
Economic Foundation of Social Innovation: New Modes of Policy Production

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Abstract: Exacerbated by the current economic crisis, Europe is confronted with many complex and interrelated socio-economic challenges affecting individuals, firms, sectors and regions. While traditional innovations are of utmost importance for regional development, its impact as regards regional socio-economic challenges seems to be not sufficient. Regional resilience and competitiveness additionally require new ways of thinking, new alliances, new processes and new forms of dialogue. Social innovation as new solutions leading to improved capabilities, new forms of collaboration and a better use of societal resources can help regions to sustainably cope with social challenges. Against this backdrop this paper examines the necessity for new modes of policy production arising from the revitalisation of social innovation as means of tackling the socio-economic challenges that regions are facing. It argues that a positive role for the state in stimulating, resourcing and sustaining social innovation means moving beyond traditional ways of designing and delivering public policies and programmes.

1 INTRODUCTION

Europe is confronted with many complex and interrelated socio-economic challenges and these have clearly been exacerbated by the recent economic crisis. They include long-term unemployment, an ageing population, poor educational attainment, gender inequalities, migration and integration, shortages of natural resources, global interdependence and climate change to name but a few.

Technological innovation has long been considered the primary driver of economic growth and competitiveness, the core of the «knowledge economy» vision that has inspired European policymakers since at least the 1990s. Building on the European social model, policymakers have sought a high growth strategy that achieves convergence with high levels of social and economic inclusion: no hard choices, we want both! Unfortunately this holy grail of European policy has proven somewhat elusive. A period of technological growth culminating in prolonged recession has led to a pattern of uneven social and economic development in which restructuring has benefited some while leaving others far behind. Recessionary pressures mean that the state is generally in a poor position to drive interventions capable of achieving major solutions to tackle socio-economic challenges, even where there is the political will to do so.

There is a need for change, not least for novel ways and ideas to deal with the urgent challenges Europe is facing. Long-term GDP growth in the EU27 is projected to fall from 2.7% before 2008, to 1.5% up to 2020, a slight rebound to 1.6% for 2021 to 2030 and a slowdown to 1.3% for 2031 to 2060 (EC 2012c). Unemployment has risen in almost all parts of the EU and is expected to remain at high levels in several Member States up to 2018 (EC 2014, IMF 2013). Cross-country differences within the EU are even more striking: from less than 6% unemployment in the Netherlands, Austria and Germany to 22.9% in Spain. Youth unemployment has reached 25% and more in 13 Member States (EC 2012a, 2012b). Structural changes in the labour market including deregulation and the rise of temporary contracts combined with poor educational attainment increase the risk of marginalisation for young people. Likewise while women still form the majority of the employed, they perform most part-time and unpaid jobs (EC 2013a). Many countries are following the US in experiencing the intensification of the hourglass economy in which both high paid, high skill and low paid, low skill, low security jobs are increasing at the expense of the middle. At the same time an ageing population results in rising costs linked to pensions, social security, health and long-

term care. As a consequence, welfare costs are rising dramatically while governments all over Europe are affected by major budgetary constraints.

In short, a model of growth based on technological innovation may play a role in generating the wealth required to address Europe's social and economic problems but it also leads to restructuring and unintended consequences that can exacerbate them. There is certainly no automatic trickle-down from technological innovation to the poorest and most disadvantaged people in society. Moreover it is also increasingly clear that a public welfare model forged in the post-war settlement is no longer fit for purpose in addressing the structural disadvantage facing substantial numbers of European citizens. The state itself is facing a crisis of legitimacy in many countries with falling political participation by citizens, the rise of extremist parties and the growth of separatist movements. These tendencies have profound implications for the future of the EU and its goal of inclusion.

Fuelling this crisis of legitimacy, those on the centre right of politics have characterised the state as inefficient, ineffective and slow to change. However the rise of New Public Management (Ferlie et al, 1996; OECD, 2003), intended to reform the public sector through the introduction of business expertise and market disciplines, has proven equally sclerotic in its effect on creativity and innovation in services. New thinking, new knowledge, new alliances, new processes, new ways of organising, managing and working, and new forms of dialogue are required to deal with the challenges at hand. A distinctive kind of innovation is needed, one whose patterns and participants differ from a purely profit-oriented economic paradigm. It is about ways of fostering innovation that, complementing technological progress, achieve true convergence between economic growth, sustainability, inclusiveness, equality and diversity by realising the innovative and productive potential of society as a whole, including those currently perceived as an economic burden. This is where social innovation comes into play. Social innovation empowers the marginalised and poor in order to realise their potential as strategic assets who make an active contribution to social and economic value. Social innovations can and should go hand in hand with profit-driven technological innovations, shaping their design and implementation to ensure a wider and more equitable distribution of benefits. However, the difference is that while the latter are theoretically well understood and supported by established policy and supporting infrastructures, social innovations lack such robust underpinnings.

Creating a socio-economic system capable of understanding and generating effective social innovations represents a major policy challenge for Europe and its regions in the coming years. Governments strongly influence the parameters and

the opportunities for (social) innovation to occur at the different governance levels. With the introduction of the Europe 2020 strategy the European Commission, for example, strengthened its pursuit of social goals. Under the heading «inclusive growth» the strategy set out the targets for growth that increases employment and reduces poverty and social exclusion. The *Digital Agenda* seeks to enhance inclusion by tackling the digital divide, while the *Innovation Union Flagship* explicitly mentions social innovation as an opportunity for citizens and businesses to address today's urgent societal challenges in Europe (EC 2010a). *Horizon 2020* calls for the support of social innovation by meshing it with the support for research and technological development (EC 2011a). Despite these efforts the latest economic, social and territorial cohesion report, however, reveals that employment rate has further declined as the economic crisis has continued to wipe out most of the employment gains since 2000 (EC 2014). Poverty and exclusion have also increased in more than two-thirds of the EU Member States since 2008, including many regions and cities in more developed Member States.

Recognition at EU level of social innovation's potential is clearly welcome, and at best it will mobilise new coalitions of actors insisting on a more robust approach to its integration within the policy mainstream at both European and Member State levels. Yet at present these initiatives represent a relatively small and emergent policy strand especially when compared with the frameworks for technological innovation. In particular they show little recognition of social innovation's radical and transformative character.

