way, a common standard on outcomes, and greater collaborative analyses by players in the field, would be likely to lead to 'network effects', promoting a deeper knowledge of the strengths and weaknesses of innovations at programme level. Particularly useful would be research on such issues as: how much is social change driven by entrepreneurial individuals, movements, teams or networks? Why do some ideas travel well and others poorly? What circumstances determine the speed of diffusion?

### BOX 4.2

#### *The Response programme and EFQM*

*Response was an EQUAL development partnership managed by The Finnish Red Cross over the period 2004 to 2007. The key objective was to improve the performance of social enterprises and similar organisations to enhance the employability of those in the weakest labour market situation.*

*A tool for performance improvement was developed for social enterprises on the basis of the EFQM Excellence Model as well as the Spring project "Workplace of Opportunities" model.*

*Self assessment and continuous improvement of operations were taken into use during the project, with the main phases comprising getting prepared to self assessment; self assessment, definition, grouping and prioritisation of improvement actions; action planning and implementation; and follow-up of improvement actions.*

### 4.3 Proposals for concrete actions:

Evaluation functions (and programme leads) should:

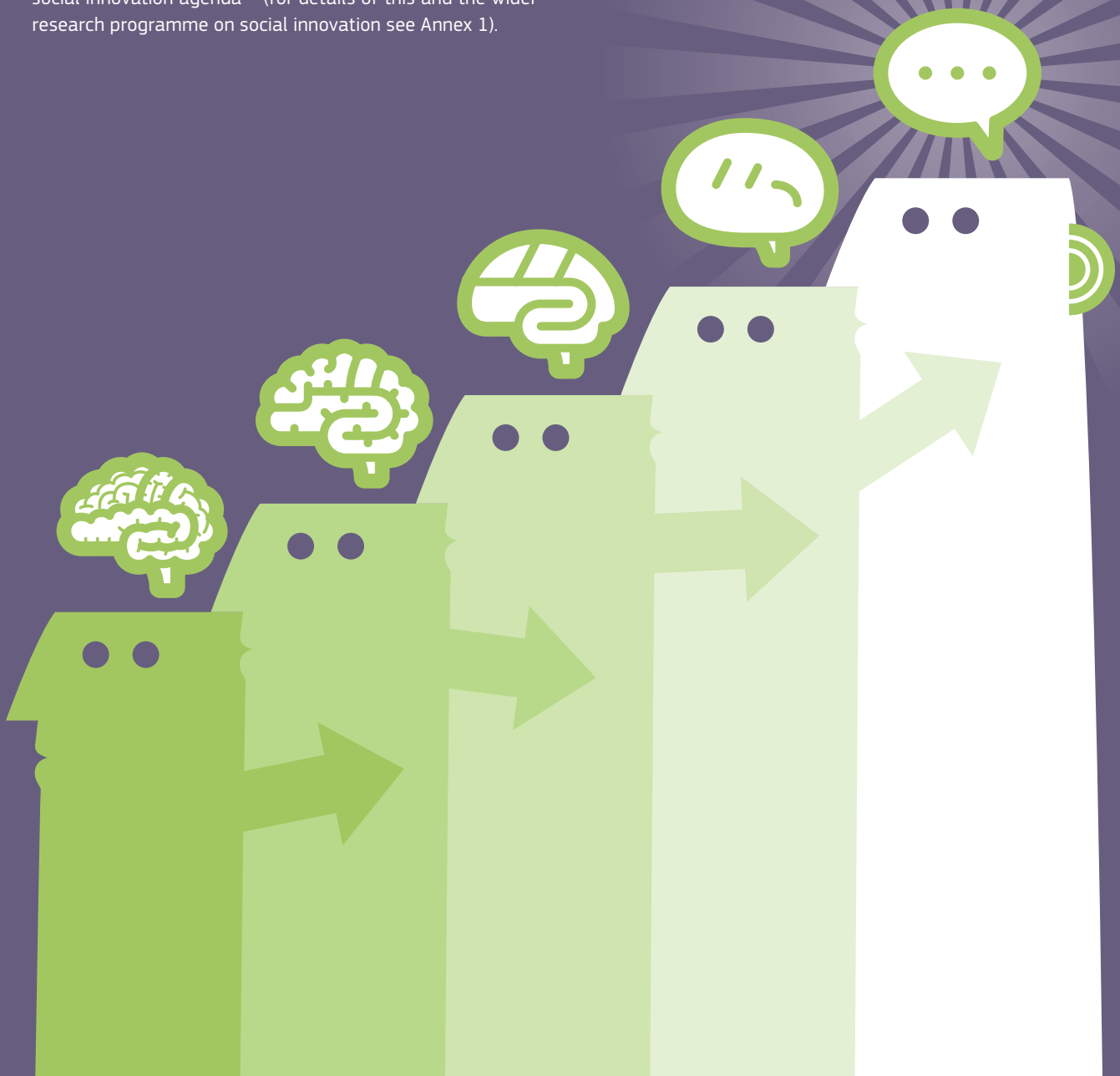
- › *Collect a more systematic database of projects strengths and weaknesses (categorised by stage of innovation). These data should have the potential to be cross-matched against outcomes data, to provide a good database for research on what works.*
- › *Encourage the development of 'systems for learning', drawing on the experiences of such pathfinders as the i-zone project.*



# 5. Learning and Knowledge

## 5.1 The challenge of effective systems for learning

A range of research strands are producing useful insights into social innovation, from the formal study of entrepreneurship to complexity theory. These strands should, in theory, be greatly assisted by findings from EU studies. The EU takes evaluation seriously and there are units in place in each DG with substantial funding and agreed strategies to commission research to learn lessons and assess current weaknesses at both interim and post-project stages. Indeed the EU is currently funding analysis through TEPsIE to strengthen knowledge and promote effective tools for the social innovation agenda<sup>53</sup> (for details of this and the wider research programme on social innovation see Annex 1).





