Defining Social Innovation

Part 1

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Contents

1.   Introduction

There is growing interest in social innovation among policymakers, foundations, researchers and academic institutions around the world. Despite this interest, there are no shared or common definitions of social innovation. Currently, there are a large number of different definitions in circulation. There are also few systematic or comprehensive reviews of the definitions currently in use. We believe that it is important to develop a working definition of social innovation in order to ensure consistency and coherence over the course of the TEPSIE project and across the various work packages.

Some definitions are very specific and exclude many examples of social innovation (especially those which emanate from the market) while others are so broad that they describe projects and organisations that are not particularly innovative, even if they are in some way social. This is partly because social innovation is a practice-led field – understandings, definitions and meanings have emerged through people doing things in new ways rather than thinking about them in an academic way. Because the practice of social innovation looks and feels different in different fields, sectors and continents, it is not surprising that meanings and definitions vary. Social innovation will take on a different form in rural India than urban parts of southeast England as the social needs and the context will be different.

The literature on social innovation remains far patchier than the literature on technological or business innovation and much of it draws from other fields such as economics, public administration, management studies, etc. The boundaries around social innovation boundaries are so vague and ill defined that it is probably more appropriate to talk of social innovation 'literatures' than one distinct and unified body of knowledge. Social innovation is by its nature multi-disciplinary – it cuts across sectors and fields of action. This has undoubtedly contributed to the diversity of meanings and uses of the term social innovation.

To some extent, the lack of clarity has had its advantages. The openness to different interpretations may be one reason why such a broad range of organisations and sectors have felt comfortable adopting the term and engaging in the debate surrounding it. However, reaching a common understanding of the term is critical if the field is to mature and develop further.

The intention of this paper is not to close discussions but rather to put a stake in the ground, setting out an understanding of social innovation that will provide parameters for the TEPSIE research project. By its very nature, social innovation is a field that will continue to provoke debate and rightly so. As the field matures, we expect to see distinct schools of thought emerge, with different emphases and ways of looking at social innovation. And, of course, social innovation as a practice will continue to look different in different countries and sectors, and in turn, continue to shape the theory, research, empirical understandings and policy responses.

This paper begins with a literature review of the term social innovation and its use. Drawing on our extensive research, we then provide a working definition of social innovation, including core elements, common features, a typology, a description of the process, and an account of how social innovation occurs in all four sectors.

2.   Literature review

The term social innovation has been used in a number of ways. Some of the earliest references to social innovation, dating back to the 1960s, use the term to refer to experimental research within the social sciences and humanities. Since then, the term has gone on to be used in reference to social enterprise and social entrepreneurship, technological innovations which yield social benefits, corporate social responsibility and open innovation.

The majority of literature on social innovation has largely emerged over the course of the last decade. Its emergence can be attributed to a number of factors, including a growing dissatisfaction with the technological emphasis in economic innovation literature and innovation policy. This dissatisfaction has led to a focus on *social* innovation, both at policy and research levels. Frank Moulaert and his colleagues, for example, argue that the technological focus of innovation policy and an overly technocratic approach to urban planning led to support for social innovation as a theme in the theorising of human development, empowerment and local development strategies.[1] Similarly, the Future EU Innovation Policy Panel argued that within innovation policy, the "priority has been investing in knowledge rather than utilizing it rapidly and powerfully for societal benefit and development".[2] The panel called for EU action around "compelling social challenges" and proposed broadening the concept of innovation to include social innovation as well as business innovation.[3] In this sense, social innovation can be seen as a reaction to the bias towards technology and business in innovation research, policy and practice.

Social innovation has also emerged as a response to growing social, environmental and demographic challenges – often called 'wicked' problems because they are complex, multi-faceted, involve a range of stakeholders and are, by their nature, impossible to solve. These challenges are numerous but include, the 'failure' of the modern welfare state, the failure of conventional market capitalism, resource scarcity and climate change, an ageing population and the associated care and health costs, the impact of globalisation, the impact of mass urbanisation and so on.[4] As Alex Nicholls and Alex Murdock explain, "intractable problems are seen as highlighting the failure of conventional solutions and established paradigms entrenched in intractable institutional settings across all three conventional sectors of society."[5] Tackling these challenges is hampered in the public sector by silos, in the private sector by market failures and in the civil sector by a lack of scale and fragmentation. Social innovation is seen as a response to overcoming and resolving these challenges.

In what follows we outline the main uses of the term before we summarise the findings of our literature review of definitions of social innovation

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[1] F Moulaert, F Martinelli, E Swyngedouw & S Gonzalez, 'Towards Alternative Model(s) of Local Innovation', *Urban Studies,* vol. 42:11, pp. 1969-1990, 2005

[2] European Commission, DG Enterprise & Industry, Special Business Panel, 'Reinvent Europe through innovation: From a knowledge society to an innovation society', Brussels, European Commission, 2009

[3] European Commission, DG Enterprise & Industry, Special Business Panel, 'Reinvent Europe through innovation: From a knowledge society to an innovation society', Brussels, European Commission, 2009

[4] See A Nicholls & A Murdock, Social Innovation: Blurring Boundaries to Reconfigure Markets, Palgrave Macmillan, 2012 for a full account of these 'wicked' problems.

[5] A Nicholls & A Murdock, Social Innovation: Blurring Boundaries to Reconfigure Markets, Palgrave Macmillan, 2012

2.1   Uses of the term

In a review of the literature, Nicholls and Murdock found that research on social innovation tends to focus on 'systems and processes of change in social relations' on the one hand and 'innovation in the conceptualisation, design and production of goods and services that address social and environmental needs and market failures on the other'.[6] From our review, however, it is possible to unpack these two uses and identify three further uses of the term. Broadly, the term social innovation has been used to describe:

- societal transformation
- a model of organisational management
- social entrepreneurship
- the development of new products, services and programmes
- a model of governance, empowerment and capacity building

First, social innovation has been used to describe processes of social change and the *transformation of society* as a whole. This includes the extensive literature on the role of civil society in social change and the role of the social economy and social entrepreneurs in delivering economic growth and social inclusion. It also incorporates the role of business in social change – at one end of the spectrum this includes discourses on corporate social responsibility[7] and at the other, the role of business in driving the next wave of innovation and productivity by focusing on 'social' fields such as education, health and care[8]. As Michael Porter has argued, this could ultimately involve redefining the purpose of the corporation around 'shared value' – namely, broader social and environmental needs, not just profits.[9]

Second, some social innovation discourses focus on business strategy and *organisational management*. In the business management literature, social innovation is often referred to as an aspect of business strategy relating to changes in human, institutional and social capitals that lead to organisational efficiency and improved competitiveness. This includes organisational restructuring, modernising industrial relations and improving human resource management. Especially in the US, this emphasis has spilled over into the literature on non-profit management where social innovation is seen through the lens of improving the sustainability and effectiveness of non-profits – often by looking at leadership skills and innovations in grant-giving.[10]

Third, social innovation is used to describe *social entrepreneurship*, social enterprises and the work of social or civic entrepreneurs.[11] In their review Hoogendoorn, Pennings and Thurik identify a 'social innovation school of thought' within the field of social entrepreneurship.[12] This refers largely to the work of Greg Dees and Bill Drayton who emphasise individuals' roles in developing new and innovative ways to tackle intractable social challenges. Moreover, "this school of thought

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[6] A Nicholls & A Murdock, Social Innovation: Blurring Boundaries to Reconfigure Markets, Palgrave Macmillan, 2012.

[7] For example, see the Aspen Institute's Business and Society Programme

[8] FORA, *The New Nature of Innovation*, Copenhagen, 2009, viewed at on 14 May 2012, http://www.newnatureofinnovation.org/

[9] M Porter & M Kramer, 'Shared Value: How to reinvent capitalism - and unleash a wave of innovation and growth,' *Harvard Business Review*, vol. 89: 1/2, p62-77, Jan-Feb 2011

[10] For example, see articles on non-profit management in the Stanford Social Innovation Review

[11] J. Gregory Dees and Beth Battle Anderson, "Framing a Theory of Social Entrepreneurship: Building on Two Schools of Practice and Thought," Research on Social Entrepreneurship: Understanding and Contributing to an Emerging Field, Association for Research on Non-profit Organizations and Voluntary Action (ARNOVA), 2006

[12] B Hoogendoorn, E Pennings, & R Thurik, *What Do We Know About Social Entrepreneurship: An Analysis of Empirical Research*, ERIM, Amsterdam, 2010

on social entrepreneurship is rooted in the body of knowledge of commercial entrepreneurship on the discovery, evaluation, and exploitation of opportunities. In the case of social entrepreneurship, these opportunities are found in social needs exploited by innovative means to satisfy those needs." This approach is particularly prevalent in the US. Other authors and activists include Stephen Goldsmith[13], David Bornstein[14], Pamela Hartigan and John Elkington[15].

To be clear, we define social entrepreneurship as the set of behaviours and attitudes of individuals involved in creating new social ventures, such as a willingness to take risks and finding creative ways of using underused assets. Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose.[16] There is currently much debate about the definition of social enterprise, largely because social enterprises take various legal forms from country to country and are engaged in a wide range of activities (from provision of healthcare and housing to care and work insertion).[17] Social innovation is much broader than either social enterprise or social entrepreneurship – but may overlap with one or the other or both. For example, a social entrepreneur may set up a social enterprise which delivers a socially innovative programme.

Fourth, social innovation is seen as the practical development and implementation of *new products, services and programmes* which meet social needs.[18] This includes literature on public sector innovation, and public service provision by social enterprises and civil society organisations. As Moulaert and his colleagues argue in their study of 2005, this 'product' dimension of social innovation, which they define as the provision of public services and other redistributive measures, is re-emerging as a significant issue as a result of current austerity measures and moves towards the retrenchment of the welfare state.[19]

Finally, other discourses stress the 'process' dimension of social innovation and explore the *governance, empowerment and capacity building dynamics* of social innovations. This literature looks at the inter-relation between different actors and emphasises the skills, competencies, assets and social capital developed by various actors in the development and implementation of particular programmes and strategies.[20]

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[13] S Goldsmith, *The Power of Social Innovation: How civic entrepreneurs ignite community networks for good*, Jossey-Bass, San Francisco, CA, 2010

[14] D Bornstein, *How to change the world: social entrepreneurs and the power of new ideas*, Oxford University Press, Oxford, 2004

[15] P Hartigan & J Elkington, *The Power of Unreasonable People: How social entrepreneurs create markets that change the world*, Harvard Business School Press, Boston, 2008

[16] Cabinet Office, *Social Enterprise Action Plan: Scaling New Heights*, HMSO, London, 2006

[17] See for example, J.G Dees, 'The Meaning of 'Social Entrepreneurship', reformatted and revised, May 30, 2001, viewed on 14 May 2012, *www.caseatduke.org/documents/dees_sedef.pdf*; J.G Dees & B.B Anderson, 'Framing a Theory of Social Entrepreneurship: Building on Two Schools of Practice and Thought', *Research on Social Entrepreneurship: Understanding and Contributing to an Emerging Field,* Vol. 1:3, Association for Research on Non profit Organizations and Voluntary Action (ARNOVA), 2006; R Martin & S Osberg, 'Social Entrepreneurship: The Case for Definition', *Stanford Social Innovation Review*, vol. 5:2, Spring 2007

[18] See for example, R Murray, J Caulier-Grice & G Mulgan, *The Open Book of Social Innovation*, NESTA, London, 2010

[19] F Moulaert, F Martinelli, E Swyngedouw & S Gonzalez, 'Towards Alternative Model(s) of Local Innovation', *Urban Studies,* vol. 42:11, pp. 1969-1990, 2005

[20] See for example, J Gerometta, H Haussermann & G Longo (2005), 'Social Innovation and Civil Society in Urban Governance: Strategies for an Inclusive City', *Urban Studies*, vol. 42:11, pp.2007-2021, 2005

Figure 1: Summary of five broad uses of the term social innovation

Examples of literature topics	Examples of literature topics
Processes of social change and societal transformation	• Role of civil society in social change • Role of social economy and social entrepreneurs • Role of business in social change
Business strategy and organisational management	• Human, institutional and social capital • Organisational efficiency, leadership and competitiveness • Sustainability and effectiveness of non-profits
Social entrepreneurship	• Role of individuals in creating social ventures • Behaviours and attitudes related to social enterprise • Businesses focused on social objectives with any surpluses re-invested
New products, services and programmes	• Public sector innovation • Public service provision by social enterprises and civil society organisations
Governance and capacity building	• Interrelationships between actors and their skills, competencies, assets and social capital in developing programmes and strategies

2.2   Existing definitions

There are numerous definitions of social innovation. Indeed, there is little consensus and much debate in this emerging field. The diversity of definitions is in part a reflection of the fact that social innovation is a practice led field. The practice varies across cultures and countries and across fields of action. Our aim here is to outline some of the main descriptions and definitions of social innovation with a view to synthesising our own to guide the TEPSIE research programme.