This paper argues that social innovation's potential to re-engage poor and vulnerable populations in society means that it cannot be seen as the latest policy fad; rather it challenges policymakers and other actors to rethink the nature of policy production and implementation in a much more fundamental way. Preconditions for responding to this challenge include improved understanding of the functioning and interaction of markets, public sector agencies and civil institutions for the marginalised and poor. Stronger and more coherent concepts of social innovation including alternative business models for financing, distribution and employment need to be developed. The mechanisms for achieving successful social innovation must be better understood. Above all this means rethinking the nature of democratic participation in policymaking in ways that reflect the complex social, economic and political landscape of the twenty-first century.

The present article is situated in the context of the wider, on-going research project «SIMPACT – Boosting the Economic Impact of Social Innovation in Europe

through Economic Underpinnings»¹ that examines the economic foundation of social innovation, including its policy dimensions. The economic foundation of social innovation is taken as point of origin to investigate the requirements for new modes of policy production and related infrastructures to unfold social innovations' potential as regional competitive advantage.

The article is structured as follows. In the next section, we discuss the understanding of social innovation as a multidisciplinary research field and its connection to vulnerable groups in society. Based on a literature review, section 3 introduces initial thoughts about the economic underpinning of social innovations according to principles, objectives and components plus its regional and policy dimensions. Subsequently, new modes of policy production and the role of multi-level governance are discussed in Section 4, leading to the identification of core policy challenges and dilemmas associated with social innovation. Finally, the discussion is summarised and first conclusions are drawn.

2 UNDERSTANDING SOCIAL INNOVATION

Research on social innovation has gained momentum over the last decade, spurred notably by the growing interest in social issues related to management, entrepreneurship, and public management, with a particular emphasis on defining and understanding the construct (Mulgan et al., 2007; Phills et al., 2008; Dawson/Daniel, 2010; Howaldt/Schwarz, 2010), on establishing theoretical models of social innovation (Goldstein et al., 2010; Lettice/Parekh, 2010; Cajaba-Santana, 2014), and on providing detailed analysis of specific case studies (Hämäläinen/Heiskala, 2007; Klein et al., 2010).

Studying the present literature reveals, however, that the concept of social innovation is neither based on a shared understanding nor a common theoretical framework. Rather, contributions to social innovation draw on a variety of disciplines such as sociology, business administration, economics, urban development and political sciences (Rüede & Lurtz, 2012; Caulier-Grice et al., 2012; Pol/Ville, 2009; Moulaert, 2009), resulting in a diversity of meanings and fuzziness of the concept. Moreover, social innovations are heterogeneous comprising products, processes and services which transcend sectors, and encompass different levels

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and methods of analysis from the micro to meso and macro level. Their distinctive nature further exacerbates the definitional debate.

Pol and Ville (2009: 879f.), for example, identified four different conceptions of social innovation. The first conception equates *social innovation to institutional change*, where institutional change refers to the changes in the cultural, normative or regulative structures of society leading to improvement in social and economic performance. The second conceives social innovation as ideas that meet *social purpose* either improving quantity or quality of life. The third conceptualises social innovation as ideas that work for the *public good*. The fourth, used for example by the OECD (2010), defines social innovation from the demand side as *needs that are not addressed by the market*. This understanding explicitly links social innovation with local development and improvement of quality of life. It also reflects the European Commission's view on social innovation, which adds the dimension of empowerment by stating «[...] *social innovation empower people and create new social relationships and models of collaboration*» (EC, 2010a: 21).

In their comprehensive literature review of 318 social innovation contributions, Rüede and Lurtz (2012) identified seven distinct categories, lines of research on social innovation that vary considerably in their understanding of social innovation, guiding questions, analytical focus, normative assumptions and implications, as well as their relation to profit-seeking and technological innovation. Within these categories social innovation is understood as «doing something good in/for society», «change social practice and/or structures», «contributing to urban and community development», «recognising work processes», «imbuing technological innovations with cultural meaning and relevance», «making changes in the area of social work» and «innovating by means of digital connectivity» (Rüede/Lurtz, 2012: 7). Overall the authors (ibid 29) view «[...] *social innovation as an umbrella construct that after a phase of excitement now faces validity challenges by being at risk of having too many and various meanings for different people*». They argue in favour for two different conceptualisations of social innovation, namely a normative and a sociological one. In terms of the former they see Sen's capability approach as a good «philosophical anchoring». As regards the sociological conception they recommend a focus on «changes in social practice» avoiding links to the notion «better».

Despite these divergent conceptions of social innovation, there is nevertheless, agreement on the some aspects. First, social innovations seek to solve social problems and do not necessarily involve a commercial motive, though they do not preclude such interest (Phills et al., 2008; Westley & Antadze, 2010). Second, by

definition, innovations are different from given widespread practices. It therefore comes at no surprise that social innovations tend to originate in contradictions, tensions, and dissatisfactions. «Hence, social innovations are manifested in changes of attitudes, behaviour, or perceptions, resulting in new social practices.» (Cajaba-Santana, 2014: 44). Third, there is consensus that the creation of social value and/or impact is central to social innovation. Finally social innovations are contextualised, that is, they are embedded in specific socio-economic and socio-political contexts (Moulaert/Sekia, 2003; Moulaert, 2009).

Social innovation in the sense used here refers to ***novel combinations of ideas and distinct forms of collaboration that transcend established institutional contexts with the effect of empowering and (re)engaging vulnerable groups either in the process of the innovation or as a result of it.*** Borrowing from evolutionary theory (cf. Nelson/Winter, 1982; Dosi, 1982), social innovation as an evolutionary process comprises the development, implementation, practical application and consolidation of such novel combinations. Thus social innovations are characterised by an iterative process of experimentation and learning with an open end including abandonment and failure. They go beyond singular individual activities and are often the result of contradictions and tensions across fields of action. Thus, «[...] social innovation doesn't solely concern outcomes, but process as well – and more specifically the social relations between groups» (Defourny & Nyssens, 2013: 47).