Much more remains to be achieved, however, if an effective body of knowledge is to be created and disseminated. For example, 2011 workshops on the Inclusive, Innovative and Secure Societies challenge concluded that:<sup>54</sup>

*“Continued effort is needed to identify effective stimuli to innovation and entrepreneurship (what measures are effective – how, when and why?)...”*

*“The effective implementation of the Innovation Union requires new insight into how the framework conditions improve the European business environment for Research and Innovation.”*

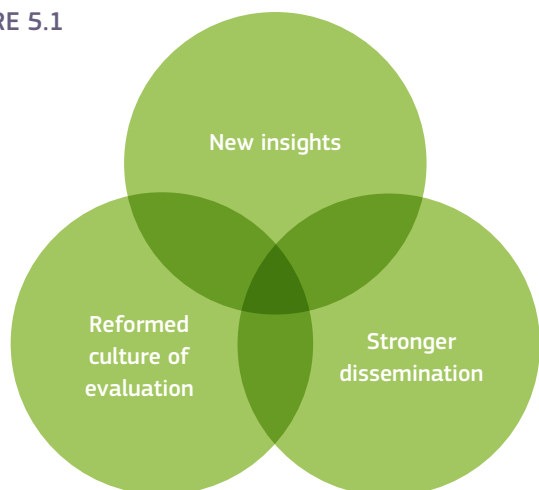
Similarly, the conclusion of the 2009 report *Agenda for a reformed cohesion policy* by Fabrizio Barca<sup>55</sup> was that:

*“Cohesion policy has invested significantly in the learning process... and produced relevant results, but improvements are much-needed in two directions: the capacity to apply lessons must be strengthened; and the failure to develop knowledge on what works.”*

Such issues are partly cultural and partly technical. Particular problems occur due to the lack of indicators of outcomes and the lack of effective models to plausibly explain changes in those outcomes. Such problems explain why, despite often complex analysis, many methods risk being unreliable and/or largely unused. Our analysis points to three areas for improvement:

- › The creation of new insights on what truly is transferable and what effects it can have.
- › A reformed culture of evaluation that brings in the perspectives of practitioners and citizens
- › Stronger dissemination

FIGURE 5.1

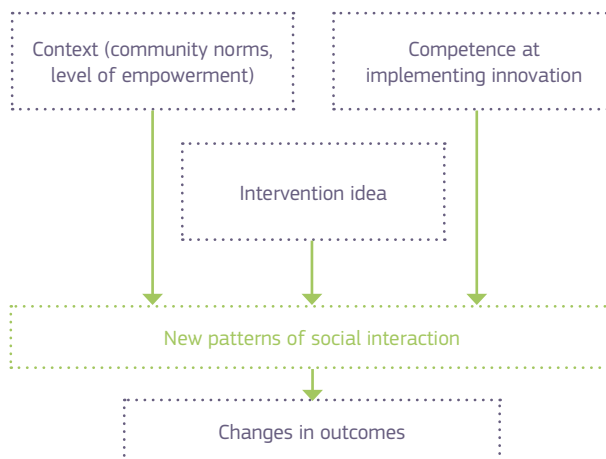


We consider these aspects in turn.

## 5.2 Gaining new insights

Social innovation is often a complex process, with effects determined by a range of factors (see figures 5.1 and 5.2):

FIGURE 5.2



Social innovation projects are directed towards changing patterns of social interaction, towards constructing new patterns that in turn act to meet social needs in a new way. As the Vienna Declaration puts it: “Citizens and consumers are increasingly leading innovation alongside companies, universities and research institutes.”<sup>56</sup> So before coming to a view on the potential of the innovation idea itself, it is important to understand:

- › *The extent and nature of the new patterns of social interaction.* Some steps have been taken to achieving such an outlook, including a framework for ‘dynamic evaluation’ by David Lane (European Center for Living Technology of the University of Venice), which depicts the set of stakeholders, the transformations in relationships (such as the capacity to act in respect of local development work), and the values that stakeholders assign to those transformations; and
- › *The context for the introduction of the social innovation.* Community norms, incentives, levels and trust and extent of empowerment have a powerful role in determining the success or failure of a social innovation: what may encourage volunteering in one city may fail in a rural district; what might gain plentiful crowd sourcing in Poland may flounder in Paris

Annex 6 sets out a checklist for issues for evaluators to consider in respect of these issues.

### 5.3 Reformed culture of evaluation

Our interviews and literature reviews have highlighted a relatively insular approach to evaluations. If this is to be tackled, the following issues need to be addressed:

#### Sharper perspective on what to evaluate

Studies of the use of analysis in ESF investment in human capital programmes<sup>57</sup> show evaluation practice often being led more by information suppliers than by policy-makers; and evaluators giving too much attention to technical issues<sup>58</sup> rather than substantial conclusions. By contrast, most good quality evaluations try to take a more rounded 360° view of what stakeholders think about the project.

Other steps to recognise the 'social' aspects of social innovation can be taken. Martha Vahl, a researcher at the Lincoln University, has proposed a more social and less technocratic way of evaluating. She has created an evaluation framework in which stakeholders are involved and in which a distinction is made between the what (the theme or the value of the judgment) and the assignment of the judgment.

#### Broader perspective on who does evaluation

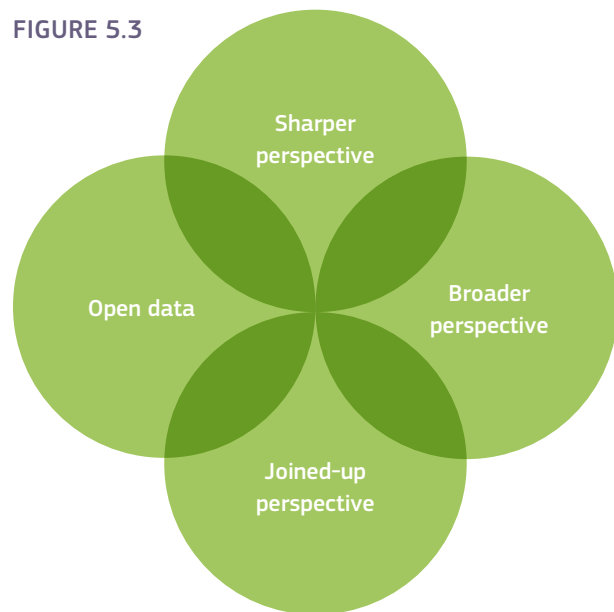
Cultural factors are a key issue to face. Evaluations tend to be directed by evaluators rather than by a wider group of stakeholders. Having a broader range of representatives on groups that draw up terms of reference, select evaluators and steer work would act to create a broader perspective.

For example, as the Committee of the Regions Forum has stressed: "Local and regional authorities are at the forefront of designing and implementing social policies, public services and (small scale) project incubation, and are open to public sector innovation... Social innovation in general, and measurement in particular, can only succeed if it is developed in a bottom-up approach, based on the reality of projects and experiences from the (local) field... Local and regional authorities often have a solid and proven experience in measuring the impact of their policies. This expertise should be used and exchanged (e.g. monitoring and open data/crowdsourcing tools that are currently used/developed at local level)."

Although the right blend of evaluation representatives will vary, there is a strong case for considering evaluation outcomes (which will in turn be affected by the choice of evaluation representatives).