Some define social innovation as a type of innovation more broadly. Timo Hamalainen and Risto Heiskala outline five types of innovation: technological, economic, regulative, normative and cultural.[21] They define these innovations as follows: "technological innovations are new and more efficient ways to transform the material reality, and economic innovations put the technological innovations to the service of the production of surplus value. Taken together these two classes form the sphere of techno-economic innovations… Regulative innovations transform explicit regulations and/or the ways they are sanctioned. Normative innovations challenge established value commitments and/or the way the values are specified into legitimate social norms. Finally, cultural innovations challenge the established ways to interpret reality by transforming mental paradigms, cognitive frames and habits of interpretation. Taken together these three classes form the sphere of social innovations."[22] The authors go on to say that "social innovations are changes in

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[21] T J Hämäläinen & R Heiskala (eds.), *Social Innovations, Institutional Change and Economic Performance: Making Sense of Structural Adjustment Processes in Industrial Sectors, Regions and Societies*, Edward Elgar Publishing, Cheltenham, UK, 2007

[22] T J Hämäläinen & R Heiskala (eds.), *Social Innovations, Institutional Change and Economic Performance: Making Sense of Structural Adjustment Processes in Industrial Sectors, Regions and Societies*, Edward Elgar Publishing, Cheltenham, UK, 2007

the cultural, normative or regulative structures [or classes] of the society which enhance its collective power resources and improve its economic and social performance".[23]

Similarly, the OECD's LEED Forum on Social Innovations also defines social innovation as distinct from economic innovation. This is because social innovation "is not about introducing new types of production or exploiting new markets for the sake of exploiting them, but is about satisfying new needs not provided by the market (even if markets intervene later) or creating new, more satisfactory ways of insertion in terms of giving people a place and a role in production".[24] According to the Forum on Social Innovations, "the key distinction is that social innovation deals with improving the welfare of individuals and community through employment, consumption or participation, its expressed purpose being therefore to provide solutions for individual and community problems. It seems therefore that social innovation and local development can be considered as intertwined. Other channels may exist for social innovations but most of them need a very tailored and comprehensive approach, which will be both a condition and a consequence of local development".[25] In addition, the Forum states that "social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities" and "identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce".[26]

Drawing a distinction between social and economic innovation seems impractical and restrictive. There are many cases of social innovations which are also economic innovations – for example, the fair trade and microfinance movements. Social innovations can include new types of production and new markets for social or environmental goods. Social innovation can be about employment, consumption or participation but it can also be about ownership and production (co-operatives or community owned wind farms are but two examples).

Other definitions make explicit reference to social innovation as involving 'new' ideas or 'novel' solutions. This is a shared theme across innovation literatures which suggests that the solution or idea does not necessarily have to be new, but rather, perceived as such by the relevant unit of adoption. Everett M. Rogers, for example, argues that "it matters little…whether or not an idea is objectively new as measured by the lapse of time since its first use or discovery. The perceived newness of the idea for the individual determines his or her reaction to it. If the idea seems new to the individual, it is an innovation".[27] This means that a social innovation does not necessarily need to be new per se, but rather, new to the territory, sector or field of action.

Others argue that social innovation is defined more by impact than by 'newness'. Katrin Gillwald, for example, describes social innovation as "societal achievements that, compared with already established solutions, provide improved solutions that are to a lesser extent defined by their

[23] T J Hämäläinen & R Heiskala (eds.), *Social Innovations, Institutional Change and Economic Performance: Making Sense of Structural Adjustment Processes in Industrial Sectors, Regions and Societies*, Edward Elgar Publishing, Cheltenham, UK, 2007

[24] Committee for Scientific and Technological Policy (CSTP), *Fostering Innovation to Address Social Challenges*, OECD, Paris, 2011

[25] Committee for Scientific and Technological Policy (CSTP), *Fostering Innovation to Address Social Challenges*, OECD, Paris, 2011

[26] Committee for Scientific and Technological Policy (CSTP), *Fostering Innovation to Address Social Challenges*, OECD, Paris, 2011

[27] E M Rogers, *Diffusion of Innovations*, Free Press, New York, 1995

absolute novelty more than by their consequences".[28] We see this as a crucial feature. This is because social innovations are not just new solutions, they are new solutions that work better than existing practices and therefore bring about measureable improvements for the populations they serve.

Others focus on this 'product' dimension of social innovation and define social innovation as the implementation of an idea that leads to specific results and outcomes, such as improved quality of life or social inclusion. For example, the Stanford Social Innovation Review defines social innovation as "a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals."[29] This definition is very broad - under this formulation, national transport infrastructures could be defined as social innovations. However, by identifying a set of qualifiers, namely 'effective, efficient, sustainable or just' this definition helps to conceptualise what 'better' might mean in the context of social innovation.

Eduardo Pol and Simon Ville also define social innovation in terms of impact.[30] According to these economists, an innovation is a social innovation "if the implied new idea has the potential to improve either the quality or the quantity of life."[31] They go on to distinguish between micro-quality of life (quality of life with regard to particular individuals) and macro-quality of life (quality of life with relation to a group of individuals). Pol and Ville argue that examples of innovation that

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[28] S Neumeier, 'Why do Social Innovations in Rural Development Matter and Should They be Considered More Seriously in Rural Development Research? – Proposal for a Stronger Focus on Social Innovations in Rural Development Research', *Sociologia Ruralis,* vol. 52:1, Jan 2012, p. 50

[29] J A Phills Jr., K Deiglmeier & D T Miller, 'Rediscovering Social Innovation', *Stanford Social Innovation Review*, vol. 6:4, 2008 pp. 34-43

[30] E Pol & S Ville, 'Social Innovation: Buzz Word Or Enduring Term?', *Economics Working Paper 2008*, Department of Economics, University of Wollongong, 2008

[31] E Pol & S Ville, 'Social Innovation: Buzz Word Or Enduring Term?', *Economics Working Paper 2008*, Department of Economics, University of Wollongong, 2008

fit this definition include better education, better environmental quality and longer life expectancy.[32] There are two aspects of this definition which merit attention. First, Pol and Ville, define social innovations as "implied ideas" rather than the practical application or implementation of those ideas. Second, despite the distinction between 'micro' and 'macro' quality of life, the term 'quality of life' remains problematic and hard to define. We would argue that this definition might include things which are not explicitly social (like new technologies) or innovative (school improvement programmes) but could lead to a better quality of life.

A description of unmet needs or unresolved social challenges is a common thread in many definitions. For example, the New Zealand Centre for Social Innovation sees social innovation as "the design and implementation of better ways of meeting social needs".[33] Similarly, the Social Innovation Exchange defines social innovations as "new ideas that work to meet pressing unmet needs".[34] The Centre for Social Innovation builds upon this simple and practical approach to define social innovation as "new ideas that resolve existing social, cultural, economic and environmental challenges for the benefit of people and planet. A true social innovation is system-changing – it permanently alters the perceptions, behaviours and structures that previously gave rise to these challenges. Even more simply, a social innovation is an idea that works for the public good".[35] This takes the definition of social innovation to a new level of analysis by introducing the importance of the size and scope of change or impact.

Rather than using the notion of unmet need, Lester M. Salamon and his colleagues at the John Hopkins Institute for Policy Studies use the language of societal problems and charitable missions in their definition. They argue that "an 'innovative' program or service is a new or different way to address a societal problem or pursue a charitable mission that is more effective, efficient, sustainable, or just than prevailing approaches."[36]

There are various elements of the above definitions which are appealing. Defining a social innovation as a 'product' which leads to a particular set of outcomes is simple, practical and resonates with the field of practitioners. However, some of the outcomes set out above, such as the 'public good', 'quality of life', 'meeting needs', 'societal challenges' are themselves problematic and in some cases, hotly contested. There is also little mention of the values which underpin the social innovations. Moreover, these 'product' definitions overlook the important stages of social innovation, namely implementation and diffusion, and the innovations in social relations and governance which might lead to outcomes such as improved socio-political capabilities and assets.

Other definitions focus on motivations. Michael Harris and David Albury, for example, define social innovation as "innovation that is explicitly for the social and public good. It is innovation inspired by the desire to meet social needs which can be neglected by traditional forms of private market provision and which have often been poorly served or unresolved by services organised by the state. Social innovation can take place inside or outside of public services. It can be developed by the public, private or third sectors, or users and communities – but equally, some innovation developed by these sectors does not qualify as social innovation because it does not directly

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[32] E Pol & S Ville, 'Social Innovation: Buzz Word Or Enduring Term?', *Economics Working Paper 2008*, Department of Economics, University of Wollongong, 2008

[33] Viewed on 14 May 2012, http://www.nzcsi.org/

[34] Viewed on 14 May 2012, http://www.socialinnovationexchange.org/

[35] Viewed on 14 May 2012, http://socialinnovation.ca/about/social-innovation

[36] L M Salamon, S L Geller & K L Mengel, 'Non profits, Innovation and Performance Measurement: Separating Fact from Fiction', Communique No. 17, Centre for Civil Society Studies, Johns Hopkins University, 2010

address major social challenges".[37] Harris and Albury have added another layer of analysis by arguing that social innovation can come from any sector and that social innovation should not be defined as emanating from any one sector in particular. This is a direct response to the tendency to define social innovations as innovations which come from the third sector alone.[38]

Some definitions include references to the relationships between social innovation actors. Michael Mumford, for example, defines social innovation as "the generation and implementation of new ideas about how people should organize interpersonal activities, or social interactions, to meet one or more common goals. As with other forms of innovation, the production resulting from social innovation may vary with regard to their breadth and impact."[39]

Similarly, Stefan Neumeier defines social innovation as "changes of attitudes, behaviours or perceptions of a group of people joined in a network of aligned interests that in relation to the group's horizon of experiences lead to new and improved ways of collaborative action within the group and beyond."[40] Therefore, a social innovation takes place when a group of actors change their way of doing things and this leads to a tangible improvement for that group or more broadly. Defining social innovations as changes in 'attitudes, behaviour and perceptions' is both too broad and at the same time restrictive. While changes in attitudes, behaviours and perceptions may be critical in embedding the innovation, and may indeed be outcomes of the innovation, the innovation can also be seen as distinct from these changes. In which case, the innovation itself will precede these changes in attitudes, behaviours and perceptions. In other cases, changes in attitudes, behaviours and perceptions will precede the innovation. It might be helpful to distinguish between what we see as the product (the programme, service, model or so on) and the outcome – in this case, changes in attitudes, behaviours or perceptions. Neumeier also argues that improvement "has to be seen in relation to the context in which the social innovation is embedded" and, as such, social innovation is context dependent.[41]

Some descriptions include explicit references to the process of social innovation. Gillwald, for example, argues that the main characteristics of social innovations are "their differences from previous practices (criteria of 'novelty in relation to former practices'), their diffusion and stabilisation, that also encompass amendments and adjustments in surrounding fields, their stability beyond temporary fashions, and, because of this, their effects on society, combined with their effects on future societal development".[42] The suggestion that social innovation has more to do with action and diffusion than ideas is an important emphasis and takes this discussion further analytically. Interestingly, Gillwald also argues that the outcome of social innovation, namely 'improved societal achievements' are subjective and therefore subject to discussion and debate. Again, the argument that social innovations and their impact or outcomes are subjective and context dependent is emphasised.