Focus on vulnerable groups. With the above definition the emphasis will be on social innovations addressing vulnerable groups in society. Hoogeveen et al. (2004: 4), define vulnerability as «[...] exposure to uninsured risk leading to socially unacceptable levels of well-being». Instead of «risk», in the present article vulnerable groups as beneficiaries of social innovation function as point of origin. These are groups in society that are either socially or economically marginalised (e.g. unemployed, undereducated, elderly or women).

From a classical economic perspective, social innovators are understood as service producers whose economic behaviour is explained in terms of profit motive and cost minimisation (Varian, 1990). From a social policy perspective however, the overall goal of intervention is to change the behaviours of vulnerable groups from consumers to producers or labourers. In this sense the marginalised and poor become an economic asset (Prahalad, 2010). Ideally, social innovations help these groups in creating the organisational infrastructure, improved access to finance (e.g. micro-finances, mobile financing) and personal support required to strengthen their position within the labour market, enable the creation of busi-

ness ventures or enhance welfare and social integration (Mulgan, 2006; BEPA, 2011). Social innovation is thereby believed to realise its potential contribution to smart and inclusive growth to the extent it can (re-)engage vulnerable populations as untapped economic resources. Moreover, it is assumed that from an economic perspective unfolding this untapped potential is more efficient than continuously subsidising these groups while leaving them in their constrained situation. Being marginalised is not the result of individual inadequacies but is imputable to the institutional blockages that cannot fully mobilise and develop the social capital. Larkin (2009), for instance, distinguishes between people who are individually, uniquely and innately vulnerable and those who are vulnerable because of their circumstances, the environment or as a result of structural factors or influences. This may as well be regarded as a policy and market failure. One can logically conclude, that a shift in thinking and acting from «*vulnerable as burden of society*» to «*vulnerable as value for society*» constitutes a cornerstone in the social debate. Unfolding the hidden potential through empowerment is expected to be beneficial both from a social and economic perspective. It:

- enhances peoples' quality of life and allows them to participate in society (economic, social, political and cultural life),
- helps to reduce the costs of the welfare system,
- contributes to overcoming bottlenecks in the labour market,
- and consequently strengthens social cohesion and welfare.

For the purpose of this article, social innovation is distinguished from social entrepreneurship. According to Bacq and Janssen (2011: 388), social entrepreneurship can be defined as «*[...] the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources*». Social innovations, in contrast do not need the market context. On the contrary, because of their transformative nature social innovations often challenge existing institutions, economic models and modes of policy production.

3 ECONOMIC UNDERPINNING OF SOCIAL INNOVATION

According to the *Guide for Social Innovation* (EC, 2013c) an important mind-shift is taking place where societal challenges (including vulnerable groups) previously perceived as problematic are now considered as opportunities for innovation. Although such an altered view fits well with our understanding of social innovation, several key issues need to be addressed before social innovation can be mainstreamed fully into the European economic sphere and its policy environment. An improved understanding of the functioning of markets, public sector and institutions for the marginalised and poor is necessary. Stronger and more coherent concepts of social innovation, including alternative business models for financing, distribution and employment should be further elaborated. Moreover, social actors and policymakers should be familiarized with the characteristics and mechanisms that can lead to implementing successful social innovation. Similarly, public policy instruments and methods for evaluating the economic and social impact of social innovation should be developed and deployed by those involved at various strategic and operational levels of transformation. In sum, a better understanding of the economic foundations of social innovation is necessary to enhance their support and impact.

Rather than economisation, *economic foundation* in the sense used here refers to the identification of social innovations' economic principles (e.g. modes of efficiency and governance), objectives (e.g. social and economic value) and components (e.g. institutions, resources, actors). This enables us to identify potential levers for accelerating the social and economic impact of social innovation, and elaborate how public policy can support and/or enable related processes. So far neither an established theory of the economic foundation of social innovation exists, nor can well-documented research on economic innovation as well as underlying theories, concepts and business models easily be applied to social innovation. There is a relative lack of academic research exploring social innovations' dimensions and antecedents in general and its economic dimensions in particular (Sharra & Nyssens, 2010). Against this backdrop, core aspect of theoretical foundation in the framework of the SIMPACT project is based on critical reflections about the economic factors of how markets, public sector and institutions function (or not) for the vulnerable groups in society. The challenge for the development of a robust and relevant theory is to combine evolutionary thinking with an understanding of the competing paradigms and forces that shape public policy making at strategic level. This in turn requires an understanding of the windows of opportunity and related political streams (Kingdon, 1995) that are needed to initiate

and implement political action in support of social innovation. *Middle-range theorising* provides a conceptual bridge between generalising from small-scale empirical studies and large-scale grand theories. Unlike theories, middle-range theories (MRT) focus on clearly defined topics, making explicit efforts to hybridise concepts, to search for abstract patterns and new explanatory mechanisms (Merton, 1968). Such approach considers the specifics of social innovations as interactive, generative and contextualised phenomena, while taking into account that many practices at the micro-level can add up to patterns and regularities at the meso and macro level.

3.1 Towards a Typology of Social Innovations

In order to elaborate and substantiate the economic dimensions of social innovation its components, objectives and principles were specified by means of a multidisciplinary literature review.

3.1.1 Components

Our findings suggest that **components** comprise actors and resources as central production factors as well as institutions as primary and supporting elements. Three types of **actors** can be distinguished: First, *actors from civil society* as social innovators, beneficiaries of social innovation and producers/transformers of institutions. Second, *actors from the economic field* facilitating social innovation by (a) developing of solutions addressing specific societal challenges, (b) adapting internal processes and business models to social innovation related issues, and (c) promoting social innovations outside their core business in a philanthropic or altruistic way or through sponsoring. Third, actors from the *political field* which set and transform institutional rules and support social innovation with the aim of enhancing the problem solving capacity of society. Moreover, one can differentiate between «collective actors» and «corporate actors» (Scharpf, 2000). The former are understood as groups of individual actors embedded in the civil society and characterised by weak organisational ties, also referred to as proto- or informal organisations (e.g. mobs, social movements). These can be contrasted with «corporate actors» (e.g. formal organisations, NGOs, associations) that embody formal organisation structures, hereinafter referred to as «organisation».