**Evaluation functions should themselves be assessed, through annual surveys that set out clients views (programme and project leads) on whether evaluation reports and approaches are proportionate, useful and tailored to their needs.**

FIGURE 5.3



#### Joined-up perspective between projects

More can and should also be done to join-up learning between projects and between programmes, rather than having a separate catalogue of individual evaluations. Important examples of good practice in developing meta-analyses include:

*The Cochrane Collaboration.* This group of over 28,000 volunteers in more than 100 countries who systematically review the effects of health care interventions, mainly as tested in randomised control trails. Key principles are: collaboration, building on the enthusiasm of individuals, avoiding duplication, minimizing bias, keeping up to date, promoting access, ensuring quality and enabling wide participation;

*The Campbell Collaboration* ([www.campbellcollaboration.org](http://www.campbellcollaboration.org)). This helps people make well-informed decisions by preparing, maintaining and disseminating systematic reviews in education, crime and justice, social welfare and youth work.<sup>59</sup> It is a voluntary international research network located in Oslo and hosted by the Norwegian Knowledge Centre for the Health Services.

#### Effective use of open data

Open data is another crucial theme. New technologies enable much readier and quicker means to map progress. Some performance information now flows within hours if not minutes, whereas previously it could only be laboriously assessed within weeks if not months.

Evaluators should play a full part in making much more widely available programme and project data on outcomes, changes in outcomes and efficiency – using formats that peer feedback on tools has shown to be widely endorsed by programme and project leads.

## 5.4 Better processes for spreading knowledge

A vital form of learning and knowledge is to draw upon analyses and reports that have been built up or that have been recommended by peers who are respected by members of the group. Peer networks are often also the best forums for learning from failure. This aspect is particularly important for social innovation, as it relies heavily upon networks, and heavily on learning. However, it is far easier to admit mistakes to peers on a confidential basis than to others – without this, however, the risk is that past mistakes simply get repeated by others – so the approach taken has to be considered carefully.

The recent regulation of the European Parliament and of the Council on the European Social Fund (2011/0268) includes a welcome ambition (article 9) that “The Commission shall facilitate capacity building for social innovation, in particular through supporting mutual learning, establishing networks, and disseminating good practices and methodologies”. Our view is that the most important of these is the establishment of networks – because when they are set up and trust has developed then it becomes much easier to undergo mutual learning, and disseminate good practice.

Clearly, the EU cannot promote learning and knowledge solely or even predominantly within its own reports and organisations. It is vital to ensure that the *wider capacity* to measure and evaluate is strengthened. Important coalitions are beginning to emerge in this respect:

- › The UK Alliance for Evidence, set up in 2011 by NESTA and the US Coalition for Evidence Based Policy,<sup>60</sup> aims to provide a forum for evidence generation and use, informing organisations of the benefits of rigorous evaluation, undertaking research to establish the state of the evidence base across different areas of social policy and practice, and developing practical responses to strengthen the supply and demand for quality research and evaluation.
- › The Social Impact Analysts Association (SIAA) is a newly established international professional body that aims to share knowledge of social impact analysis and raise awareness. Its membership is broad, ranging from researchers and economists to charity representatives, academics and foundation executives. Its funders include the Adessium Foundation in the Netherlands, Bertelsmann Stiftung in Germany, and PricewaterhouseCoopers Germany. Evaluation functions, and leads of EU programmes, should hold liaison sessions with such coalitions. They will be able to provide useful feedback on whether and how knowledge gleaned from evaluations can be spread more effectively.

## 5.5 Proposals for concrete actions:

- › *Evaluation functions should receive user feedback on the effectiveness of their approach, including (a) the extent to which they have encouraged greater peer learning and meta-analyses among fields (including learning of what has not worked); (b) the extent to which data and past evaluation reports have been made accessible; and (c) whether they have sufficiently taken into account the ‘social’ nature of social innovation.*
- › *Evaluation functions and lead of EU programmes should hold liaison sessions with coalitions and intermediaries (such as professional associations), to determine ways to improve their work, and to promote disseminate findings of reports and other sources of learning as appropriate.*
- › *Evaluation functions should develop and test an appropriate checklist of evaluation, potentially using the draft contained in this report, to promote a more diverse culture of evaluation that emphasises with the social nature of social innovation.*

## 6. Conclusions

Policy-makers can support social innovation in many ways - from the introduction of specific funds to the adoption of policies that stimulate buying social innovation above standard approaches, or indeed other forms of innovation). Unfortunately, 'macro' data systems are not designed to review and assist such activity, tending to focus on traditional forms and sectors of innovation.

We believe that the Commission can and should progress towards a set of indicators, assessed for Members States, and potentially major regions and cities, on the scale of social innovation, and the arrangements in place to support it. No definitive scoreboard is possible with given knowledge; what is required instead is an iterative process that draws on existing insights and refines for the future. Our report outlines a prototype that can be used to initiate the debate.

Assessment at the project and programme level is also often weak. Practitioners, investors and funders require more effective approaches, if assessment is to fulfil its potential and provide effective analysis to underpin effective decisions on investments in social innovations; progress social innovations with insights on organisations' strengths and weaknesses; and build up learning and knowledge.

The European Union can play an important role in overcoming the challenges in each, by acting to strengthen the evidence base and knowledge across Europe. What is required is not the attempt to produce a single method or metric; that search is bound to fail.



Rather, what is required is an approach that is *focussed* – not requiring dozens of indicators from providers that are not really used; *adaptive* – recognising that, especially for early stage innovations, the approach may change over time and yield unexpected side benefits; *collaborative* – bringing together insights from a broad range of stakeholders and from projects across the relevant field; and *empowering* – acting as a tool to enhance the development of social innovations, providing insights for managers and communities as well as analysts.

The European Union is potentially in a strong position to help bring about this future. It could change its own culture of evaluation; and through influence, and funding, it could achieve a facilitation role, encouraging stakeholders to build a common language for thinking about outcomes and ways to measure value added, so that coherent assessment frameworks can be developed in each field.

*The purpose has been to set the scene for future developments. Further work in specific fields is needed to firm up and implement the recommendations. We see the following as potentially vital steps.*

### Metrics for policy making purposes

FIGURE 6.1



We envisage a process of prototyping a Scoreboard – initially focussing on the Europe 2020 goals – and then over time considering a wider range of agendas, and drawing on analyses such as TEPSIE.

### Metrics to support investment decisions

FIGURE 6.2



The European Commission cannot form a new knowledge infrastructure on its own. But it can establish serious intent in the next year, form alliances, and begin work on streamlining and refocusing the metrics used to assess outcomes and efficiency.

Over the next three years or so, we envisage that through a step-change in user feedback on tools, the most useful metrics will become evident. This can then form the bedrock for systematic analysis into the long term.

### Metrics to support progression of innovations

FIGURE 6.3



Various tools exist to assess the strengths and weaknesses of innovations, and to provide feedback to others on the progression that has been achieved. Over the next year, we envisage a process of identifying the main routes for making diagnoses of organisations and for promoting feedback.