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[37] M Harris & D Albury, *The Innovation Imperative*, NESTA, London, 2009

[38] M Harris & D Albury, *The Innovation Imperative*, NESTA, London, 2009

[39] M D Mumford, 'Social Innovation: Ten Cases From Benjamin Franklin', *Creativity Research Journal*, vol. 14:2, 2002, pp. 253-266

[40] S Neumeier, 'Why do Social Innovations in Rural Development Matter and Should They be Considered More Seriously in Rural Development Research? – Proposal for a Stronger Focus on Social Innovations in Rural Development Research', *Sociologia Ruralis,* vol. 52:1, Jan 2012

[41] S Neumeier, 'Why do Social Innovations in Rural Development Matter and Should They be Considered More Seriously in Rural Development Research? – Proposal for a Stronger Focus on Social Innovations in Rural Development Research', *Sociologia Ruralis,* vol. 52:1, Jan 2012

[42] S Neumeier, 'Why do Social Innovations in Rural Development Matter and Should They be Considered More Seriously in Rural Development Research? – Proposal for a Stronger Focus on Social Innovations in Rural Development Research', *Sociologia Ruralis,* vol. 52:1, Jan 2012

For Frances Westley, social inclusion, socio-ecological resilience and social innovation are intimately connected.[43] Westley defines social innovation as an "initiative, product or process or program that profoundly changes the basic routines, resource and authority flows or beliefs of any social system. Successful social innovations have durability and broad impact. While social innovation has recognizable stages and phases, achieving durability and scale is a dynamic process that requires both emergence of opportunity and deliberate agency, and a connection between the two. The capacity of any society to create a steady flow of social innovations, particularly those which re-engage vulnerable populations, is an important contributor to the overall social and ecological resilience".[44]

This definition marks an important contribution to the discussion and debate about social innovation for two reasons. First, Westley defines social innovation through the lens of systems thinking. For her, social innovation takes places within social systems – which she describes as complex and having multiple inter-related and inter-connected elements. Each social system can be characterised by its culture, political and economic structure and social interactions. Most notably, Westley argues that social systems must be 'adaptive' and 'ever evolving' to respond and adjust to the new and emerging needs of its subsystems – namely individuals and organisations which are part of the broader system. This systems based approach has a number of implications for our conception of social innovation, especially in terms of agency and growth. For Westley, achieving 'scale' and 'durability' involves the interplay of various conditions such as political, cultural or market demand (emergence of opportunity) and multiple actors (deliberate agency). She argues that 'one-to-many' models of growth, such as replication, adoption and franchising, overlook the importance and possibility of innovation within larger institutional contexts.

Another interesting dimension of Westley's definition is the concept of resilience. Successful social systems need to be resilient in order to withstand and adapt to outside shocks and emerging needs. In the context of social innovation, Westley links resilience with the engagement of vulnerable groups. Westley points to an increased awareness of the connection between poverty and environmental degradation in the developing world and over-consumption and use of resources in the developed world. She argues that the exclusion of millions of people from basic economic and ecological services from around the world has effectively weakened the whole. As such, "re-engaging vulnerable populations in our mainstream economic, social and cultural institutions, not just as recipients of services or 'transfer entitlements' but as active participants and contributors is therefore intimately tied to socio-ecological resilience." This raises issues of power and agency. Indeed, Westley's conception of social innovation is closely linked to the transfer of agency and power to under-served and marginalised groups. The notion of complex adaptive systems is also important to our understanding of social innovation.

Julia Gerometta, Hartmut Haussermann and Giulia Longo also include the 'process' dimension of social innovation in their definition.[45] They define social innovation as having three core dimensions: "the satisfaction of human needs (content dimension); changes in social relations especially with regard to governance (process dimension); and an increase in the socio-political

[43] F Westley, *The Social Innovation Dynamic*, Social Innovation Generation, University of Waterloo, 2008, viewed on 14 May 2012, http://sig.uwaterloo.ca/research-publications

[44] F Westley, *The Social Innovation Dynamic*, Social Innovation Generation, University of Waterloo, 2008, viewed on 14 May 2012, http://sig.uwaterloo.ca/research-publications

[45] J Gerometta, H Haussermann & G Longo (2005), 'Social Innovation and Civil Society in Urban Governance: Strategies for an Inclusive City', *Urban Studies*, vol. 42:11, pp.2007-2021, 2005

capability and access to resources (empowerment dimension)".[46] The authors go on to explain that "social innovation is understood as both a normative and analytical concept in the formation and analysis of solutions to social exclusion problems in European cities and one with an eventual input into the development of new social integration strategies". The authors argue that the post-Fordist transformation and crisis in the welfare state is more acute in urban areas where the alternatives to state provision are much weaker – partly due to the weakening of family ties and poor levels of social cohesion. But because cities are also the most obvious sites for "innovation in governance relations and institutions and are the primary arenas of social movements and other civil society social experiments" they merit particular attention. [47] This view is highly contentious. Many argue that the 'crisis' is most keenly felt in rural areas where there are significant issues of access to public services.

Like the OECD, Gerometta and her colleagues see social innovation as being intertwined with local development strategies – specifically social integration strategies. However, we believe that this argument is unduly restrictive. It overlooks the challenges of rural communities in both developed and developing parts of the world, it completely omits non-European nations from its analysis and also omits examples of social innovation which are not specifically related to social inclusion. However, this definition is very helpful for our purposes because it makes an explicit distinction between the content, process and empowerment dimensions of social innovation.

Moulaert and his colleagues also emphasise these three aspects of social innovation.[48] First, the authors explore the various disciplinary approaches to analysing social innovation – through the arts and creativity, in organisational science, as a local development strategy, in terms of political governance and through the relationship between economy, society and the environment. Then they emphasise three aspects which cut across these various dimensions:

- "Satisfaction of human needs that are not currently satisfied, either because 'not yet' or because 'no longer' perceived as important by either the market or the state (content/product dimension). The stress will be on the satisfaction of alienated basic needs, although it is admitted that these may vary among societies and communities.
- Changes in social relations, especially with regard to governance, that enable the above satisfaction, but also increase the level of participation of all but especially deprived groups in society (process dimension).
- Increasing the socio-political capability and access to resources needed to enhance rights to satisfaction of human needs and participation (empowerment dimension)."

They then go on to offer the following as a working definition:[49]

> "Social innovation is path-dependent and contextual. It refers to those changes in agendas, agency and institutions that lead to a better inclusion of excluded groups and individuals in various spheres of society at various spatial scales […] Social innovation is very strongly a matter of process innovation – i.e. changes in the dynamics of social relations, including power relations […] As social innovation is very

[46] J Gerometta, H Haussermann & G Longo (2005), 'Social Innovation and Civil Society in Urban Governance: Strategies for an Inclusive City', *Urban Studies*, vol. 42:11, pp.2007-2021, 2005

[47] J Gerometta, H Haussermann & G Longo (2005), 'Social Innovation and Civil Society in Urban Governance: Strategies for an Inclusive City', *Urban Studies*, vol. 42:11, pp.2007-2021, 2005

[48] F Moulaert, F Martinelli, E Swyngedouw & S Gonzalez, 'Towards Alternative Model(s) of Local Innovation', *Urban Studies,* vol. 42:11, pp. 1969-1990, 2005

[49] F Moulaert, F Martinelli, E Swyngedouw & S Gonzalez, 'Towards Alternative Model(s) of Local Innovation', *Urban Studies,* vol. 42:11, pp. 1969-1990, 2005

much about social inclusion, it is also about countering or overcoming conservative forces that are eager to strengthen or preserve social exclusion situations […] Social innovation therefore explicitly refers to an ethical position of social justice. The latter is of course subject to a variety of interpretations and will in practice often be the outcome of social construction."

Alex Nicholls and Alex Murdock also emphasise processes of social change in social relations in their definition, as well as the link between social values and social innovation. They define social innovation as "the production of new ideas and new structures *and* a process of re-contextualisation within socially (re)constructed norms of the public good, justice and equity." The authors go on to explain, "such innovation demonstrates a contingent construction of societal change that gives primacy to the 'knowledge and cultural assets of communities and which foregrounds the creative reconfiguration of social relations'." This description of social innovation is grounded in a fairly comprehensive review of the literature. Again, it includes the 'product' dimension, the 'process' and 'empowerment' dimensions. This definition also mentions a specific role for social values, namely 'the public good, justice and equity'. Indeed, the authors argue that 'social innovation is never neutral but always politically and socially constructed'. While there is, inevitably, a 'strong' link between social values and social innovation, it is not clear whether this link should form part of a definition. To have a definition that resonates globally, it is not clear whose values or which values should be included.

Nicholls and Murdock also explain that "social innovation cuts across all sectors of society. Indeed…it can often be defined by its unique combinations of the conventionally disparate logics of the private, public, and civil society sectors." The authors go on to describe how social innovation occurs and differs in various sectors:

> "For the private sector this is reified in two dimensions of social innovation for firms: first, the recognition that technological innovations fail if they are not integrated with changes in social relations within the organisation (Porter and Kramer 2011); second, as a new agenda for the role of business in society (Elkington, 1997). For the state, social innovation connects with an established tradition of welfare reform based upon notions of increased efficiency and effectiveness under condition of financial (supply-side) scarcity and almost limitless demand (LeGrand and Bartlett, 1993). It also represents a challenge to the governance status quo in societies by aiming to transform the power structures across social relations that allocate goods and services ineffectively or unequally (Moulaert, 2009). For civil society, social innovation encompasses both internal processes of organisational change (e.g. new legal forms and collaborations) and novelty in external outputs and outcomes (e.g. new products and services)."[50]

This summary or description is important for a number of reasons. First, it shows that social innovation cuts across different sectors and is not specific to any one sector in particular. This is often not spelled out in the literature, in part because many of those writing about social innovation tend to do so with a specific sector in mind. However, when taken together, the literature clearly shows that social innovation can and does take place in all sectors, and often at the intersections of different sectors.

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[50] A Nicholls & A Murdock, Social Innovation: Blurring Boundaries to Reconfigure Markets, Palgrave Macmillan, 2012.

Moreover, this passage also shows that there are specific traditions of social innovation in each of the sectors, in this case, the private, public and civil sectors. So, while we should be aware that social innovation can occur in any sector, that it often involves more than one sector, that the organisations which are engaged in social innovation are often 'hybrid' organisations in that they sit at the intersection of various sectors, it is worth retaining a sectoral perspective because each sector has distinct and specific traditions and faces specific issues and challenges.

2.3   Summary

A number of common themes have emerged from the literature review. These include the idea that social innovation: is a distinct sub-type of innovation; is new to the unit of adoption; leads to specific outcomes which are a measurable improvements on existing practices; can occur in any sector and often cuts across different sectors; has various stages and phases; is context specific; is not value neutral; has a product or content dimension as well as a process dimension; changes social relations with regard to governance; enhances societal resilience and increases beneficiaries socio-political capabilities and access to resources (empowerment dimension).

3.   Towards a common definition

In this section, we outline our working definition of social innovation which comprises:

- A core definition
- A set of core elements
- Common features
- A typology of social innovations

Before outlining our working definition, however, we thought it would be useful to outline some of the principles which guided us in developing the definition. First, this definition has been developed as part of the TEPSIE programme. It is a working definition which aims to bring together both research and practice-led perspectives. As such, our aim is to develop a definition which resonates with practitioners as well as researchers. Second, even though the TEPSIE programme has a European focus, we have aimed to make this working definition relevant to the global field of social innovation researchers and practitioners. We have therefore drawn from our experience of researching social innovation outside Europe and sought to include examples of social innovations from around the world in this and other papers. Third, we are trying to strike a balance between specificity and generalisation. We do not want to oversimplify the term to such an extent that we include lots of examples which are not particularly social or innovative, but neither do we want to be so specific that we miss out many examples of social innovation. Fourth, we do not claim that this definition is final. This definition is based on our research, interpretation and understanding and in offering this definition we hope to contribute to the ongoing discussion on social innovation. We also recognise that social innovation is context dependent - it takes place in broader social, cultural, economic and environmental contexts – and it is in these specific contexts that social innovations are formulated and embedded. However, these contexts are not necessarily features of a definition.[51] Similarly, social innovation is not value neutral. It is, as Nicholls and Murdock explain, socially and politically constructed. As such, social innovations are not necessarily objectively 'good' or socially positive. They could in theory prove to: be socially divisive; have unintended consequences that have negative social effects (by excluding people who are affected by the innovation in the design and implementation stages) and; become vulnerable to co-option and/or mission drift.[52]

3.1   Core definition

Drawing on the literature review and the extensive research already carried out by the Young Foundation, the Danish Technology Institute and other TEPSIE partners, we have developed the following definition of social innovation[53]:

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[51] For a discussion on principles of defining social innovation see E Pol & S Ville, 'Social Innovation: Buzz Word Or Enduring Term?', *Economics Working Paper 2008*, Department of Economics, University of Wollongong, 2008

[52] A Nicholls & A Murdock, Social Innovation: Blurring Boundaries to Reconfigure Markets, Palgrave Macmillan, 2012.