Actors are assumed to use resources in pursuit of the innovation process. These comprise financial and human resources as well as intangibles such as knowledge and social capital stemming from variety of sources including the economic, social and political sphere. With reference to management theory, namely the dynamic capabilities view (Helfat et al., 2007; Teece, 2007), collaboration ca-

pabilities and absorptive capacities appear as two particular important dynamic capabilities in the social innovation process. *Collaboration capability* comprises social innovation actors' capabilities «[...] to develop and manage network relationships based on mutual trust, communication and commitment» (Blomqvist & Levy 2006: 10) and is built on routines that allow for an efficient and effective management of partnerships (Schilke & Goerzen, 2010: 1198). Moreover, it can be assumed that the ability of an innovator to successfully participate in collaborative processes of learning and value creation is also determined by its internal resources and capacities. Possessing an adequate level of absorptive capacity (Cohnen/Levinthal, 1990; Lane et al., 2006; Todorova/Durisin, 2007) will allow innovators to better combine internal and external resources.

Institutions as «rules of the game» (North, 1990: 3ff.; Gertler, 2010) are made up of formal constraints (e.g. laws, rules, constitutions) and informal constraints (e.g. norms of behaviour, conventions, codes of conduct). Actors as well as resources are embedded in specific institutional contexts, where institutions and social innovations reinforce each other: (i) institutions shape social innovations, (ii) social innovations have the potential to transform institutions and (iii) social innovation may be institutionalised and therewith, become institutions. Political, electoral, social and economic institutions can be designed with the purpose of empowering social and economic actors as well as providing market and non-market incentives to accelerate social change. Institutions shape actors' behaviour and are crucially important with respect to actors' interactions. They lower (or increase) transaction costs, and ease (or impede) the generation of cooperation benefits, as they enhance the predictability of potential cooperation partners' behaviour. In addition, the development of social innovations over time represents a process of institutionalisation whereby social innovations gain in legitimacy and credibility leading to their progressive embeddedness in the social fabric (Colyvas & Powell, 2006). Legitimacy is acquired according to the degree of conformity to the social system of norms, values and beliefs generated by institutional orders (Suchman, 1995; Thornton et al., 2012). Finally, Lawrence et al. (2002) in their study of NGOs identify the creation of what they have named "proto-institutions" defined as «practices, technologies and rules that are narrowly diffused and only weakly entrenched but have the potential to become widely institutionalized»; a mechanism which can be expected to also apply to interaction within social innovation processes in general.

In sum, social innovations are developed and implemented by actors embedded in specific institutional settings that define the rules of the game, namely re-

sources, modes of interaction, access, goals and interests, while actors shape institutions through their interactions in the innovation process.

3.1.2 Objectives

Micro and meso-level objectives refer to the goals, interests and underlying motivations of actors or organisations to engage in social innovation. These objectives can be social in nature or cover social and economic goals. Neoclassical theory posits that actors' objectives differ due to their preferences and choices. Whereas consumers strive to maximise utility, firms' objectives are led by profit motives, and governments seek to maximise welfare, defined as the sum of individual utilities at the macro level. Emphasising the pivotal role of public policy in designing and implementing effective institutions, public choice theory (cf. Arrow, 1951; Buchanan, 1962; Tullock, 1962) shows a more differentiated picture by positing that social and economic agents are preliminary driven by self-interest and guided by individual motivations: First, votes and voters drive policy makers' behaviour. Second, incontestably government is not a coherent actor but rather a collection of institutions subject to pressure exerted by different constituencies. The logic of collective action illustrates that especially the lobbying and bargaining power of small groups impose the danger of externalities that affect actors across political fields. Likewise, the multilevel governance approach points out that the public sector is not a single strategic actor, but assembles different (regional and functional) sub-units of administration.

In addition, behavioural theory (Simon, 1947, 1982) emphasises and explicates the differences in behaviour between various economic actors such as entrepreneurs and social activists. Whereas economic actors implement innovation strategies in order to sustain their competitive advantage, social innovation actors' motivations are often driven by mobilising capabilities and fostering commitment and cooperation. Both, social and economic actors seek to bring stakeholders together and bridge stakeholders' opposing views and expectations. In doing so, social innovations' outcome will depend on the ability to engage in new forms of social and organisational relationships. This involves overcoming resistance to change and increasing the capacity to embrace new social models and practices. Economic objectives related to social innovation may comprise profit or utility maximisation, social objectives empowerment, social cohesion or equity, and political objectives may relate to welfare maximisation, inclusion, legitimation or discharging public budgets.

3.1.3 Principals

Social innovation principles comprise *modes of efficiency* and *governance*. The former refer to resource allocation as subject to set objectives. In order to realise their objectives, social innovation actors need to optimise their resources and face trade-offs between efficiency and equity.

In contrast, (new) modes of governance are related to policy-making, self-regulation and co-regulation of private and public actors as well as delegation of tasks to regulatory agencies. In general, *governance* refers to «[...] *sustaining coordination and coherence among a wide variety of actors with different (and often conflicting) purposes and objectives such as political actors and institutions, corporate interests, civil society, and transnational governments*» (Pierre, 2000: 3f.; text in parenthesis added). The complex interactions between varying institutions and stakeholders acting on the basis of different organisational/behavioural patterns as well as diverse value orientations including conflicting interests, is what makes governance to emerge as a complex issue. In general, governance recognises the blurring boundaries and responsibilities for tackling social and economic issues and accounts for varying power relations between the institutions and stakeholders involved. This is particular of importance with regard to the dynamic interplay of governance and social innovation (Pradel et al., 2013): On the one hand the development of social innovations influences governance by creating new mechanisms of resource allocation, the formation of new (proto-)organisations and through actors' influence on formal mechanisms of decision-making. Governance structures, on the other, influence the capacity of actors to develop social innovation. Forasmuch, governance is likewise a framework and a field for social innovation.

3.2 The Policy Dimension – Schools of Thoughts

Social innovation is an evolving area of academic and policy debate with several discrete dimensions and sharp internal debates, not least in relation to the role of public policy. Different perspectives on the nature and legitimacy of social innovation each carry the hallmark of divergent schools of thought in relation to public policy. Three particular schools or models stand out.