We believe that it would then take several years to undertake a process of putting in place more systematic approaches to tools and feedback. This in turn would then take several more years to become a deeply embedded system.

### Learning and knowledge

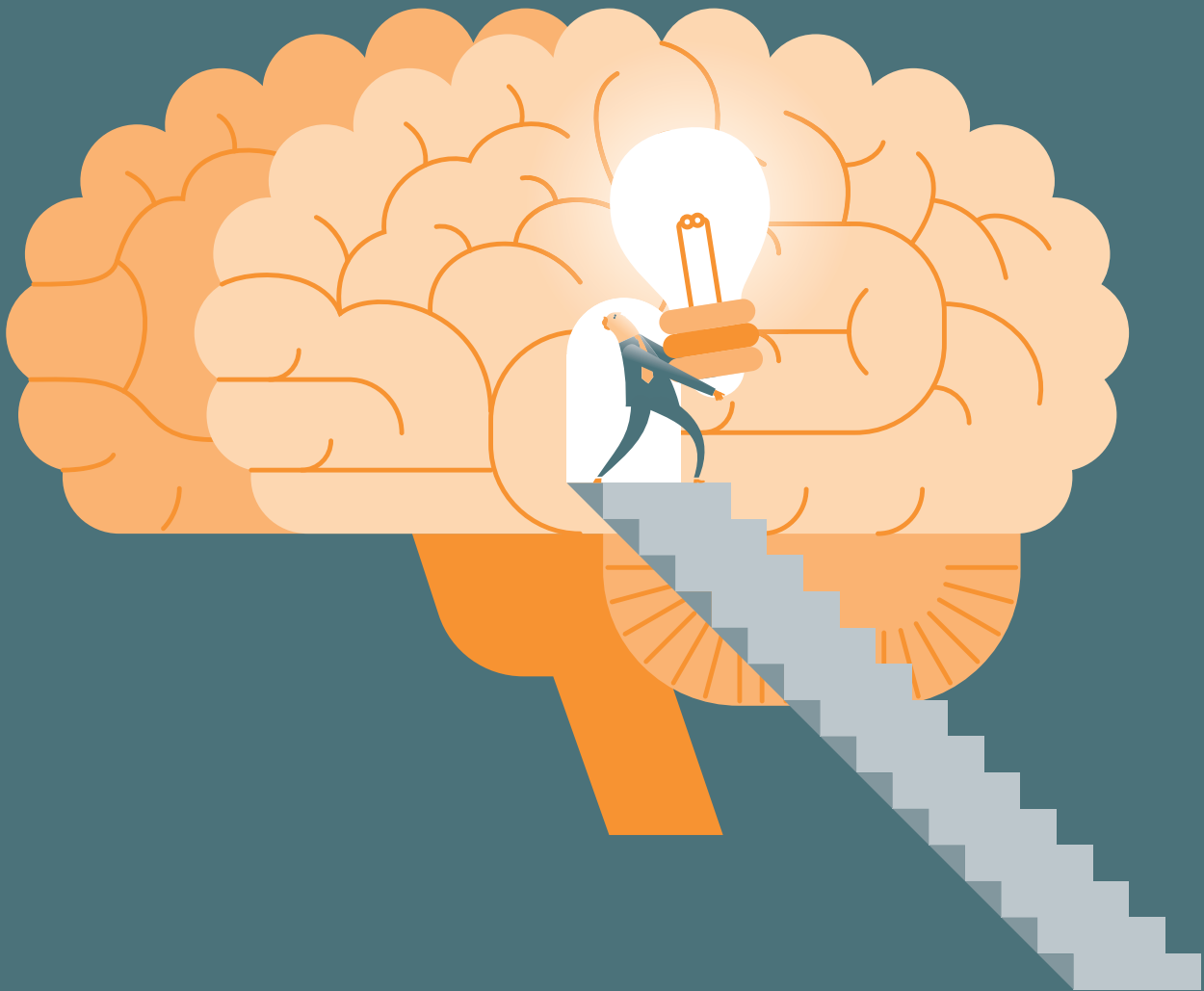
FIGURE 6.4



Approaches to evaluation have not yet caught up with the particular characteristics of social innovation. We believe that the suggested checklist provides a route for achieving this.

Over the next several years, we envisage a process of a broader perspective to who is informed in evaluations, properly taking into account the 'social' aspect of social innovation. At the same time, through research projects such as TEPSIE and InnoServe, and through its evaluation functions and leadership of programmes, the European Commission potentially has a vital role to play, encouraging intermediary institutions and peer networks to adopt and promote core outcomes, authoritative tools, and the insights gained from meta-analysis and evaluations.

# Annexes



## ANNEX 1

# Examples of research on Social Innovation in the 7<sup>th</sup> EU Research Framework Programme

TABLE A1.1

Name of Project	Details
<p><b>SELUSI</b> (FP7) – “Social entrepreneurs as ‘lead users’ for service innovation”</p>	<p>The project aims at furthering our understanding of emerging social ventures across Europe, and of open service innovations, exploring the possibility to link-up emerging social entrepreneurs as “lead users” with established corporations in open innovation projects. It develops a unique panel dataset on the organizational behaviours and founding decisions of 800 emerging social ventures in early phase of firm maturity</p>
<p><b>WILCO</b> (FP7) – “Welfare innovations at the local level in favour of cohesion”</p>	<p>WILCO will examine, through cross-national comparative research, how local welfare systems favour cohesion through social innovation. The project will examine social innovation in cities. The results will be used, through strong interaction with stakeholders and urban policy recommendations, to link immediately to the needs of practitioners.</p>
<p><b>TEPSIE</b> (FP7) – “The theoretical, empirical and policy foundations for building social innovation in Europe”</p>	<p>The objective of this project is to prepare the way for developing the tools, methods and policies which will be part of the EU strategy for social innovation. As such the research programme will map the field, reviewing theories, models, methods and identifying gaps in existing practices and policies, as well as pointing towards the priorities for future strategies.</p>
<p><b>SOCIAL POLIS</b> (FP7) – “Cities and social cohesion”:</p>	<p>The overall objective of Social Polis was twofold: to elaborate a research agenda on cities and social cohesion which focuses especially on the role of cities in social cohesion, and to create a platform where stakeholders and researchers can contribute their views and discuss what that research agenda should be.</p>
<p><b>InnoServ</b> (FP7) – “Social Platform for Innovative Social Services</p>	<p>InnoServ will investigate innovative approaches in three fields of social services: health, education, and welfare. To do so, the project will focus on two levels: (i) the status quo of research in these fields and (ii) the input from practitioners who have developed innovative social services. The final product will be a report indicating the key trends and key elements of innovative services in the fields of health, education, and welfare.</p>

## ANNEX 2

# Projects to develop macro-level measures of innovation

## Organisation for Economic Co-operation and Development (OECD)

The 2005 OECD Oslo Manual *Guidelines for collecting and interpreting innovation data* is recognised as a standard framework for business innovation measurement, in which the novelty of an innovation is categorised either as being 'new to the organisation', or 'new to the sector' or 'new to the world'.