[53] G. Mulgan, 'Social Innovation: what it is, why it matters, how it can be accelerated,' London, Basingstoke Press, 2006; G. Mulgan, 'Ready or Not? Taking Innovation in the Public Sector Seriously,' London, NESTA, 2007; N. Bacon, N. Faizullah, G. Mulgan, & S. Woodcraft, 'Transformers: How local areas innovate to address changing social needs', London, NESTA, 2008; . Mulgan, R. Ali, R. Halkett and B. Sanders, 'In and Out of Sync: The challenge of growing social innovations', London, NESTA, 2007. R. Murray, J. Caulier-Grice and G. Mulgan, 'Social Venturing', Social Innovator Series, London, NESTA, 2009; See also R. Murray, J. Caulier-Grice & G. Mulgan (2008) How to Innovate: the tools for social innovation, London: NESTA and R. Murray, J. Caulier-Grice & G. Mulgan (2010) The Open Book of Social Innovation, London: NESTA.

Social innovations are new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new or improved capabilities and relationships and better use of assets and resources. In other words, social innovations are both good for society and enhance society's capacity to act.

In this sense, we draw on earlier definitions which emphasise the product (meeting social needs), process (improving relationships and capabilities or using assets and resources in a new way) and empowerment dimensions (enhancing society's capacity to act).

Figure 2: Core elements and common features of social innovation
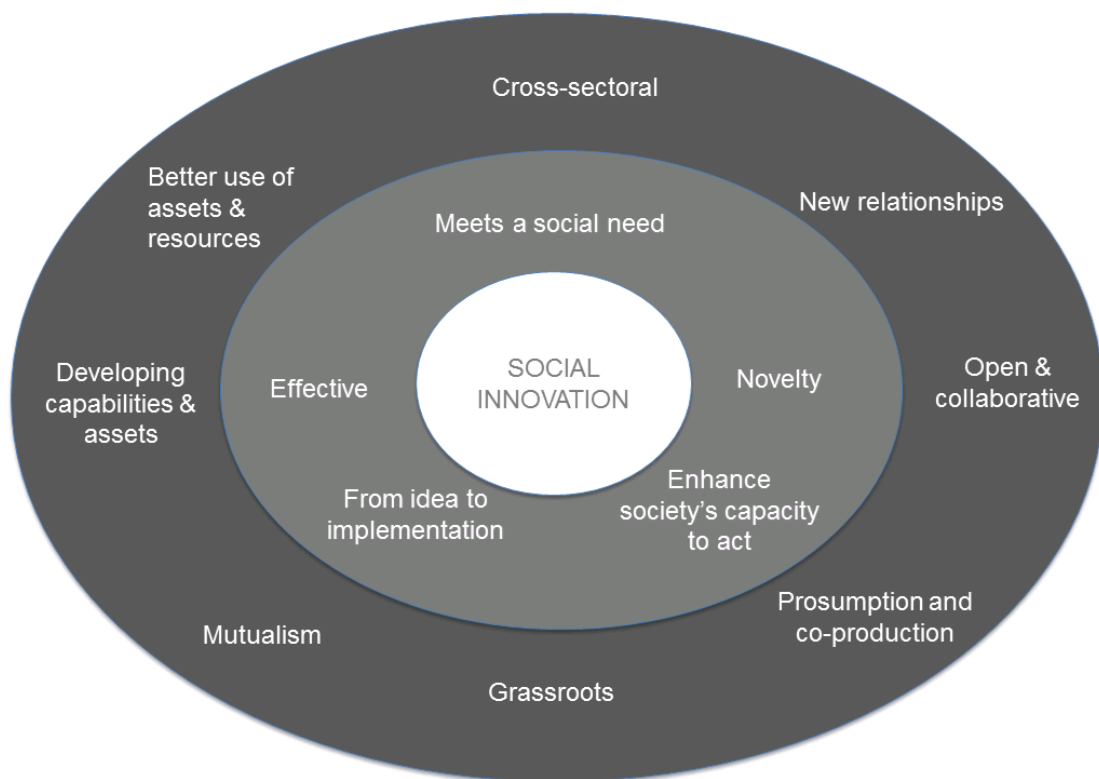
Key
Core elements of social innovation
Common features of social innovation

3.2   Core elements

We suggest the following five elements should be present to define a practice as socially innovative:

- Novelty
- From ideas to implementation

- Meets a social need
- Effectiveness
- Enhances society's capacity to act

Novelty

Social innovations do not need to be completely original or unique. However, they do have to be new in some way to qualify as a social innovation – either new to the field, sector, region, market or user, or to be applied in a new way. Perceived novelty to the unit of adoption is a critical feature of our working definition.

From ideas to implementation

An innovation entails the practical application or implementation of a new idea. As such, we believe that there is a distinction between the formulation of a new idea and the practical implementation and application of that idea into a financially sustainable service or initiative (an innovation). In the literature on innovation studies, a distinction is drawn between invention, innovation and diffusion. According to this schema, an invention is an idea for a new or improved product or process, while an innovation is the practical application or implementation of that idea. Diffusion is a distinct part of the innovation process and entails the widespread adoption of the innovation. Some inventions lead to innovation, but often they do not. Some innovations are widely diffused and others are not, in some cases it is difficult to distinguish between invention and innovation, and in some cases there is a significant time lag between invention and innovation. We believe that this distinction also applies in the social field. Indeed, social innovation is concerned with the implementation of an idea. Some social innovations are then scaled, 'diffused' or 'adopted'. For this reason social innovations need to be (or have the potential to be) financially sustainable in the mid to long term. Therefore, we make a distinction between promising ideas (which may or may not become social innovations) and social innovations.

Effectiveness

A social innovation should be more effective than existing solutions. That is, it should create a measurable improvement in terms of outcomes – this might concern quality, levels of user-satisfaction, rates of adoption or a reduction in costs or higher level impacts such as improved wellbeing or social cohesion. This requires that social innovators find some way to capture and articulate the impact of their initiative on the target group or issue. This might be reported in terms of hard outcomes (e.g. reduction in numbers of reoffenders) or it might be more qualitative in nature (e.g. reported increases in confidence or self-esteem in young people, or reduced feelings of isolation in house bound older people). These measures of effectiveness will typically be linked to underlying social values that the innovation aims to further. For example a reduction in isolation among the elderly is judged to be a desirable outcome, based on social values which emphasise the importance of dignity and wellbeing.

Meets a social need

One of the distinguishing features of a social innovation is that it is explicitly designed to meet a social need. Of course, what is defined as a recognised social need is contextual, socially constructed and often the subject of much discussion and debate. We have opted for a needs based approach – social needs being those things which "can cause serious harm or socially recognisable suffering"[54] when not met - because social needs are a more useful lens through which to explore social innovation than problems, poverty, rights, inequality or wants. This is

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[54] L Doyal & I Gough, *A theory of human need*, Macmillan Palgrave, Basingstoke, 1991

because social needs (unlike social problems) are not stigmatising - even though meeting needs is central to human wellbeing, experiencing need is also an essential part of being a human being. We also focus on needs rather than rights, for example, because needs are often personal and, in many cases, needs are met by friends and family rather than the state or non-profit organisations. Moreover, a focus on poverty (which tends to focus on material wealth and deprivation) tends to overlook the ways in which people are able to turn resources into outcomes. In the words of Amartya Sen and Martha Nussbaum it fails to capture human 'functioning' and capabilities.[55] Moreover, understanding the existence and dynamics of unmet need can help identify people's strategies and approaches to finding new and better ways to meet those needs. Even though identifying needs is a deficit based approach in that it focuses on what people and communities lack, it can go hand in hand with asset based approaches, which focus on the assets, capabilities and resources people and communities have at their disposal.

Enhances society's capacity to act

We argue that the process of social innovation is as important as the aim or the outcome (meeting a social need more effectively than existing solutions). We believe that the process of social innovation enhances society's capacity to act by, amongst other things, creating new roles and relationships, developing assets and capabilities and/or better using assets and resources. We deal with each of these specifically in the next section. The process of social innovation will often entail changes in social relations, especially in terms of governance, and increase the participation of vulnerable, marginalised and/or under-represented groups. In this sense, social innovation involves changes in power relations and increasing the socio-political capabilities and access to resources of beneficiaries - thereby enabling them to better meet their own needs. This aspect is well documented in the literature, indeed, it is often a defining characteristic of social innovation, and as such we have included it in our core definition. It is referred to as 'societal and ecological resilience' by Westley and the 'process' and 'empowerment' dimensions by Moulaert. Timo Hamalainen and Risto Heiskala discuss the way in which social innovations enhance the 'collective power resources' and improve the 'economic and social performance' of society.[56] However, this is one of the most under –researched and under-explained aspects of social innovation. We will develop our understanding and thinking about this dimension of social innovation over the course of the TEPSIE project.

Figure 3: Core elements of social innovation

Core elements	Description
1) Novelty	Social innovations are new to the field, sector, region, market or user, or to be applied in a new way
2) From ideas to implementation	There is a distinction between invention (developing ideas) and innovation (implementing and applying ideas)
3) Meets a social need	Social innovations are explicitly designed to meet a recognised social need

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[55] A Sen, *Development as freedom*, Anchor books, New York, 1999.
[56] T J Hämäläinen & R Heiskala (eds.), *Social Innovations, Institutional Change and Economic Performance: Making Sense of Structural Adjustment Processes in Industrial Sectors, Regions and Societies*, Edward Elgar Publishing, Cheltenham, UK, 2007

4) Effectiveness	Social innovations are more effective than existing solutions – create a measurable improvement in terms of outcomes
5) Enhance society's capacity to act	Empowers beneficiaries by creating new roles and relationships, developing assets and capabilities and/or better use of assets and resources.

3.3 Common features of social innovation

We can also identify a number of common features of social innovation. Some of these features overlap quite closely and are inter-linked - for example openness, collaboration, grassroots and the creation of new roles. We have separated them for clarity's sake. Moreover, social innovations might not display many or any of these features – although it is our hypothesis that they will display at least one of the following features.

These features are not definitive; as with other sections of this paper this forms part of our working definition and will be revised throughout the course of the TEPSIE project. The aim here is to make some general hypotheses which can be tested over the course of the TEPSIE project so that the definition can be refined at a later stage. The common features are as follows:

- Cross-sectoral
- Open and collaborative
- Grassroots and bottom-up
- Pro-sumption and co-production
- Mutualism
- Creates new roles and relationships
- Better use of assets and resources
- Develops assets and capabilities

Cross-sectoral

Social innovations can cut across and occur in all sectors. Social innovations frequently move between sectors as they develop – for example, many models of distance learning were pioneered by non-profit organisations and then adopted by business or social enterprise. Often social innovations occur at the interfaces between the different sectors and involve actors working together from across sectors (for example, businesses and third sector organisations or the state and social enterprises).

Open and collaborative

Social innovations are often inclusive and engage a wide range of actors. While this happens in the 'real world' – examples include guerrilla gardening, transition towns, Habitat for Humanity and so on - new information and communication technologies have enabled people to come together in new ways and on a scale previously unimaginable. In the words of Charles Leadbeater, mass production is being replaced by production by the masses. [57] This open and collaborative form of

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[57] C Leadbeater, We-Think: Mass innovation, not mass production: The Power of Mass Creativity, Profile, London, 2008

production online has a number of interesting features. It entails large numbers of people working independently on collective projects without normal market structures and mechanisms (organisations, hierarchies, compensation etc.). Examples in the social sphere include Riversimple's open source eco-car, Fab Labs, open source houses, open source wind turbines, open source heating systems and open journals. Another example is Ushahidi, first developed in response to post election violence in Kenya in 2008 and now providing a platform for users to crowdsource crisis information sent via mobile phones. This model of production has precipitated new forms of intellectual property which are based on access rather than ownership.

Grassroots and bottom-up

Social innovations are often bottom-up, grassroots, distributed and local. Here, the old model of centralised command and control that developed in the period of mass production has been replaced by distributed systems where innovation and initiative are dispersed to the periphery and connected by networks.

Pro-sumption and co-production

Both online and offline, the boundaries between producers and consumers is increasingly being blurred. In the words of Alvin Toffler, users are becoming producers, or 'prosumers'.[58] This is also evident in the social field, where there has been a significant shift away from seeing individuals as passive recipients of services. The core idea, often termed 'co-production', is that 'people who use services are hidden resources, not drains on the system, and that no service that ignores this resource can be efficient.'[59] Co-production goes well beyond the idea of user engagement or consultation. Rather, it is about shifting responsibility and resources from professionals to users and involving people in the delivery of their own services.