3.2.1 The Neo-liberal School («markets generate common good»)

From a strict neo-liberal perspective, solutions to social and economic problems should be seen through the lens of market discipline. Any diversions from this principle will lead to the misapplication of public resources. It is not in oppo-

sition to social innovation per se but is wary of the impact on market operation that might arise from unwarranted proactive public policy and engagement with the Third Sector as described below. It has become part of accepted policy in the US during the last decades that the most effective form of State intervention is through influencing markets by tax breaks and incentives designed to shift the balance of investment towards socially desirable outcomes. Poverty, ill-health and low educational attainment can be tackled by making it profitable for businesses to do so. From the neo-liberal perspective this enables business to do efficiently what it does best – to act in the interests of shareholders. The market-led school continues to influence current debates and practice in Europe, not least through the persistence of New Public Management and can be seen to have a powerful contemporary role in US attempts to intervene in social, economic and environmental issues.

For example in the case of *Community Based Investment* the aim is to make money and to do good at the same time, while the underlying logic is unashamedly commercial. What might be labelled as social innovation is perceived as one component of the investment finance mainstream and in no sense a welfare-based proposition. A key question is whether neo-liberal approaches actually empower disadvantaged individuals and communities or whether they effectively entrap them in bottom-rung employment, housing health and education markets with little prospect of mobility.

3.2.2 The Public Policy School («social innovation as public policy»)

In direct challenge to the neo-liberal school, the core of this argument is that the EU as well as national and local governments can directly promote and lead measures to address social and economic exclusion, taking the idea of social innovation clearly into the arena of public policy. This may begin at the «soft» end of policy through promotion and exhortation but (and this is, of course, the key fear of neo-liberals) it can then move on to «hard» measures through proactive interventions, restricting the roles of private sector and NGO providers, and mandatory regulation in fields such as employment, environmental commitments, responsible procurement and so on. In contrast, advocates of state-led policy can point to the success of the post-war welfare settlement in securing population-wide improvements in employment, education, health and inclusion through sustained public policy innovation from the late 1940s to the 1960s in many Western European countries.

For the EU, social innovation is seen as making a key contribution to *Europe 2020's* ambition of creating a «smart, sustainable *and* inclusive economy». Indeed,

at the highest level of policy, social innovation has become a part of the search for a new model to address the recessionary pressures on the European social model. Europe 2020 priorities such as innovation, the digital economy, employment, youth, industrial policy, poverty and resource efficiency all drive towards convergence between economic growth and social cohesion. In this sense the potential of social innovation is spread across the entire tapestry of contemporary EU policy-making, while the *European Semester* process² seeks alignment with targets and initiatives at Member State level. The EU's policy framework (EU, 2010) builds on the widely accepted definition that: «*Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations*» (Murray et al., 2010) stressing that these solutions are both social in their ends and in their means. Policy measures at EU level range from network building, knowledge sharing and direct funding. In essence this implies a focus on harnessing the insight and knowledge of actors from every level of society in forging new solutions, suggesting a process in which the public sector is just one actor amongst many. This sits alongside a parallel policy strand on public sector innovation based on the proposition that: «*At a time where governments face the challenge to ensure financial consolidation while fostering growth, competitiveness and employment, there is a strong justification for efficiency gains, better governance, faster delivery and more user involvement in public sector.*»³ The policy portfolio includes a pilot *Public Sector Innovation Scoreboard* (EC, 2013b).

The relationship between social innovation and public sector innovation remains largely unconceptualised within this policy framework, although the Commission's report *Trends and Challenges in Public Sector Innovation in Europe* (Rivera León et al., 2012: 19) identifies «*collaboration between the public and private sector as well as the co-creation and involvement of service users in the process of designing services as potentially disruptive elements that would bring renewal to the public services*».

3.2.3 The Third Sector School

Social innovation can be seen as just one part of a larger transformation in relations between government and civil society. Significantly this comes when there are simultaneous debates going on about the role of the Third Sector and the Social Economy and their engagement with private-for-profit business. These de-

² The European Semester is a yearly cycle of economic policy coordination set up by the European Union to coordinate and focus the national efforts in achieving the Europe 2020 targets.

³ http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm

bates tend to be arrayed across different variants – for example across French, Nordic or Anglo-Saxon views of state-civil society relations – and are being conducted at EU, national and regional levels. The last decade has also seen intense debates about how wider non-market issues like social justice, quality of life and the environment are to be dealt with in contemporary society. Such debates tend to be about mechanisms for mediating the socially regressive effects of the open marketplace while still capturing the material benefits of competitiveness.

The Third Sector, in European terms, includes a multiplicity of stakeholders embracing associations, charities, foundations, trusts, mutual, not-for-profit companies, and member and producer cooperatives. It is a key player in any discussion about social innovation. If there can be said to be a Third Sector «model», one of its key dimensions lies in multi-stakeholder partnerships forging new, socially progressive alliances grounded in dialogue and trust. Another dimension expresses the potential of an innovation dynamic driven by hybridisation, in other words new institutional forms of business which are market-led *and* values-driven based on a strong social purpose (Lloyd, 2004). Social innovation is thus a collaborative space in which diverse actors come together in constructive forms of dialogue. New voluntary institutions, forums and the like emerge in the interface between state agencies, NGOs and service users.

Social innovation from the NGO perspective is about different institutional approaches to the organisation of work, service delivery and the distribution of resources. In Europe there is a strong interest in the re-emergence of co-operatives, mutuals, associations and foundations as forms of social enterprise organisation capable of conducting socially responsible business in certain sectors of the economy. The European Commission recognised this potential as early as 1997, and in its *Third System and Employment Programme* saw the social economy as a new dynamic force: *«The social economy and the activities oriented to meet the needs unsatisfied by the market can lead to the development of a new sense of entrepreneurship particularly valuable for economic and social development at local level. This sense of entrepreneurship is closer to the aspirations and values of people that do not seek profit making but rather the development of socially useful activities or jobs. These forms of entrepreneurship have a useful role in promoting social cohesion and economic local (sic) performance» (EC, 1998: p4).*

New hybrid forms would bring into play private sector business disciplines for Third Sector bodies making them more «businesslike», in addition to co-venturing between such bodies and for-profit businesses to create a «new dynamic of social enterprise». Social innovation from this perspective also takes us into

the realms of Socially Responsible Investment and Community Development Finance Initiatives, and in this sense there is a role for public policy in encouraging banks and finance institutions to make available funds that can achieve social gains from sound lending practice (Lloyd, 2004).