The Manual makes a key distinction between product, process, marketing and organisational innovation. Process and organisational innovations come closest to encapsulating social innovation, and they are defined respectively as the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment and/or software); and the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations.

The 2010 report *OECD Innovation Strategy: Getting a Head Start on Tomorrow*, recognised the importance of unleashing innovation in the public sector and acknowledged a gap in measuring it. Projects to address this include analysis by the OECD's Public Governance and Territorial Development Directorate, which is considering metrics on a number of issues including data on the use of co-production in public service delivery and the adoption of new public management practices.

## European Public Sector Innovation Scoreboard (EPSIS)<sup>61</sup>

Public services represent about 45% of the EU's GDP and directly employ around 15% of the total employment in the EU. The European Public Sector Innovation Scoreboard (EPSIS) is experimental, and the aim is for a rolling programme of work to tackle this difficult but important issue. By giving visibility to the extent of innovation in the public sector, it aims to improve the quality of the debate, and support Member States in developing policies to support public sector innovation.

An Innobarometer survey of public service organisations is currently underway, with key indicators including number of innovative contract award notices (CAN) per million population and share of innovative CAN out of total contract award notices.

## Innovation Union Scoreboard (IUS)<sup>62</sup>

The IUS compares the innovation performance of different EU Member States against their main trading partners, including the USA, India and China. It has a private sector, business-orientated focus, and drills down into key industrial sectors. It uses statistics drawn from Eurostat and other sources, in particular the *Community Innovation Survey (CIS)* and is grouped into three blocks:

1. *enablers* that capture the main drivers of innovation that are external to the firm (which include dimensions of human resources and finance & support);
2. *firm activities* that capture innovation efforts that firms undertake (which include dimensions of firm investments, linkages & entrepreneurship, and throughputs); and
3. *outputs* of firm activities (which include dimensions of innovators and economic effects).

## Wellbeing and Resilience Measure (WARM)<sup>63</sup>

This tool, developed by the Young Foundation, brings together a wide range of indicators to measure wellbeing (how people feel about themselves and their communities) and resilience (the capacity of people and communities to bounce back after shock or in the face of adversity). WARM captures both a community's assets, including levels of social capital, good schools and public services, or high educational achievement; as well as vulnerabilities, including levels of depression and unemployment.



## EU eco-innovation scoreboard<sup>64</sup>

The Eco-Innovation Scoreboard, developed by the Eco-Innovation Observatory, is the first tool to assess and illustrate eco-innovation performance across the 27 EU Member States. The Scoreboard shows how well individual Member States perform in different dimensions of eco-innovation compared to the EU average and presents their strengths and weaknesses.

In the 2010 Scoreboard, performance was assessed using 13 indicators in five agendas (from inputs into innovation processes to economic and environmental outcomes). Key indicators included investments in environmental R&D, environmental technology patents or employment in eco-industries.

## Measuring public innovation in the Nordic countries (MEPIN)

In 2008, the MEPIN project was initiated by the Danish Ministry of Science, Technology and Innovation, with a consortium of research and statistics institutions from the Nordic countries.

A survey of organisations covered questions on:

- › Product innovation (including 'novel' product innovations, as well as fast-follower activity)
- › Process innovation
- › Organisational innovation
- › Communications innovation

The survey also reviewed:

- › The number of staff involved and the level of expenditure;
- › The prevalence of ICT-led innovation;
- › Information channels for innovation (online discussion forums; user satisfaction surveys; conferences; hiring of specialised personnel; and evaluations);
- › Use of procurement practices that encouraged the development of new products and processes;
- › The extent to which strategy promoted innovation (e.g. staff incentives to develop new ideas).

Key conclusions from the subsequent pilot and survey included the need to tightly specify innovation activities when aiming to get assessments of such issues as innovation expenditure; and the ability of indicators to cast light on the question of how public sector organisations innovate (including strategy, approaches to co-operation and barriers to innovation).

## National Endowment for Science Technology and the Arts (NESTA)

In 2007, NESTA published Hidden Innovation demonstrating through case studies the drawbacks of traditional measures of innovation. It found much innovation taking place without a major scientific or technological basis (e.g. the development of new contractual relationships between suppliers and clients on major construction projects), as well as important innovations created from novel combinations of existing technologies and processes (for example, the development of internet banking). It argued that the subtleties involved made it difficult to produce sector comparable data, and that in some situations, a sector specific measure (such as the take-up of modern methods of construction) should be used.

Lessons from this report were taken forward into research reported in 2010 on measuring public sector innovation,<sup>65</sup> in which a pilot survey was undertaken for health services and local government in the UK. An important distinction – drawn from the Oslo manual – was to assess the extent to which the recipients could identify the introduction of innovations that were new to the organisation, and innovations that were new to the sector.

## Review of service innovation metrics for EPISIS

Feedback from participants and policy-makers was that the results provided practical insights into:

- › Innovation Activity (the pipeline of ideas flowing through an organisation, and the effectiveness of the ability to promote innovations);
- › Innovation Capability (organisational capabilities such as leadership and culture to sustain innovation);
- › Impact on Performance – the impact on service and efficiency measures; and
- › Wider sector conditions for innovation – the wider incentives and enablers for innovation, which influence organisations' actions on innovation.

Task Force 2 of the European EPISIS project (which aims to facilitate transnational cooperation between policy-makers and innovation agencies in the field of services innovation) has produced an overview of key indicators for assessing service innovations (both in public and in private services).<sup>66</sup> A list of indicators that are most applicable to social innovation is shown below.