Mutualism

Mutualism is the notion that individual and collective well-being is obtainable only by mutual dependence.[60] Mutual organisations include worker, farmer, consumer and housing co-operatives, friendly societies, credit unions, mutual aid societies and so on. Co-operatives and other mutual organisations continue to flourish in many countries and in many fields. But a new mutualism is emerging - one that is network enabled and promotes mutual exchange in a variety of forms. Examples include peer to peer networks such as Etsy and FreeCycle and others to new models of care and support such as the Southwark Circle and Homeshare.

Creates new roles and relationships

It is often said that social innovations are developed 'with' and 'by' users and not delivered 'to' and 'for' them. As a result, social innovations can also be identified by the type of relationships they create. Social innovations can create new social relationships in a number of ways - they can lead to new forms of governance, new and better forms of collaborative action, improve the inclusion and participation of marginalised and/or under-represented groups, or they can shift and change the relationship entirely for example, by enabling users to become producers, or patients to become carers (like the Expert Patients programme or Patients Like Me), or students to become teachers (the Barefoot College). Often as a result of creating new social relationships, social innovations also create new roles for users and beneficiaries (as, for example, carers, producers and teachers). These new roles often enhance the capabilities of users and beneficiaries, thereby empowering them and enabling them to better satisfy their needs over the long term.

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[58] Alvin Toffler, The Third Wave, Bantam, 1984
[59] D Boyle & M Harris, *The Challenge of Co-production,* NESTA, London, 2009
[60] P Kellner, *The New Mutualism: The Third Way*, The Co-Operative Party, London, 1998

Better use of assets and resources

Social innovation often recognises, exploits and coordinates assets and resources which would otherwise be wasted, under-used or not used at all. In some cases, these assets and resources can be latent (such as the skills that communities have at their disposal), intangible (finance) and/or physical (buildings and physical spaces). Uncovering and sharing latent assets helps to ensure that social innovation initiatives provide wins for all stakeholders involved, rather than the zero-sum game of many other types of activity which produce both winners and losers. Examples include the Positive Deviance approach which involves identifying and sharing latent community assets.[61] Other examples include the re-use and adaptation of physical spaces, such as the High Line in New York – an abandoned railway line that has been turned into a public park[62], 'activist architect', Teddy Cruz who recycles discarded materials into new homes[63] and Brixton Village, a new initiative which saw the reclamation of the Brixton Arcade for community based shops, cafes and stalls.

Develops assets and capabilities

Capabilities are the means through which needs are met – they are a kind of freedom; the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various lifestyles). Many social innovations explicitly aim to develop the capabilities of beneficiaries enabling them to meet their needs over the longer term. This capability approach highlights human agency and advocates participation; it conceptualises people as active, creative, and able to act on behalf of their aspirations. In this sense, the capabilities approach is based on the notion that people are in control of their own lives and the source of their own solutions. This is in marked distinction to approaches which parachute in solutions from the 'outside'. It also challenges relationships of power; which is important in terms of social innovation. Examples include participatory approaches to development pioneered by Robert Chambers as well as initiatives such as the Barefoot College. This is closely linked with asset-based approaches (mentioned above) which focus on the skills, talents and resources that communities have at their disposal.

Figure 4: Common features of social innovation

Common features	Description
a) Cross-sectoral	Occur at the interfaces between sectors and involve actors from across sectors
b) New social relationships and capabilities	Social innovations are developed 'with' and 'by' users and not delivered 'to' and 'for' them. They can be identified by the type of relationships they create with and between their beneficiaries
c) Open, collaborative and experimental	Production by the masses - large numbers of people working independently on collective projects without normal market structures and mechanisms

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[61] J Sternin, 'Practice Positive Deviance for Extraordinary Social and Organizational Change' in *The Change Champion's Field Guide Best Practice Publications*, L Carter, D Ulrich & M Goldsmith (eds), Best Practice Publications, LLC, 2003, p.20-37, viewed on 14 May 2012, http://www.positivedeviance.org/pdf/change_champions.pdf
[62] Viewed on 14 May 2012, http://www.thehighline.org/
[63] Viewed on 14 May 2012, http://estudioteddycruz.com/

d) Prosumption and co-production	Blurred boundary between producers and consumers
e) Grass-roots, bottom-up	Distributed systems where innovation and initiative are dispersed to the periphery and connected by networks
f) Mutualism	Notion that individual and collective well-being is obtainable only by mutual dependence
g) Better use of assets and resources	Recognition, exploitation and coordination of latent social assets
h) Development of capabilities and assets	Participatory approach enabling beneficiaries to meet needs over the longer term

3.4   A typology of social innovations

As well as exploring core elements and common features of social innovations, we offer a typology of social innovations.

One way of distinguishing between different 'types' of innovation is by looking at their form. Joseph Schumpeter was the first to provide an analysis of innovation and a typology of different forms of innovation. According to Schumpeter, an innovation can consist of the following: "(1) The introduction of a new good…or of a new quality of a good. (2) The introduction of a new method of production… (3) The opening of a new market…(4) The conquest of a new source of supply of raw materials or half manufactured goods…(5) …the new organisation of any industry, like the creation of a monopoly position… or the breaking up of a monopoly position..."[64]

We draw heavily on this analysis in formulating our own typology which we outline as follows:

- New products, such as assistive technologies developed for people with disabilities e.g. voice synthesizers and Braille readers.
- New services, such as such as mobile banking, e.g. MPesa in Kenya. New processes, such as continuous improvement methods and crowdsourcing.New markets, such as Fair Trade, or time banking.
- New platforms, such as new legal or regulatory frameworks or platforms for care such as Tyze which helps older people track informal and formal care.
- New organisational forms such as community interest companies or networks such as the Hub.New business models such as social franchising, or just in time models applied to social challenges such as the Aravind Eye Care System in India which carries out 175,000 cataract surgeries and some 100,000 other eye surgeries and laser procedures every year at its five main hospitals.

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[64] J Schumpeter, The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle, Harvard University Press, Cambridge, 1934

It is also important to draw a distinction between incremental and radical innovation. And indeed, some social innovations are incremental (they build on what went before), others are radical (they provide entirely new models for thinking and doing) and others are generative (they generate further ideas and innovations). Incremental innovations build on existing knowledge and resources (usually by an established player in the field). A radical innovation marks a significant departure from what was available before – such as the creation of new markets, or the deployment of a new technology – and as such requires new knowledge and resources. Radical innovations will often render existing products and services non-competitive or obsolete. In this sense, radical innovations can be both disruptive and generative – they disrupt existing patterns of production, consumption and distribution, and at the same time, generate further ideas and innovations in their wake.

Figure 5: Typology of social innovations

Types of social innovation	Examples
i) New products	Assistive technologies developed for people with disabilities (voice synthesizers)
ii) New services	Mobile banking (MPesa in Kenya)
iii) New processes	Peer-to-peer collaboration and crowdsourcing
iv) New markets	Fair Trade or time banking
v) New platforms	New legal or regulatory frameworks or platforms for care
vi) New organisational forms	Community interest companies
vii) New business models	Social franchising, or just in time models applied to social challenges

4. Social innovation across four sectors

Social innovation does not refer to any particular sector of the economy, but to innovation in the creation of social outputs, regardless of where they emanate. As such, social innovation can take place in all four sectors:

- The non-profit sector - for example, Teach First which places university graduates in challenging schools[65] or Emmaus which offers homeless people a home and a job renovating and reselling donated furniture;[66]
- The public sector - both in terms of policies and service models. Examples include Flexicurity in Denmark which provides flexibility for employers and security for employees against labour market risks and holistic early years' provision in Reggio Emilia, Italy;[67]
- The private sector - for example, ethical finance, markets for social or environmental goods, or what Muhammad Yunus calls 'social businesses';[68]
- The informal sector - which plays a critical role in the creation of social movements such as the Slow Food movement which started in Italy but has swept across the European continent.[69]

Social innovations can involve more than one sector – a recent example is the partnership between the Department for International Development (DfID), Vodafone and later a number of non-profits which led to the creation of mobile banking platform MPesa. And social innovations that start in one sector can be taken up in others; for example, many models of distance learning were pioneered by non-profit organisations and then adopted by business or social enterprises.
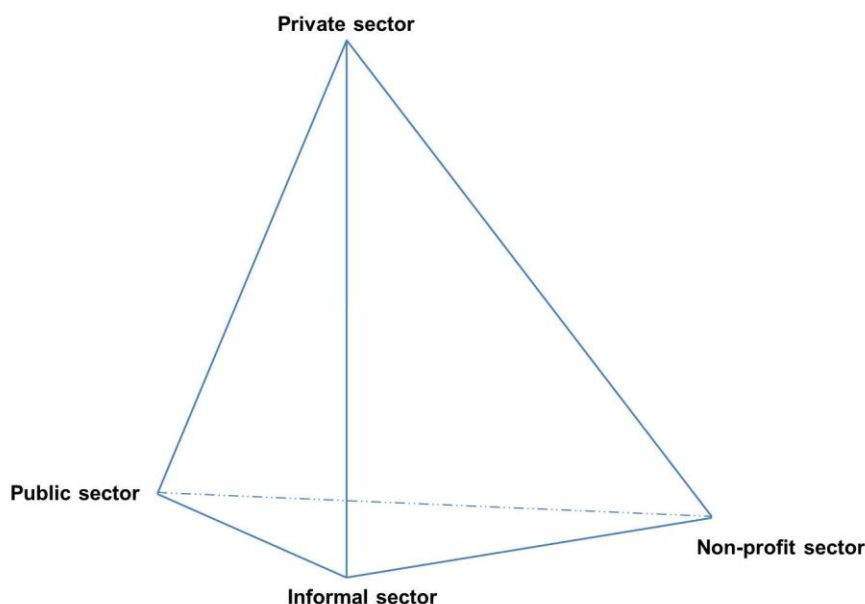
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[65] Viewed on 14 May 2012, http://www.teachfirst.org.uk/TFHome/
[66] Viewed on 14 May 2012, http://www.emmaus.org.uk/
[67] Viewed on 14 May 2012, http://www.reggiochildren.it/
[68] Viewed on 14 May 2012, http://www.muhammadyunus.org/Social-Business/social-business/
[69] Viewed on 14 May 2012, http://www.slowfood.org.uk/

Figure 6: The four sectors

3.5   The four sectors

Even though social innovation can take place in all four sectors, none of them is completely concerned with social innovation and each is involved in many other activities. The non-profit sector is predominantly social because it is engaged with the delivery of services not met by private or public sectors. The public sector is principally social as it delivers services for which the market is inadequate, and sets the regulations for each of the other sectors. The private sector is not predominantly engaged or concerned with social innovation, but social innovation has emerged from the private sector in the form of social enterprises, social businesses, movements like Fair Trade, and to a limited extent through corporate responsibility practices. The informal sector is also a critical source of social innovation through labour in the household and via its contribution to social production through informal networks, associations and social movements.

However, each of these sectors, and the institutions that operate within them, face numerous barriers and obstacles which prevent social innovation from flourishing. The state, for example, lacks the mechanisms that allow the best to flourish and the weak to fail and wither away. Similarly, the informal sector which often generates ideas, lacks the capital, surplus time and organisational capacity to take ideas from inception to impact.

3.1.1.   The non-profit sector

The non-profit sector, sometimes referred to as the third sector, is the source of many pioneering approaches to tackling social need, through campaigns, advocacy and the provision of services. The sector covers a huge variety of issues and addresses needs neglected by the state and market. This diversity means the majority of organisations are small and limited in their ability to scale. The sector also suffers from fragmentation - a lack of networks to facilitate communication between organisations working on the same issues means there can be inefficiency in the use of resources and a scattergun rather than strategic approach.

While the sector receives finance from government contracts and other kinds of trading income, it is largely dependent on grants. This is problematic for a number of reasons. Grant making organisations and individual donors are often unpredictable which can make planning for the longer term challenging. Grant funded organisations are often the first to suffer in state budget cuts and in economic recessions. Grants are often cost based and so do not allow for the generation of internal surpluses that can finance growth. Finally, funders tend to prefer to fund direct programmes and projects rather than core or operating costs, which limits the ability of organisations to build up capacity and resilience.

3.1.2. Public sector

Many of the innovations developed by the public sector are so embedded that we cease to think of them as innovations. At one time, a national health service free at the point of use, and school education as a right for those aged 5-18 represented radical proposals. The public sector, with its access to large budgets, huge organisational and capacity resources, policy and regulatory levers for change and networks for implementation, has the tools to create the most systemic change.