3.2.4 Taking Sides?

These different schools, part competing and part overlapping, go to the roots of economy, society and governance. In the wake of Friedman, market liberals see community benefit as emerging exclusively from profits and market success. The position taken by the authors of this paper lies closer to the European Social Model in its myriad of manifestations, identifying a clear role for the state and the Third Sector in mediating the socially regressive effects of the open market but arguing that a fundamental renegotiation of their relationship is necessary to re-legitimise public policy intervention. In short, social innovation is a contested policy space sitting across the grand narratives of contemporary society.

3.1 The Regional Dimension

The capacity of societies to create a steady flow of social innovations is perceived as an important lever to ensure the overall socio-economic resilience of regions, namely their capacity «[...] to adapt to shocks (e.g. the current economic crises) and changes, while maintaining sufficient coherence for identity» (Westley 2008: 3, text in parentheses added). From a theoretical perspective looking at social innovation through a spatial lens allows for an explanation of the relationships between the satisfaction of vulnerable groups' needs on the one hand, and empowerment through novel forms of social relations on the other. Indeed, the majority of social innovation comes to life in specific social, cultural, economic and territorial contexts (Kerlin, 2012). Often they are driven by the localism of the social innovators, and may remain embedded in their particular settings. Directly tied to social innovations is the willingness to «do things differently» (Goldstein et al. 2010), which in turn necessitates at least some degree of sensitivity and receptiveness towards the advent and implementation of socially innovative ideas. Given these conditions, social innovations can become part of building regional resilience.

Moulaert and Nussbaumer (2005) argue that social innovation at the local/regional level is supported by two equally important and closely related pillars: institutional innovation, which means innovation and/or transformation in social relations, in governance and in structures; and innovation in the sense of the social economy, i.e. satisfaction of various needs in local communities. The

latter links the territory with social innovations addressing vulnerable groups in society, where their «needs» depend on the state of development of the regional economy (Moulaert 2009). With respect to *transformations of social relations*, generalised trust-based relations, i.e. social capital (Bourdieu, 1986; Putman, 1993), is expected to impact the process of social innovation positively by facilitating collaboration between individual interests and social values and norms towards the achievement of collectively desired output. In fact, «[...] *social capital explicitly represents the overlap between the social and economic spheres of human life*» (Malecki, 2012: 1025).

The latest cohesion report (EU, 2014) shows that some regions in Europe have been comparatively resilient against economic crisis. One reason could be that regions due to their specific condition, institutions, traditions and cultures, and not at least policy mechanisms have variable potential to adapt to external shocks. In this sense *transformations in governance practice and structures* need to account for the fact that different institutional settings and path dependency diversely frame the way in which governance processes are deployed in different regions. This implies a degree of coherence and coordination between processes and directions of change as well as between the involved actors. There are, however, limits to the capacity of regions to affect desired changes simply through action at the regional level. Given the neoliberal models of regional development, the capacity of regions to devise strategies for greater resilience through social innovation will depend to a certain extent upon changes in national and supranational modes of regulation and government, and on the articulation of regional, national and supranational approaches (Hudson, 2010). Thus, multilevel governance (see section 4.5) becomes an important dimension of social innovation.

4 NEW MODES OF POLICY PRODUCTION

Public policymaking can be understood as a dynamic process that seeks to reconcile contradictory and sometimes irreconcilable forces in its search for desirable social and economic outcomes. In rejecting (to a greater or lesser degree) the neo-liberal proposition that optimum outcomes for society as a whole are the product of a free and profitable private sector, European policymakers juxtapose themselves between the open market and democratic pressures for inclusion and fairness. If policymakers, at least in Western European countries, felt that they occupied relatively solid ground as part of the post-War settlement, this has be-

gun to feel decidedly shaky in recent decades as the contradictions between market and society become more pronounced. Initially stimulated by Offe (1975), evolution in the production and delivery of public policy reflects the amplification of these tensions with growing societal complexity, an increasingly volatile global economy, and public demands for greater openness, transparency and accountability.

As we argue below, traditional public administration is characterised by processes of rationalisation, centralisation, specialisation, and bureaucratisation (Ferlie, 2007). Post-modern organisational conditions in contrast feature conditions of fragmentation, networking, and decentralisation.

4.1 Bureaucracy

More than a hundred years ago, the German sociologist Max Weber wrote about the «iron cage» through which bureaucracy exerts legitimate power over state employees through the rational deployment of explicit rules and processes. This results in a reduction of freedom, initiative and individual power. On the one hand bureaucracy provides guidance and rules, clarifying responsibilities and thereby easing stress, helping individuals be and feel more effective. It also seeks to guarantee fairness and equity of treatment between individuals. At the same time it can stifle creativity, foster dissatisfaction and demotivate employees. It is inherently non-transformative, offering few opportunities for learning, reflection and innovation thereby leading to path dependency.

4.2 Target-driven Policy and Programmes

After 1945, policymakers increasingly recognised that complex social and economic problems required more complex solutions than could be delivered by the bureaucratic application of rules. Deprived populations, for example, suffered multiple disadvantages that cut across separate policy areas including education, housing, employment and welfare. Programmes were developed that sought to integrate separate policy strands under centralised corporate control within local authorities or other state agencies. At best, intervention was conceived as a reflexive process based on a virtuous circle of planning, intervention, learning and refinement. This shifted the emphasis from bureaucracy's focus on rationality in allocative procedures to rationality in decision-making. Such programmatic policy modes were often associated with scientific approaches such as Operations Research or Decision Theory. There was also a much greater focus on outcomes, and specifically on quantifiable targets against which progress and eventual success

could be measured. Achievement of these targets can be a significant factor in the career progression of individual managers. Inevitably this tended to shape management culture and practice. In the UK's National Health Service, for example, there is evidence to show that managers develop perverse behaviours to ensure that targets are met, often resulting in little real gain or to adverse consequences elsewhere. Targets become an end in themselves rather than indicators of wider progress (Wanless, 2004).