Table A2.1

Question	Source of question
How large is the company's expenditure on innovation?	ECON/Menon (2006), Fraunhofer (2006)
What is the % of company-funded innovation/development activities conducted in conjunction with customers	RTI International (2005)
Does your company have partnerships with: public institutions, research institutions, knowledge institutions, other companies, etc?	VINNOVA (2010a, 2010c), Deutsches Institut für Wirtschaftsforschung (2004), Danish Agency for Science Technology and Innovation (2010a)
Has your company introduced a new or significantly improved service offering during the last 3 years/the last year? Is it new to the market? Or is it only new to your company?	CIS6-UK + CIS-DK + NESTA(a) + MEPIN
Did your company, in the last 3 years, create an innovation which improved the customer experience?	Institutet for Tillväxtpolitiska Studier (2009)
Did the innovation reduce your company's costs?	CIS6-UK, VINNOVA (2010a), (2010e), Institutet for Tillväxtpolitiska Studier (2009)
Did your company experience increased satisfaction among the company's employees, following the service innovation?	Oxford Said Business School (2007)
Does your company get inspiration from any of the following sources when developing new or improved service offerings: (on-line discussion forums, Networks, Conferences, Seminars)	MePin
Do you have processes for capturing customers' and users' views on improving a service offering? Are customers involved in co-development of new or improved service offerings?	Interviews

## ANNEX 3

# Examples of outcome measures

There are many indicators that can be used to measure social outcomes. Key categories include:

- › Measures of subjective states of wellbeing
- › ‘Objective’ metrics of outcomes; and
- › Estimates of the monetary value of outcomes.

## ‘Subjective’ states of being

More broadly, WARM is a new tool to help communities in the UK understand their underlying needs and capacities. It brings together a wide range of indicators to measure wellbeing (how people feel about themselves and their communities) and resilience (the capacity of people and communities to bounce back after shock or in the face of adversity).<sup>68</sup>

Subjective measures have also been widely used in assessing health outcomes. EQ5D is a standardised instrument for use as a measure of health outcomes and health-related quality of life developed by EuroQol. It is widely used in population health surveys and clinical/economic appraisals for a broad range of health conditions and treatments.<sup>69</sup> It provides scores for the ability of the individual to function in five dimensions: mobility, pain/discomfort, self-care ability, anxiety/depression, and the ability to undertake usual activities on a simple three level scale – no problem, some problems and severe problems – in total producing a total of 245 possible health states.

### Figure A3.1 • The outcomes star

We have seen increasing consideration of ‘soft skills’, such as levels of self-confidence, through such tools as the ‘Outcome Star’<sup>67</sup>

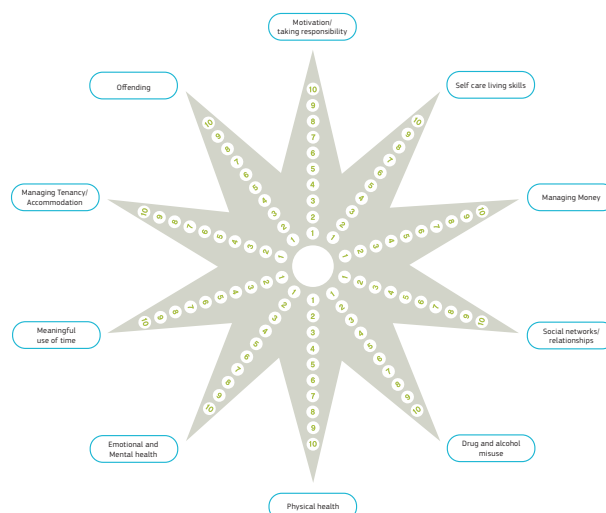
The Outcome Star ([www.staronline.org.uk](http://www.staronline.org.uk)) consists of a Star chart and 10-point scales covering key areas of service user’s life in achieving goals. At each point of the scale, there is a description of behaviours and attitudes expected. These are presented in the form of a ladder to illustrate the journey of change. It is used in agendas varying from substance misuse to women escaping domestic violence.<sup>68</sup>

Surveys of user satisfaction with the quality of services are very well established and have an important role to play. For example the recent InnoBarometer Survey (#321 on Poverty and Social Exclusion) found widely differing perceptions of quality of childcare, varying from a 30% positive assessment in Bulgaria and Romania to over 80% in Scandinavia.

## ‘Objective’ measures

Health provides key examples of ‘objective’ measures of health. Two of the most prominent, which use clinician-based estimates, are QALYs (Quality Adjusted Life Years) and DALYs (Disability Adjusted Life Years).<sup>70</sup>

QALYs assess both the quantity and quality of life generated by medical interventions; while DALYs measure the disease burden that takes into account the years of life lost due to premature mortality and years of life lost due to time lived in disability or in states less than full health.



In *education*, the influential OECD Programme for International Student Assessment study (PISA) seeks to find answers to such questions as: Can students analyse, reason and communicate effectively? Do they have the capacity to continue learning throughout life? PISA answers these questions through surveys of 15-year-olds in the principal industrialised countries. Every three years, it assesses to what extent students near the end of compulsory education have acquired some of the knowledge and skills essential for full participation in society.

### Monetary value on improved outcomes

Some approaches (drawing on economics) seek to monetise improved outcomes. They ask people what they would pay for a service or outcome (*'stated preference methods'*).<sup>71</sup> A related set of methods focuses on the choices people have actually made in related fields (*'revealed preference'*).<sup>72</sup> The burgeoning field of environmental economics has spawned methods for measuring everything from wetlands to emissions, usually using a combination of these revealed and stated preference methods.

The above make explicit the connections between financial resources and social outcomes. Yet, ultimately, there needs to be an assessment of whether the obtained change in outcome is worthwhile. Whether explicit or implicit, economics offers an important insight into these methodologies and wider assessments of public value – something is only valuable if someone is willing to pay for it, or give resources, or give up some claim to resources.<sup>73</sup>

### Wider social benefits

Social innovations (and social enterprises) often have the ability to promote wider social benefits (such as increasing employment opportunities for those with disabilities, or environmental sustainability). These effects can be substantial, but they are not always easily measured. One way forward is an evaluation tool for sustainable development designed by the Polish Environmental Partnership Foundation, which builds upon a catalogue of readily available, popular indicators.<sup>74</sup>

*Social Impact Assessment* methods have been in use since the 1960s, trying to capture all the dimensions of value that are produced by a new policy or programme. These attempt to estimate the direct costs of an action (e.g. a drug treatment programme), the probability of it working, and the likely impact on future crime rates, hospital admissions or welfare payments.

Considerable efforts have gone into developing *social impact assessment tools*. One such tool, developed in France in 2002 by CJDES (“Young business leaders of the social economy”) assesses social, civic and environmental performance, and is used to enhance accountability among a range of stakeholders including employees and suppliers.<sup>76</sup>

The fifteen key criteria for assessment (drawn from a survey of 450 indicators) include: activity; ability to maintain positive relations between stakeholders; the connection between inputs and objectives; ethics; respect for the environment; and long-run viability.

#### BOX A3.1

### Case study of socio-economic report - Sweden

A Nutek case study<sup>75</sup> found a cost-benefit value of 30:1 for the highly innovative social enterprise Basta. This co-operative employs drug addicts in a range of activities including administration, canteen, a computer school, construction, a graffiti removal service, dog kennels, carpentry, and the insulation of buildings. Researchers mapped 130 actions

undertaken by public services in dealing with a drug addict (including treatment, crime, housing and children) and put a cost to every factor. During a three year period at Basta, municipality payouts of €31,500 per person, compare with average gains of €78,000 and returns to society as a whole of the order of €595,000.