However, the structure of the public sector is in many ways not well suited to innovation. Structural features of government tend to inhibit risk taking and innovation rather than promote it. Barriers include departmental silos, audit and accountability processes. There is also a lack of enabling conditions such as dedicated budgets, teams and processes for innovation. Public sector innovation is also highly centralised, and since it is driven by political manifestos and commitments, tends to be episodic in nature. Another key challenge is the low tolerance for failure when it comes to front line service delivery, which significantly limits opportunities for experimentation. The public sector is inevitably also the most complex of the four sectors, which makes its operation and direct contribution to innovation difficult. It needs to meet often contradictory and multifarious demands, make policy trade-offs and respond quickly to societal challenges, whilst also meeting transparency and accountability requirements not placed on the other sectors. In addition, it must also provide the necessary frameworks for stability and continuity which the other sectors need in order to function well.

Governments also shape the conditions in which social entrepreneurs, businesses, non-profits and others operate. There are a range of policies and funding instruments which governments have used to enable and encourage innovation in other sectors. These include: new regulatory and legal frameworks (such as new standards, new legal forms and new planning requirements); favourable tax treatment as a means to incentivise innovation (by lowering the cost of innovation and improving prospective post tax rates of return); and the procurement and commissioning of innovative services. The public sector also finances innovation beyond its own organisational borders, especially through R&D funding for science and technology. Increasingly, these kinds of mechanisms and structures are being used for research and development in social and environmental fields such as healthcare and renewable energy.

3.1.3. The private sector

The private sector is an increasingly important player in social innovation. The growing importance of social industries - health, education and care – means that businesses are increasingly viewing social challenges as business opportunities.[70] This is also the case in developing parts of the world

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[70] FORA, *The New Nature of Innovation*, Copenhagen, 2009, viewed at on 14 May 2012, http://www.newnatureofinnovation.org/

where issues such as poverty, malnutrition, the spread of disease and access to basic resources such as food and water are serious challenges. There has been a proliferation of businesses developing low cost solutions to these challenges.

Corporate social responsibility (CSR) and community investment activities can also be drivers of innovative approaches to social challenges. However, there is a tendency for them to be run at a gold standard level (since they showcase the sponsoring business) which means they are often unsustainable in the longer term. The absence of an institutionalised social mission in private companies also means commitment can waver with changing leadership and organisational strategy. CSR has also been criticised many (for example, Michael Porter) for being a tick-box measure that allows a company to derive reputational benefits from association with a social cause, while continuing to do wider social damage with its mainstream activities.[71]

A more promising trend in this sector is the development of social enterprises and social businesses. These companies focus on social goals and make a profit. However, these profits are usually reinvested, either fully or partially, into the company. The social enterprise sector has experienced significant growth in the past decade. Key challenges for social enterprises include: maintaining their commercial position in the market while staying loyal to their social goals, achieving economies of scale and accessing appropriate finance.

3.1.4. The informal sector

We use the term 'informal sector' to describe the activity undertaken by individuals, families and communities that is not captured by the private, public and non-profit sectors. This activity can be physical, for example, providing care in the home, or volunteering for a local charity. This also includes all the activity online which is about connecting, sharing and collaborating.

In terms of social innovation, this sector includes the activities of individuals, families and communities working to meet social needs, including the non-monetised activities undertaken by civic, religious and other community groups. This includes forms of mutual support and care, volunteering, membership of informal groups and associations (such as urban gardening and Transition Towns), collective action and social movements. It also includes the online activities undertaken by individuals, families and communities – this includes some strands of activity within what is termed the 'sharing economy', open source projects and other forms of mass collaboration, peer-to-peer networks, social networking and so on.

Much of this activity is described as individual or community action – such as informal community groups or people volunteering. This activity is rarely aggregated. However, we believe it is helpful to aggregate this activity (and to see it as a sector on a par with the other sectors) as it shares a number of specific characteristics.

We believe that the informal economy has a number of features which set it apart from the other sectors and therefore merit particular attention. For example, the informal sector is not institutionalised and is characterised by informal networks rather than formal organisations and institutions. The unit of value in this sector is often time, not money. Activity in this sector is typically voluntary, and therefore based on principles of gifting and reciprocity. In this sense, activity is also based on relationships of trust. These features raise questions about motivations and incentives. Activity is bottom up and grassroots, and online, it is highly distributed. New forms of

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[71] M Porter and M Kramer, 'Shared Value: How to reinvent capitalism - and unleash a wave of innovation and growth,' *Harvard Business Review*, Jan-Feb 2011

collaborative production have led to new forms of property. These are based on the principle of open access rather than private ownership. These features are important for our understanding of how social innovations are generated and developed within this sector.

This sector is already an important source of social innovation and we believe that this is set to continue over the coming period. This is for two reasons. First, issues around health and caring including chronic disease, childcare and eldercare will be the source of some of the most acute social challenges in the next few decades. In all of these, the informal sector, namely friends and family, form the primary source of support. Second, the rapid diffusion of networked technologies and platforms are giving many more people the tools to organise, collaborate and innovate outside of established organisations.

Understanding the nature and dynamics of this sector are critical if we are to help it grow and develop. The informal sector faces numerous challenges in developing and diffusing social innovations. These include the lack of surplus time, the lack of capital and organisational capacity. Issues such as the distribution of working time, the valorisation of voluntary labour, the quality and character of life skills learning and informal or alternative trading currencies will need to be considered if this sector is to become as important as the other sectors in the generation and diffusion of social innovations.

The term 'informal sector' is not without its difficulties. To be clear, we are not referring to the 'shadow economy' or 'black market' which as we understand it, includes activities which are illegal and/or should rightfully be regularised and consigned to the private sector. Even though the term 'informal sector' is simply a placeholder, we believe it is more appropriate than other terms such as the 'core economy' and 'the household'. For example, the term 'household sector' is problematic because it could be taken to refer only to the domestic sphere and household production. This is only one aspect of the informal sector and overlooks all activities undertaken outside the household (such as volunteering, collective action, social movements and online activities). The 'core economy', devised by civil rights lawyer, Edgar Cahn, focuses more on the inter-relationships with the public and private sectors. He uses the analogy of a computer which requires a core operating system to run specialised programs; the core economy is the platform on which society's specialised programmes – the market economy and public services - can run.[72] Over the course of the TEPSIE project we will refine and develop our understanding of the informal sector.

3.6   Links between and across sectors

Each of the four sectors has its own means of obtaining resources, its own rules and customs for the distribution of its outputs, and its own principles of reciprocity.[73] This is why it is important to analyse the processes, institutions and conditions which are key to supporting social innovation in each of the sub-sectors. However, the boundaries between the four sectors are not fixed and absolute.

Many organisations working within the field of social innovation are hybrids - containing parts of the public, private, non-profit and informal sectors. Many operate across sectoral boundaries - private sector firms receive grants from governments, and social enterprises are bolstered by the

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[72] D Boyle & M Harris, *The Challenge of Co-Production*, NESTA, London, 2009

[73] R Murray, J Caulier-Grice & G Mulgan, *How to Innovate: the tools for social innovation*, The Young Foundation, London, 2008

voluntary support of the informal sector, for example. Similarly, charities in the non-profit sector often run their own shops and other market enterprises, and many contract services to the state.

Social innovation frequently happens in these overlapping spaces between sectors, and therefore we are particularly interested in the dynamics of the relations between them. Indeed, the capacity for innovation depends as much on innovation in the structures, goals and the cross border relations of each of the four economic spheres, as on any specific role that each has traditionally played.

Figure 7: Flows of finance between sectors
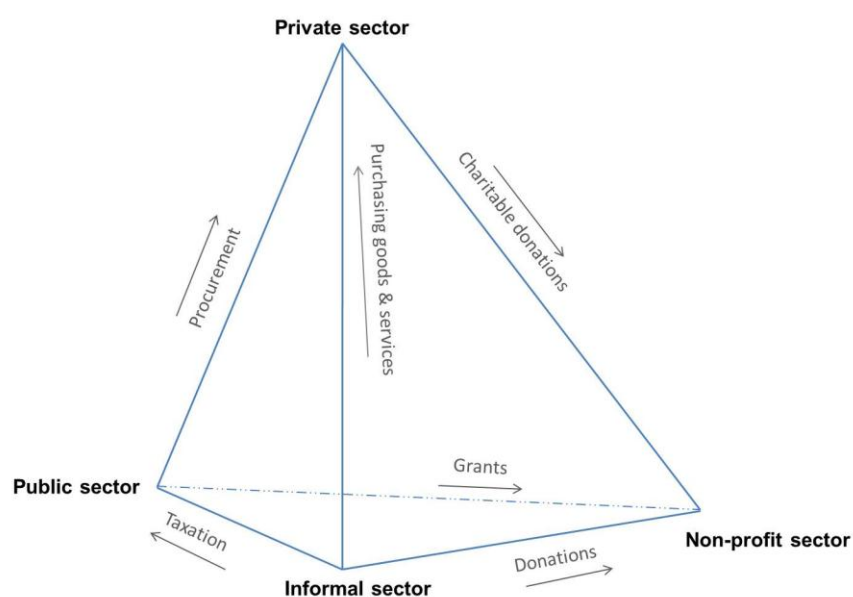
The four sectors give rise to six interfaces. The interfaces between the state and the other three sectors largely concern the way finance crosses between these, both in the form of taxation and fees and in the form of grants, procurement and investment. The state also sets the regulatory, fiscal and legal conditions in which the other three sectors operate. The interface between the private market and third sector includes charitable donations, corporate sponsorship and various types of community investment and corporate social responsibility. We also increasingly see relationships between corporations and NGOs developing in terms of productive collaborations. For example, Grameen Healthcare Services joined forces with Veolia Water to form a new company to build and operate water production and treatment plants in some of the poorest villages in the centre and south of Bangladesh.

Some of the most interesting areas for innovations are situated in the interfaces between the informal and other sectors. The interface between the informal and private sectors is where private companies operate, selling products and services and engaging individuals as workers - but it is also where user led innovation and the activities of producer-consumers, or 'pro-sumers' takes place. Between the third and informal sectors there are two way relations, with donations and volunteering flowing in one direction and numerous services being delivered in the other. And between the public and informal sectors there are interesting partnerships developing between individuals and professionals in processes of co-production.

Figure 8: Blurring of boundaries between sectors
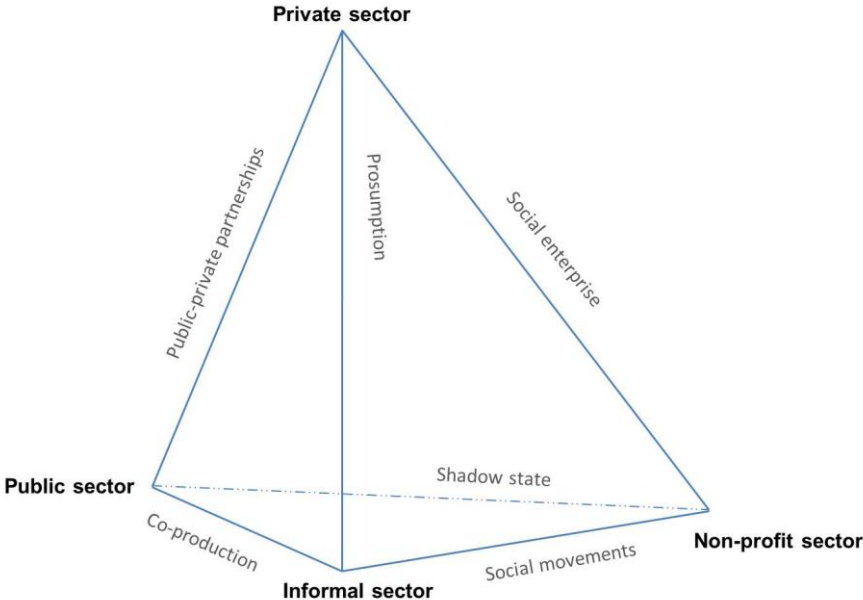
5. The process of social innovation

Compared to its counterparts in business and technology, there has been little systematic analysis of how innovations in the social field are designed, diffused and supported. The bulk of analysis, where it exists, has focused on case studies (often heavily weighted in favour of successful examples), rather than on understanding patterns and stages of social innovation.