4.3 New Public Management: Enter the Private Sector

Political and ideological imperatives for the reduction of spending on welfare and other social policies have led, in some countries, to the introduction of market disciplines to public service management (OECD, 2003, Ferlie et al., 1996). This tendency, labelled as «New Public Management» (NPM), is based on five principal goals:

1. A desire to decentralise decision-making.
2. The introduction of management by objectives.
3. The reform of the public service labour market by contracting out services.
4. The introduction of competition to previously non-market sectors.
5. The introduction of a consumer orientation rather than a producer orientation.

In practice there have been big differences in the way that countries have approached public service reform and two contrasting pathways are evident. One pathway emphasises the modernisation agenda. Here, the reform of bureaucracy is achieved by the introduction of new actors, the creation of new partnerships at national and local level, a new and greater role for the third sector, and the innovative provision of services based on decentralisation. Within this pathway there are opportunities for social innovation in shaping alternative, local delivery of services. Much is made of the active citizen within a «big society» capable of making informed choices and maximising public good.

The second pathway is primarily based on the introduction of market disciplines to public service management through privatisation and marketisation, backed by stiffer regulatory frameworks and measurement systems. Alongside this is a slimming-down of the size of the public sector and a diminished role for the state at both national and local levels. The eventual outcome is a smaller, con-

sumer oriented public sector marked by a reduction in spending on services and providers. In this pathway, private sector participation in service delivery is typically governed by a strong emphasis on quantifiable targets reinforced by strong contract compliance regimes. This reflects a tension between the desire to decentralise decision making on the one hand and the pressure for accountability and transparency in achieving value for money on the other. NGOs and other not-for-profit organisations may well find that procurement rules make it difficult for them to tender and compete against large-scale private firms.

In practice the introduction of «*private sector expertise and initiative*» advocated by politicians has not always overcome the rigidities and inefficiencies characteristic of previous modes of policy design and implementation. Service delivery contracts are often awarded to the lowest cost provider for relatively short periods of time, providing little incentive to invest in real innovation. Employment security and benefits for staff are often reduced, and although this is seen by governments as an efficiency gain it may also lead to disengagement and the loss of staff knowledge and experience as a driver for improvement and innovation.

Evidence can be found of efforts to create latitude within New Public Management regimes to overcome these rigidities. For example, national policy imperatives are a powerful driver for the outsourcing of local government services in the UK. Yet Devon County Council's *Inclusive Communities* programme avoided the pressure to conform to standardised social services delivered by private sector contractors in rural areas. The Council's approach combines:

- Capacity building, working with community organisations to increase their ability to identify and meet need using local people;
- Providing individuals with personal budgets to enable them to commission bespoke services from local community sources.

4.4 Beyond Bureaucracy, Targets and Outsourcing . . . ?

Bureaucratic, programmatic and NPM approaches to policymaking as described above are, of course, not exclusive and may co-exist with other ways of working. But they have clearly been important in the European policy landscape. Policy practices focused on the enablement of social innovation are emerging in many parts of Europe but are less well defined and understood. «Enablement» in

this sense means far more than the constraining neo-liberal focus on influencing markets through tax breaks and incentives; equally it means transcending the transactional focus on targets and contractual performance characteristic of programmatic and outsourcing strategies. The need is to open up a new terrain in which democratic dialogue, social capital construction and empowerment constitute the dominant characteristics. This implies very different ways of working for policymakers, and possibly a very different type of policymaker.

4.5 The Role of Multilevel Governance

Governing social innovation in a non-hierarchical manner, involving networks of actors from both public and private sectors, and determining policy through negotiation, bargaining and participation (e.g. civil society as co-producers or co-developers) suggests that a modified understanding of multilevel governance is necessary. Anchored in political sciences, the concept of multilevel governance refers to the re-allocation of authority from the central state upwards, downwards and sideways and emphasises the independent role of supranational and subnational levels with national and regional governments (Hooghe/Marks, 2003). Forasmuch, the concept reflects a rise in the distribution of power between different levels of government and the establishment of policymaking coalitions that only partly comprise representatives from the state (Pradel et al., 2013).

The European Union as a supranational institution has played a decisive regulatory role, creating opportunities for novel governance approaches at local and regional levels including new forms of cooperation and coordination (Ebelein/Kerwer, 2004: 128). In this regard, the European Commission's White Paper (EC, 2001) with its five principles of «good» governance, namely participation, accountability, effectiveness and coherence, underpinned its view of a more democratic approach while emphasising subsidiarity (i.e. delegation to lower levels or to private actors). As Eizaguirre et al. (2012) concede, that by this political discourse together with implementing policies (European Regional and Cohesion Funds) in agreement with the Member States, the EU contributed to a strong relationship between multilevel governance and the competitiveness emphasising the competitive capacity of cities and regions. At the same time, negotiated rule-making at the European level involving both horizontal networks of governance and agreement through the vertical relations of Member States, exacerbates the complexity of multilevel governance, while decreasing the transparency of decision-making processes (Weale, 2011).

Social innovation is developed in this environment of multilevel governance. And multilevel governance is of particular importance when scaling social innovations, which necessitates liberating a solution from its context and embedding it to the new context. From this perspective governments at the different levels of decision-making and the EU should act as enabler, catalytic agent or facilitator to accelerate transformative processes.

5 CORE CHALLENGES AND DILEMMAS

«One of the key obstacles in moving towards more inclusive models of economic and regional development is the understanding of the relation between economic and social issues in policy thought and practice.» (Perrons/Dunford, 2013: 484)

This paper has argued that public value arises in the context of co-productions by citizens, government, social entrepreneurs, businesses, and civil-society organisations. We can explore this proposition further through the exploration of three principal dimensions: innovators, innovative public sector organisations and innovation partnerships.

5.1 Empowering Innovators

Innovation requires innovators, people who feel able and empowered to ask difficult questions, viewing intractable problems from different angles and sharing diverse perspectives and bodies of experience. The likelihood that individuals will identify themselves as innovators and act accordingly is shaped by many factors (Exton, 2010). It will be heavily influenced by whether their ideas and knowledge have been valued in the past, and also by the extent to which each specific context provides space and legitimacy for productive reflection and dialogue.