## ANNEX 4

# Statistical analysis to assess changes in outcomes

## Statistical analysis

Propensity scoring uses analysis to determine what results are expected in a given social field (e.g. reoffending rates in the field of criminal justice), given what has happened in similar situations in the past (e.g. past conviction rates, education levels, soft skills, employment status and so on). Propensity scoring is the basis for assessments on the effectiveness of a Social Impact Bond initiative on reducing reoffending in Peterborough, UK.

In a related way, the Social Research Unit at Dartington has developed sophisticated assessments of outcomes for young people,<sup>77</sup> reviewing progress of the least and most well-off children on given indicators; and monitoring change to see if new circumstances, investments or dropping of outmoded approaches have an impact.

## New social experimentation methods

Randomised control trials have been used extensively in health - but much less so in social science situations. Following on from the lead of J-PAL (see box A5.1 below), new social experimentation methods are being applied more widely.

For example, Réseau Financement Alternatif (RFA) is conducting four pilot experiments in Belgium, France, Hungary and the United Kingdom to test innovative programmes promoting savings among low income and poor people.<sup>80</sup> They will test financial education, asset building and financial incentives methods in order to identify interventions that are effective at encouraging targeted groups to save. National experiments are established with local partners and stakeholders, and designed according to the country social, economical and cultural context in order to meet the specific targeted group needs.

The EU Progress fund<sup>81</sup> has supported approximately 20 social experiments in two rounds of funding since 2009. The first ten of these will complete in early 2012. Their distinctive feature is the emphasis on using control groups and other comparative methodologies for assessing whether the 'social experiment' has been successful in comparison with existing policies and practices.

### BOX A5.1

## Poverty Action Lab ([www.povertyactionlab.org](http://www.povertyactionlab.org))

*The Abdul Latif Jameel Poverty Action Lab (J-PAL) is a network of 59 affiliated professors around the world who are united by use of Randomized Evaluations (REs) to answer questions critical to poverty alleviation. More than 300 evaluations have either been completed or are ongoing. One powerful example considered the use of photographic evidence to determine (and pay for) teacher attendance at schools. Two and a half years into the program, children from the treatment schools were 62% more likely to transfer to a formal primary school, which requires passing a competency test.<sup>78</sup>*

*J-PAL's policy group performs cost-effectiveness analysis to identify the most effective ways to achieve policy goals, disseminates this knowledge to policymakers, and works with organizations to promote take-up around the world. Dhaliwal, I. et al (2011),<sup>79</sup> for example, discusses how comparative cost-effectiveness analyses can help inform policy, and the underlying methodological approach needed to assess data gathered as part of rigorous impact evaluations.*

## ANNEX 5

# Assessing the strengths and weaknesses of organisations

*Useful approaches include the Bell-Mason stage-gate approach, research undertaken in ESF community of practice on results based management, the EFQM model, and the South Korean Government Innovation Index.*

## Bell-Mason stage-gate approach

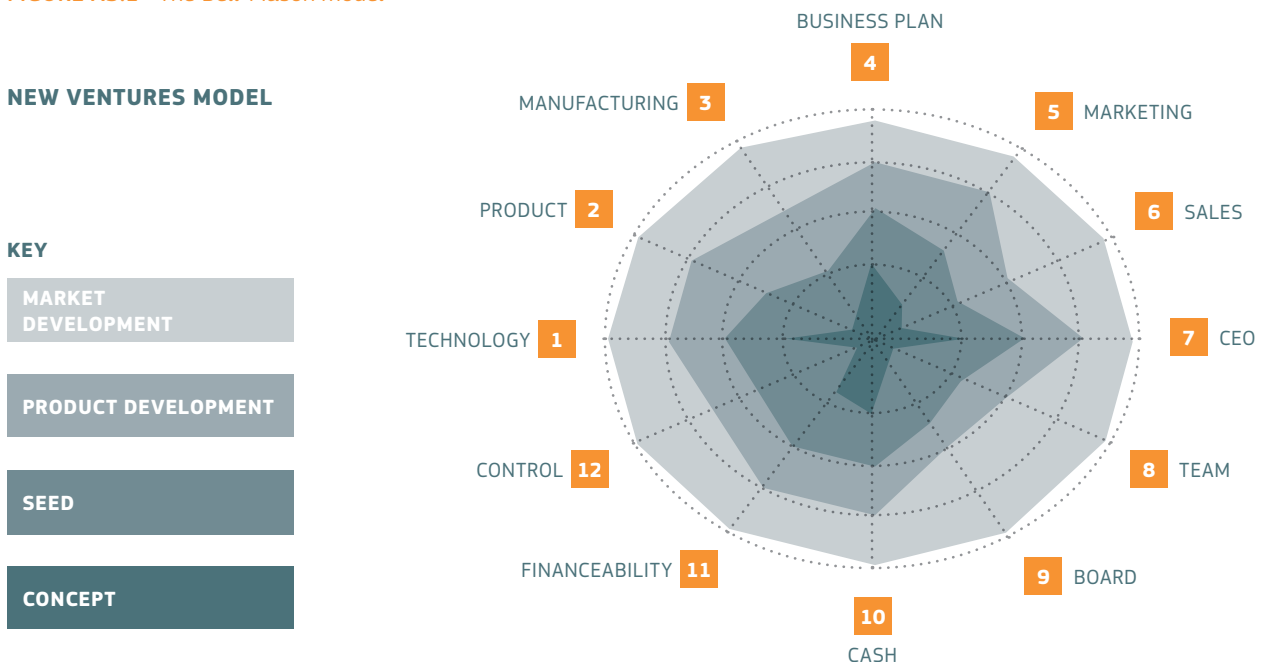
Developed in the field of corporate venturing, the Bell-Mason Group has developed a rigorous framework for assessing the elements that make up a credible business plan, such as skills, marketing, and finance.

Their proprietary model for new ventures has 12 axes, in each of which progress is mapped in four stages – from the concept stage which is seeded and then developed as a product, through to market development. Bell-Mason have used this diagnostic model to chart the progress of more than 450 ventures, in order to benchmark strengths and weaknesses for further development.

## The ESF Community of Practice on Results Based Management

The Results Based Management (RBM) tool<sup>82</sup> was developed to support the development of a learning agenda for study visits of community of practice members to each other's organisations. Six dimensions are considered - orientation of the programme management organisation (vision and values); strategic results framework; translation of the strategy into operations; collection and supply of performance information; use of performance information; and external stakeholder involvement.