Much of the literature focuses either on the early stage of ideation and creativity or on the later stage of diffusion and scaling. While the former is fundamental to the process of social innovation, it overlooks the important stages of implementation and diffusion which make new ideas useful. As John Kao puts it, "Thomas Edison with his first light bulb in hand was an inventor; a light bulb deployed to change the lives of many is an innovation."[74] Similarly, the focus on scaling and diffusion often overlooks the important step of implementation and ensuring that the project or venture is financially secure (either through grants and donations, public budgets, earned income etc.)

In one of the few more process-oriented overviews of social innovation, Sandra M. Bates proposes a three stage model for social innovation: *investigation* involves defining the unmet needs and looking for opportunities to meet them; *innovation* is about devising a workable solution and an effective social business model; and *implementation* involves ensuring that "the unique solution creates shared value among all stakeholders and engages techniques to ensure that ideas don't become orphan innovations."[75] While this is a useful framework, we think it is important to unpack the process in a little more detail, both the early stages of an innovation (for example, distinguishing between prototyping and implementation) and in the later stages of diffusion (for example by looking at achieving scale and systemic change as distinct parts of the overall process).

Drawing on the Young Foundation's extensive research developing the *Open Book of Social Innovation*, we outline a six stage process of innovation.

The six stages are:

1. Prompts – which highlight the need for social innovation
2. Proposals – where ideas are developed
3. Prototyping –where ideas get tested in practice
4. Sustaining –when the idea becomes everyday practice
5. Scaling – growing and spreading social innovations
6. Systemic change – involves re-designing and introducing entire systems and will usually involve all sectors over time

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[74] J Kao, 'Defining innovation', viewed on 14 May 2012, http://globalpublicsquare.blogs.cnn.com/2011/06/05/defining-innovation/

[75] S M Bates, 'The Innovation Imperative', viewed on 14 May 2012, http://www.ssireview.org/articles/entry/the_social_innovation_imperativehttp://www.ssireview.org/articles/entry/the_social_innovation_imperative

Figure 9: The process of social innovation
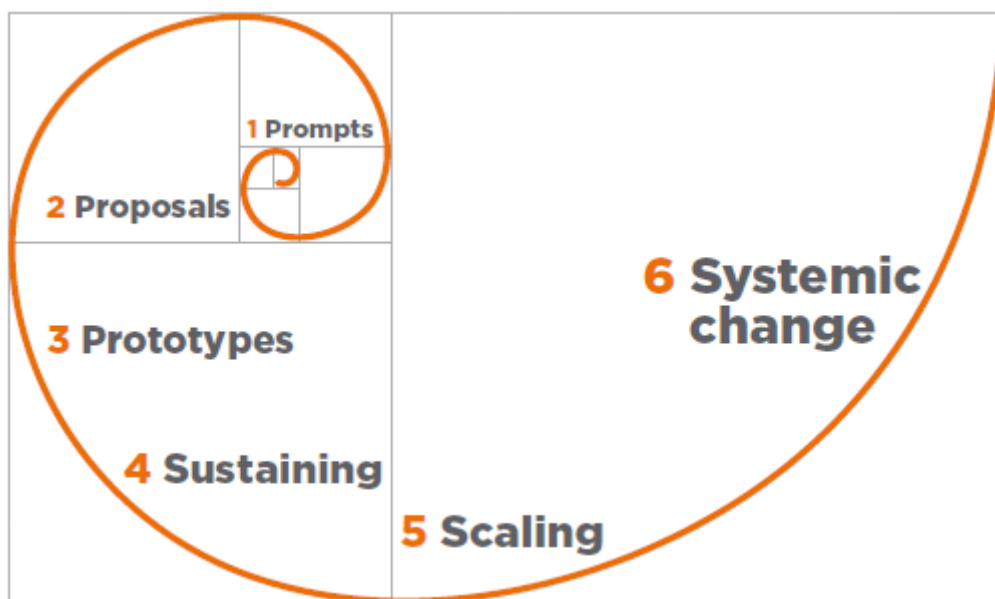
Of course, in reality, many of these stages overlap and may be undertaken in a different order. Many ventures start with a practice or prototype and only fully flesh out the demand in terms of needs much later. Often, implementation, action and practice precipitate new ideas, which in turn lead to further improvements and innovations. And feedback loops exist between every stage, which makes the process iterative rather than linear, which is why we represent this process visually with a spiral rather than a linear diagram.

Moreover, social innovations do not necessarily go through all six stages. In some cases, social innovations remain small in scale and locally based, rather than attempting growth and scale, and very few social innovations effect or reach the stage of systemic change. In other cases, especially online, social innovations can skip out stages entirely, quickly going from prototyping to scaling and only then exploring business models and revenue streams.

In addition, this process is not sector specific. Except for systemic change, which we argue will necessarily involve a multiplicity of actors, across a number of sectors, the stages of social innovation can occur in one sector, or cut and move across sectors, or start in one sector and be taken up in another.

Even though the stages are not necessarily sequential or linear, we can identify six distinct stages from both the literature and the practice, and as such include all six stages in our model. While this six stage process does not capture the often messy nature of developing and growing social innovations, it does provide a very useful analytical framework with which to think through the range of different activities that take place and the support and resources that are required at each stage. Much more could be said about each of the features of the six stages, and subsequent deliverables in this work package and other work packages will go into greater depth – the purpose here is to provide an overview.

5.1 Prompts - identifying needs

The first stage of any social innovation involves prompts that highlight the need for innovation. Sometimes these come in the form of unexpected changes in the immediate external environment, for example a sudden environmental or political crisis (Hurricane Katrina led to the founding of several social initiatives such as the New Orleans Institute for Resilience and Innovation[76]; violence following elections in Kenya in 2008 prompted software designers to establish Ushahidi, a platform for crowdsourcing information via text messages sent in by people on the ground, enabling organisations to plan crisis responses).[77] Prompts may also come in the form of a longer term crisis that becomes more acute and demands action.

The emergence of new evidence, data or research can also provide a major prompt. Evidence from the scientific community about climate change has spurred economic and political action to try to tackle and mitigate its effects. Similarly, predictions about levels of childhood obesity in the West have driven government and civil society action on health and nutrition. Academics and the media organisations that propagate their ideas therefore have a key role to play in driving the agenda for social innovators.

In other instances, prompts are actively sought rather than just emerging from the external environment. Social innovators may use various techniques to uncover the needs of populations around them. For example, ethnography involves the immersion of researchers into the lives of those they are studying, often through shadowing their experiences, and can yield a rich understanding of needs, assets and capabilities. Design agencies have a number of tools they can employ to help draw out needs, such as mapping, storyboarding, user journeys and video interviewing.

Data also plays an important part - analysis of data sets, visualisation and mapping can help bring otherwise hidden patterns of needs to the surface. In the late nineteenth century, social reformers claimed that almost a quarter of Londoners lived in abject poverty. Charles Booth, a businessman and philanthropist, thought these figures had been exaggerated and undertook a detailed study of the 'Life and Labour of the People' to uncover the real living conditions of London's working poor. In the end, Booth found that one third of Londoners lived in poverty. Together with a similar study undertaken by Seebohm Rowntree in York, Booth's poverty studies prompted a range of social reforms - the provision of school meals in 1906, old age pensions in 1909, the creation of labour exchanges in the same year and national insurance in 1911. A more recent example is Healthycity.org, a tool that allows people to map combinations of Californian data sets (for example, concentrations of low income families against provision of basic need services such as food banks) to identify pockets of need.[78]

Other processes for identifying needs are strongly user driven, for example customer feedback systems such as Fix My Street, which allows residents to report local problems like graffiti, potholes or broken lighting.[79] In user led research practices, users are responsible for all stages in the research process from design and recruitment to data analysis, writing up and dissemination.

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[76] Viewed on 14 May 2012, http://www.neworleansinstitute.net/

[77] Viewed on 14 May 2012, http://ushahidi.com/

[78] Viewed on 14 May 2012, http://www.healthycity.org/

[79] Viewed on 14 May 2012, http://www.fixmystreet.com/

5.2   Proposals – generating ideas

The second stage involves generating a new idea that provides a solution to the identified need. In some cases, this stage will follow on naturally from the identification of need – for example, working with the same group and research techniques to identify potential solutions. At other times, it might involve a new practice or technique. While the reality for many social innovators is that there is no formal process to idea generation, we can identify some of the ways this might come about.

There are numerous techniques to encourage creative thinking – such as Edward De Bono's 'Six Thinking Hats' and lateral thinking techniques. Design thinking has made a particularly dramatic appearance in the social field in the last decade and is now being used much more widely than the realms of product design where it originated.[80] For example, IDEO has developed a Human Centred Design Toolkit which offers a free methodology for organisations who want to engage in design thinking. This toolkit has been downloaded over 60,000 times and used to support projects such as the design of a maternity hospital in Nepal and water distribution management systems in Malawi.[81] There are now a range of organisations and institutions delivering design-based approaches to social challenges. For example, Participle in the UK has been using design processes to 'co-design' solutions with a range of stakeholders in the fields of ageing, criminal justice and employment and health.[82]

As with any kind of innovation, the capacity to absorb and integrate ideas from other sources, often unexpected ones, is crucial for arriving at new solutions. Looking to other sectors can be very fruitful. For social enterprises and non-profits this may be about finding inspiration in the private sector, or vice versa. The president of non-profit Kiva, Premal Shah, has said that looking at some of the principles of EBay – radical transparency and creating an addictive user experience – certainly helped catalyse their ideas for an online microfinance platform.

Another approach involves looking within the community for existing strategies for success. One notable asset based approach is Positive Deviance, which involves focusing on the behaviour of individuals or families whose uncommon approaches have enabled them to find better solutions to a particular problem than their peers (who have exactly the same resources). [83] This kind of asset based approach has already helped reduce the spread of MRSA in hospitals in the United States and helped to improve the health and nutrition of children living in rural communities in Egypt, Mali, Bolivia, Cameroon, Pakistan and Vietnam. The approach has also been used to help improve the provision of education in Ethiopia, the US and Argentina and to combat the spread of HIV and AIDS by working with sex workers in Indonesia and Vietnam.[84]

Another approach involves opening up the problem to many minds. Using crowdsourcing to get people to contribute ideas is increasingly seen as an effective way of generating effective (and often unexpected) ideas. Often this happens online, via competitions and challenges. For example, Innocentive is a platform that takes specific problems in the research and development space and

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[80] See for example, T Brown & J Wyatt, 'Design Thinking for Social Innovation', *Stanford Social Innovation Review*, vol. 8:1, Winter 2010, pp. 30-35

[81] T Brown, 'Why Social Innovators Need Design Thinking' in *What Matters/Social Innovation – Can Fresh Thinking Solve the World's Most Intractable Problems?,* Mckinsey and Co., 2010

[82] Viewed on 14 May 2012, http://www.participle.net/

[83] J Sternin, 'Practice Positive Deviance for Extraordinary Social and Organizational Change' in *The Change Champion's Field Guide Best Practice Publications*, L Carter, D Ulrich & M Goldsmith (eds), Best Practice Publications, LLC, 2003, p.20-37, viewed on 14 May 2012, http://www.positivedeviance.org/pdf/change_champions.pdf

[84] Viewed on 14 May 2012, http://www.positivedeviance.org/

reframes them as challenges for anyone to solve, with cash or other prizes for the best solutions.[85] Offline, activities such as Social Innovation Camps and hack days bring together people with similar interests but different skills to work on a particular problem for a limited period of time (often a weekend or just 24 hours). In San Francisco, "unhackathons" have recently been launched which bring together over a 24 hour period a mix of actors, including designers software coders, business strategists and problem owners to solve pressing problems. Social Innovation Camp, begun in London has now spread to seven locations worldwide including Nigeria, Slovakia, Georgia, the Czech Republic and Azerbaijan.[86]

5.3 Prototyping - testing the idea in practice

Usually, ideas are introduced and then adjusted in light of experience. Experimentation, rapid learning, trial and error and even the accidental are all important elements of the innovation process. However, these are often overlooked – instead we tend to see development as a series of planned steps which follow on from each other in a rational – sometimes inevitable – way. These mental frames have given us the 'supply push' and 'demand pull' theories of innovation. But, innovation is rarely a straightforwardly linear process. Rather, it involves a constant interaction between demand and supply, potential users of the innovation and their suppliers.

There are many methods in use for testing ideas and refining them - from visualisations, simulations, sketches and paper prototypes to more formal randomised control trials, pilots and experiments. The processes of testing, trial and error and experimentation are important not only for refining a concept, but also as ways of building up an evidence base about the impact of an idea, which is crucial for attracting further funding.