FIGURE A5.1 • The Bell-Mason model



## EFQM

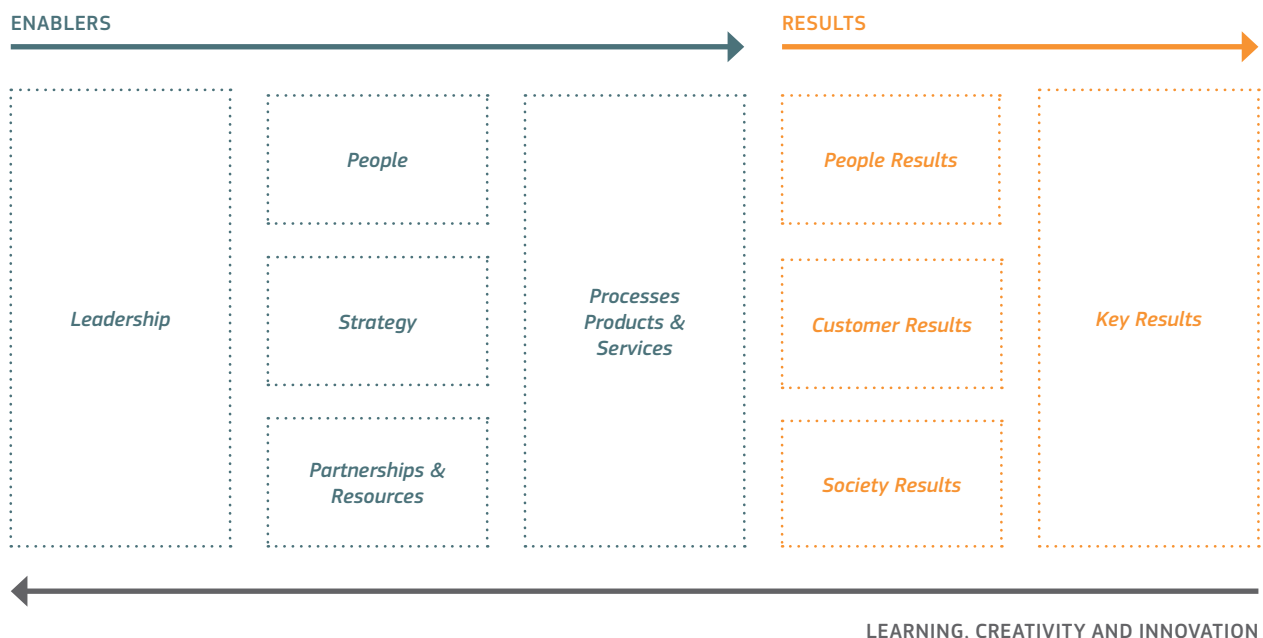
The EFQM Excellence Model, developed by EFQM and shown in Figure 3.5, is a management framework used by over 30,000 organisations in Europe and beyond.

The Model enables organisations to understand their key strengths and potential gaps in performance against strategic goals. This gap analysis then facilitates definition and prioritisation of improvement plans to achieve sustainable growth and enhanced performance.

## The South Korean government's Government Innovation Index (GII)

This measures and diagnoses the level of innovation in government organisations. Its aim is to identify key areas of weakness, compare performances of different organisations and formulate innovation strategies for the public sector. Diagnostic results are classified into Preparation Stage (foundation for innovation is underdeveloped); Ignition Stage (need for innovation is recognised but only partial innovation activities are implemented); Implementation Stage (various innovation activities are carried out sporadically under the guidance of a leader of project team); Proliferation Stage (various innovation activities are institutionalised) and Establishment Stage (innovation is internationalised and systemised).

FIGURE A5.2 • EFQM Excellence Model



## ANNEX 6

# Checklist on evaluations

## Issues for evaluations to cover

- A** How conducive is the *context* for social innovation in that particular area where it was deployed?
- › Community norms
  - › Level of empowerment
  - › Levels of trust between organisations and between citizens
- B** What was the level of *competence* demonstrated in implementing the innovation? Issues include:
- › What were the required competences and experiences of individuals? What were the required competences and experiences of organizations?
  - › What were the systemic competences, i.e. interaction, trust, previous experience, etc. gained from earlier shared efforts?
  - › Were all the relevant actors involved?
  - › To what extent were the required competences displayed?
- C** *Patterns of social interaction*
- › What changed in terms of new relationships?
  - › Was the level of awareness at appropriate levels?
  - › What broad pattern of incentives made the actors in the system act in the required way?
- D** *Social innovation idea itself*
- › What is the theory (starting point/ hypothesis) of change? Or; why do you think this idea will bring about change?
  - › What specific features (e.g. specific regulations, adopted practices) were particularly powerful levers for wider action by stakeholders?
  - › Has dissemination been successfully integrated into the process?
- E** *Changes in outcomes*
- › What are the changes in outcomes (as assessed against a reasonable counterfactual)?
  - › What are the changes in efficiency (as assessed against a counterfactual)?
  - › What is the potential for the innovation if scaled up further?
- F** *Wider dissemination*
- › What processes should take place in case of successful experimentation, implementation and dissemination?

## Preferred characteristics of evaluators

Key issues for external evaluators include:

- › *Good knowledge of the field* – that is, an understanding of those organisations and social entrepreneurs seeking to meet a social need; an understanding of what it takes to move a social innovation from the initial phase through to successful dissemination;
- › *Proportionate approach to gathering data* – an ability to be sensitive to the stage of the innovation (e.g. not wanting to treat all innovations as though they were at the same scale);
- › *Open culture of evaluation* – the proposed process has a wide range of participants and evaluators, and 360 degree feedback, including views from service users;
- › *Open to relevant insights and knowledge from elsewhere* – building on what's there – for example an effective methodology for examining results from other programmes or other projects;
- › *Flexible perspective* – an ability to bring a forward perspective as well as a backward look at what has happened;
- › *Good understanding of effective dissemination* – has approaches that go beyond simply producing a report or speaking at a conference or two, to properly tap into the power of professional associations and other networks.

It is important to include, if possible, a role for clients in providing feedback, and indeed potentially the development of key indicators for assessing performance.



# Endnotes

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- <sup>14</sup> Empowering people, driving change: Social Innovation in the European Union (2010)
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- <sup>72</sup> ‘Travel Cost Method’ is one example which looks at the time and travel cost expenses that people incur to visit a site as a proxy for their valuation of that site. Because travel and time costs increase with distance it’s possible to construct a ‘marginal willingness to pay’ curve for a particular site.
- <sup>73</sup> For many years, social theorists did believe that value was an objective fact; Aristotle thought that there was a ‘just price’ for everything, while Karl Marx argued that value came from labour. But market-based economies make such claims hard to justify.
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