Ideas can be tested within organisations, in 'real-world' settings or within specific geographic locations. Examples include:

- Proof of concept testing: this usually happens before prototyping and involves asking members of the target audience to assess, rate and suggest refinements to the concept.
- Beta-testing: this involves releasing the concept to a small pool of users for a specified period of time so that they can trial it and offer suggestions and improvements.
- Pilots: these are more formal methods of testing and usually involve a slightly longer trial period, often up to a year. They are typically followed by a formal evaluation and since they are much more substantial than a quick prototype exercise, require significant funding.
- Whole system demonstration pilots: these test out interconnected elements across systems as opposed to the discrete services usually associated with pilots. They have been used to test and evaluate Tele-health and Tele-care services and other assistive technologies in several regions in the UK.

5.4 Sustaining – developing a business model

The fourth stage is about taking an idea that has shown promise as a pilot or prototype and turning it into an established initiative that can be sustained over time. This means developing an economic model that will secure the venture's financial future. While there has been less treatment of this

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[85] Viewed on 14 May 2012, http://www.innocentive.com/
[86] Viewed on 14 May 2012, http://www.sicamp.org/

stage in the analysis of social innovation – the early stage of idea generation and later stage of scaling tend to generate much more interest – this middle phase is where much of the hardest work is done and toughest decisions are taken.[87]

It is also at this point that social innovations are often confronted with a key tension between the desire to collaborate and remain open, and the need to protect the financial interests of the project. A venture driven by a social mission has an interest in its innovation being spread as widely as possible in order to generate the greatest social impact. This is often at odds with its commercial interests. So, one of the main challenges is to remain open and collaborative while surviving financially.

The character of this stage is largely shaped by the sector engaged in social innovation. For public sector innovations, developing a model that will secure its financial future requires integrating it into an existing budgetary process at a local or national level, identifying political champions, and potentially advocating for new legislation. For social innovations developed outside the public sector, sustaining the venture will involve six things:

- A business model that runs parallel to the core idea of the venture and which outlines how it can become sustainable;
- A governance model that provides a clear map of control and accountability, as well as protective safeguards (not least to protect it from predators if the project is a success);
- Sources of finance - both start up capital in the short term and income streams over the longer term. Financing tools include grant funding, loan finance (if there is a clear future income stream), equity, crowdfunding and the new social impact bonds in the UK.[88]
- A network and communications model to develop what has been referred to as a venture's relational capital;
- A staffing model which may include the role of volunteers; and
- A development plan for operational systems – including management information, reporting and financial systems, IT, supply chain systems and systems for risk management.[89]

These are then translated into an economic or business plan, which details the service or initiative, how it will be provided, by whom, with what inputs, how much it will cost and how it will generate income. The next challenge is to decide on the appropriate organisational form. For some social innovations, it may be that a rejection of any formal organisational form is the best solution. Alcoholics Anonymous is a good example of a social innovation that has thrived as a membership network rather than a formal organisation. Legal forms vary from country to country and so the options open to social innovators will depend on national contexts. However, forms to consider include commercial entities such as a company limited by guarantee or Limited Liability Partnerships, co-operatives, mutuals, charities or new forms such as Community Interest Companies in the UK and B-Corporations in the United States.

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[87] While there may be less written explicitly in terms of social innovation, the considerable literature around the strategic management of non-profits and social enterprises will be relevant to those embarking on the sustaining phase. A good example is J G Dees, J Emerson & P Economy, Enterprising non-profits: a toolkit for social entrepreneurs, John Wiley & Sons, 2001

[88] Social impact bonds are a relatively new financial tool developed in the UK. The government agrees to pay for measurable outcomes of a social project, and this prospective income is used to raise bond financing from commercial, public, or social investors. These are only applicable to social innovations where outcomes are measureable and create tangible public financial savings

[89] R Murray, J Caulier-Grice & G Mulgan, Social Venturing, NESTA, London, 2009

Another significant challenge at this stage is finance. Inevitably, social ventures seek sources of finance which share and are aligned with their social mission. This is often very challenging. There are a range of options, from grants, donations, loans, public share issues, equity investments and so on. Each raises its own specific issues and challenges.[90] There are also a range of social venture intermediaries which provide finance to social ventures at various stages of business development.

5.5 Scaling and diffusion – growing social innovations

There are also many routes to growth – from organisational growth, to licensing and franchising to federations and looser diffusion. Some of these approaches involve organisational growth. Others involve much more organic processes of diffusion, with ideas spreading and adapting rather than growing through a single organisation. The most influential social ideas have spread not through the growth of an organisation but through emulation.

Growing an innovation depends on effective supply and effective demand: effective supply refers to the growth of evidence to show that the innovation really works. Effective demand refers to willingness to pay. Both are needed – but sometimes the first priority is to prove effectiveness while in other cases the priority is to create demand, both by persuading people that there is a need to be met, and then persuading people or organisations with the ability to pay that they should do so.

The common model for diffusion is that of an 'S' curve: starting slowly at first, diffusion then accelerates significantly before tailing off as the last segment of late adopters take up the innovation. In part, this occurs because of information asymmetries. If the innovation market functioned perfectly, one would expect marginal social benefit to equal marginal social costs at any point in the diffusion path. However, because information in the market is not perfect, the welfare diffusion path might be suboptimal. Incomplete or sometimes inaccurate information can slow down the rate of diffusion of social innovation. However, even when there is a perfect information market, some potential adopters are likely to wait until later in the diffusion process because of both long decision-making procedures and risk aversion even in the light of contrary evidence. Individual and organisational behaviour can considerably slow down adoption because of the 'herd' instinct and uncertainty of being too early.

Through regulation and public procurement, governments can overcome some of the problems associated with information asymmetries and help accelerate the widespread adoption of social innovations. However, existing commissioning and procurement structures are not well designed for social innovation. In most cases, contracts are too short-term, which makes it difficult for social enterprises and third sector organisations to recruit, retain and develop staff, and to access capital; too many contracts place excessive risk on providers, causing some organisations to reject opportunities to deliver services; too often contracts set unrealistic prices which prevent full cost recovery; and in many cases, contracts involve an excessive burden of monitoring and evaluation, which diverts resources away from front-line service delivery.[91] The structures as they are favour larger, more established providers at the expense of new, innovative firms. They also freeze developments and innovations over the course of the contract. This is a real challenge for social innovation.

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[90] R Murray, J Caulier-Grice & G Mulgan, *Social Venturing*, NESTA, London, 2009
[91] Cabinet Office, *Partnership in Public Services: An action plan for third sector involvement*, London, 2006, viewed on 14 May 2012, http://www.cabinetoffice.gov.uk/media/cabinetoffice/third_sector/assets/psd_action_plan.pdf

Another challenge for social innovators is the lack of available models to draw on. As mentioned above, ventures driven by a social mission have an interest in their innovation being spread as widely as possible in terms of generating the greatest social impact. But this might not necessarily imply or require organisational growth. There might be a much greater role for replication or emulation. This is why much of the business literature on scaling, which tends to focus on growing organisations, has limited application to the social innovation field. Indeed, Jeffrey Bradach argues that "finding ways to scale an organisation's impact without scaling its size is the new frontier in the field of social innovation".[92]

Given the fact that social innovations are usually designed to fit a particular context and developed through a unique set of relationships and collaborations, replicating is rarely straightforward. Writing about their experience of transplanting a successful food bank programme over a twenty year period, Susan Evans and Peter Clarke argue that "successful dissemination is a process of customising the program to new circumstances, not replicating it."[93] Indeed, a recent survey has shown that replication is not always the most efficient or popular route to scaling impact. A survey of social entrepreneurs found that in 2004, 77% were using a branching mechanism as their primary scaling mechanism, but over the next two years this fell to 45% and then 33% among two cohorts of Ashoka Globaliser Fellows.[94]

An alternative route is to take a less formal approach and to focus on providing the tools and resources for others to create a similar model, without taking responsibility for the resulting new organisation. In some instances this might involve codifying what has been achieved by a project through creating specific toolkits or curricula that can be used by a new group of actors. This will still require significant resources and expertise to draw out the essential elements of a program, but it can be an efficient model for the diffusion of a social innovation.

Another approach is radical transparency, where the various methods and models used, together with plans and blueprints, are made freely and openly available to others. For example, Ashoka Fellow Darrel Hammond took the decision to open source his playground model developed for low income areas in the US. Within a year, other groups had built as many playgrounds as KaBOOM! had built in the previous 14 years.[95]

This type of approach to scaling social impact involves inspiration and emulation rather than actively trying to manage new activities. Social innovations taking this route will need to think about developing a brand and identity that helps to convey a strong narrative about who they are and what they have achieved. Online networks mean that ideas and examples of best practice can be diffused quicker than ever, but since there is also a huge amount of noise competing for attention, a thorough communications strategy is critical.

[92] J Bradach, 'Scaling impact: How to get 100X the results with 2X the organization', *Stanford Social Innovation Review*, vol. 8:3, Summer 2010, pp. 27-28
[93] S Evans & P Clarke, 'Disseminating Orphan Innovations', *Stanford Social Innovation Review*, vol.9:1, Winter 2011, pp. 42-47
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5.6 Systemic change

Social innovations are inherently about changing the way things are done and the way social needs are conceptualised. In this sense, systemic change is the ultimate goal of social innovation, even if very few social innovations reach this stage. The founders of Grameen and Fair Trade, for example, wanted to show that an alternative model was possible and that in time, this new model could become the established norm.

Systemic change is never achieved through a single organisation or sector; it always involves a complex interaction of culture, consumer behaviour, business practice, legislation and policy. Moreover, it always involves a change to attitudes and behaviours and requires people to see and think in new ways. Systemic change requires that there are sufficient incentives for incumbents to change their practice and behaviour. For this reason, systemic changes are more likely to follow periods of upheaval or crisis than times of stability.

A recent example of systemic change can be seen in the development of the green movement. This was initially driven through social movements ('conservation' and later 'environmentalism') and third sector campaigning organisations (for example Greenpeace). As academia provided evidence of man-made climate change, governments began to regulate and make major public targets for carbon reduction. The business sector responded by making adaptations to products and reporting its environmental impacts with greater transparency. And consumers began changing their behaviour (adopting recycling as an everyday rather than niche practice) and preferences (for sustainable products, for example). This kind of systemic change inevitably brings with it more opportunities for innovation in terms of products, services and systems. We are still in the midst of this shift and many vested interests are continuing to resist it, but the green movement provides a good example of the cross section of institutions and actors involved in any systemic change.

6. Summary

These ten points summarise our understanding and analysis of social innovation, namely what it is, where and how it takes place as well as core features and common elements.

1. The field of social innovation is broad and varied. It covers examples as diverse as microfinance, fair trade, new models of eldercare, preventative interventions in health and criminal justice, co-production, and online platforms which enable sharing, crowdfunding, mass collaboration and peer-to-peer learning.

2. Social innovation is a practice-led field; it is contextual and as such has developed with ill-defined boundaries, meanings and definitions.

3. The term social innovation is often used to describe: processes of social change; an aspect of organisational management; social enterprise and social entrepreneurship; the practical development of 'solutions' to social challenges; the process of developing the capacities, assets and resources of particular communities.

4. Social innovation is defined in numerous ways. These definitions include the idea that social innovation: is cross-sectoral; is a sub-set of innovation, and distinct from business or technological innovation; has a product and process dimension; has particular stages and phases (from inception to impact); is context specific; is underpinned by values; leads to specific outcomes which are a measurable improvements on existing practices; changes social relations with regard to governance; and empowers beneficiaries by increasing their socio-political capabilities and access to resources.

5. **Social innovations are new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new or improved capabilities and relationships and better use of assets and resources. In other words, social innovations are both good for society *and* enhance society's capacity to act.**

6. We have identified a number of core elements of social innovation. These are: novelty, from ideas to implementation, meets a social need, effectiveness, and enhances society's capacity to act.

7. Common features of social innovation: cross-sectoral; creates new roles and relationships; open and collaborative; pro-sumption and co-production; grassroots and bottom-up; mutualism; better use of assets and resources; develops capabilities and assets.

8. According to our typology of social innovations, they can include: new products, new services, new processes, new markets, new platforms, new organisational forms and new business models. Social innovations can be incremental or radical.

9. The process of social innovation can go through six stages: prompts; proposals; prototyping; sustaining; scaling; and systemic change. These stages are often iterative and overlapping.

10. Social innovation does not refer to any particular sector of the economy, but to innovation in the creation of social outputs, regardless of where they emanate. As such, they can come from the public, private and third sector as well as what we call the informal sector.