There are several ways in which potential innovators can be suppressed by policy structures and processes:

- **Power:** the explicit use of authority and the threat of sanctions to prevent 'insubordinate' questioning by employees or beneficiaries.
- **Anticipated reaction:** previous experience or subtle cues that ideas will be met with hostility or indifference.

- **Hegemony:** the status quo is so deeply embedded and reinforced that alternative practices become unimaginable.

In classic bureaucracies questioning is likely to be seen as highly disruptive. For employees it can be career-limiting while users and other stakeholders will struggle to find the means to make themselves heard other than through large scale social movements focused on substantive change.

Target-driven policy frameworks may facilitate «single loop» learning and improvement, in other words when it is confined to the means of delivering prescribed objectives. Questioning the objectives themselves (the «double loop») even on the basis of experience acquired during the programme is unlikely to be well-tolerated (Argyris & Schön, 1978).

New Public Management suffers from the same limitations but these are likely to be exacerbated by the reduction in public sector capacity for planning and innovation, as well as by the organisational and cultural divide between those responsible for procurement and those responsible for delivery.

Not all innovators will wait for permission to act. Nonetheless, the conditions under which more individuals define themselves as potential innovators need to be better understood and facilitated by policymakers. Policymakers themselves need to become more like social entrepreneurs, working in the spaces between formal structures and creating new partnerships around creative and inclusive ways of working. Likewise they need to allocate the resources required to create organisational and temporal spaces in which others can innovate.

5.2 The Innovative Public Sector Organisation

We have noted the European Commission's policy strand on public sector innovation and its (as yet) underdeveloped conceptual links with social innovation. Let us accept that there is a strong potential role for public agencies in stimulating, resourcing and sustaining social innovation through collaboration with external stakeholders. To fulfil this role as an effective partner in an innovative coalition the public agency has to ensure that its strategic focus, culture and work organisation are fit for purpose.

This can present significant challenges. Public sector agencies are doubly constrained. They not only face the same obstacles that confront any organisation in the face of change but are exposed to public scrutiny and accountability, often

creating a fear of adverse publicity and a reluctance to depart from established practice. Internal obstacles include hierarchical structures, rigid functional divisions, professional demarcations, fear of blame and line management resistance to staff empowerment.

The starting point must lie with recognition at senior level that staffs throughout public sector organisations accumulate tacit knowledge of «what works» and clear insights into what can be improved. Frontline staff in day-to-day contact with the public may well share frustrations with clients about the obstacles that get in the way of them doing a good job.

Fully engaging staff in improvement and innovation involves more than an isolated management initiative or programme: rather it involves rethinking working practices at every level from individual job design to creating channels for «employee voice» in strategic decision-making. Particular importance is placed on the creation of «spaces» for productive reflection and innovation in which hierarchy is left behind and the force of the better argument is recognised, no matter who makes it (Totterdill, 2015).

One example of such dialogue, albeit tangentially related to social innovation, can be found in the Devon & Cornwall Police service. The challenges of introducing innovative ways of working into a police force are many and various. By definition, a police force is organized on strict hierarchical lines with clearly defined functions and publicly accountable responsibilities, none of which are easily changed. Its functions are restricted by the prerequisite of applying the law and influenced by traditional police culture, operational imperatives and the short-termism of performance culture.

Devon & Cornwall Police inaugurated a cross rank discussion group to explore new ways of working, communication and collaborating. Hierarchy is left outside the room and junior officers speak on equal terms with those of senior rank. It has achieved several positive outcomes. For example budgetary challenges that impacted on the police vehicle fleet meant that resources were being diverted to emergency response at the expense of neighbourhood and community teams, even though high police visibility is very important. Following a suggestion at the forum from a frontline officer in daily contact with the public, a pilot scheme using electric bicycles was tried to universal approval.

Considerable attention is paid in the literature to the importance of leadership in stimulating public sector innovation. In particular «shared and distributed

leadership» (Buchanan, 2007) is emerging as a widely prescribed model. In this formulation leadership is co-created with other actors through a process of dynamic, collective activity with a strong focus on relationship building and networks of influence. It is as much bottom up as top down, and characterised by frequent egalitarian interactions and role changes in which an individual can lead in some situations but «follow» in others. Shared and distributed leadership is effective in the context of change and innovation because it can ensure widespread ownership of both processes and outcomes rather than seeking mere compliance.

Shared and distributed leadership also stimulates entrepreneurial behaviour (or «intrapreneurship»⁴) within organisations. Change entrepreneurs stimulate innovation by challenging traditional practices and role boundaries. They work between formal organisational structures and demarcations to achieve outcomes that cannot be achieved through routine transactional processes. A study (Exton, 2010) conducted within the UK's National Health Service shows that they play a critical role in securing effective and sustainable change by engaging staff at different levels and thereby stimulating innovation. However the study also warns that entrepreneurial behaviour can be career-limiting for an individual if they challenge embedded cultures and practices without having secured adequate support at senior level. Likewise an EU-funded action research study in three UK Probation Trusts had to confront bullying targeted at a change facilitator seeking to achieve more integrated patterns of working between different internal functions and external partners (Totterdill et al., 2013).

Equality in gender, ethnic and other minority access to leadership roles should also be emphasised, not least because diversity is an important resource for innovation (Page, 2008).

5.3 Building and Sustaining Innovative Partnerships

The third dimension is about the nature and quality of interaction or partnership between different actors. A rudimentary analysis of several case studies suggests that social innovation is stimulated when policymakers seek to construct relationships with NGOs, user groups and other stakeholders which are long-term and trust-based rather than focused solely on the delivery of short-term out-

⁴ Intrapreneurial behaviour can be defined as the identification and exploitation of opportunities by individual workers to (also) advance their organization, which is generally characterized by employees' innovation, proactive and risk-taking behaviours (De Jong et al., 2011; Stam et al., 2012).

comes. Moreover these relationships need to permeate and involve staff at all levels of each partner organisation – not just the senior teams.

Partnerships that are successful in stimulating and resourcing sustainable social innovation are likely to be characterised by:

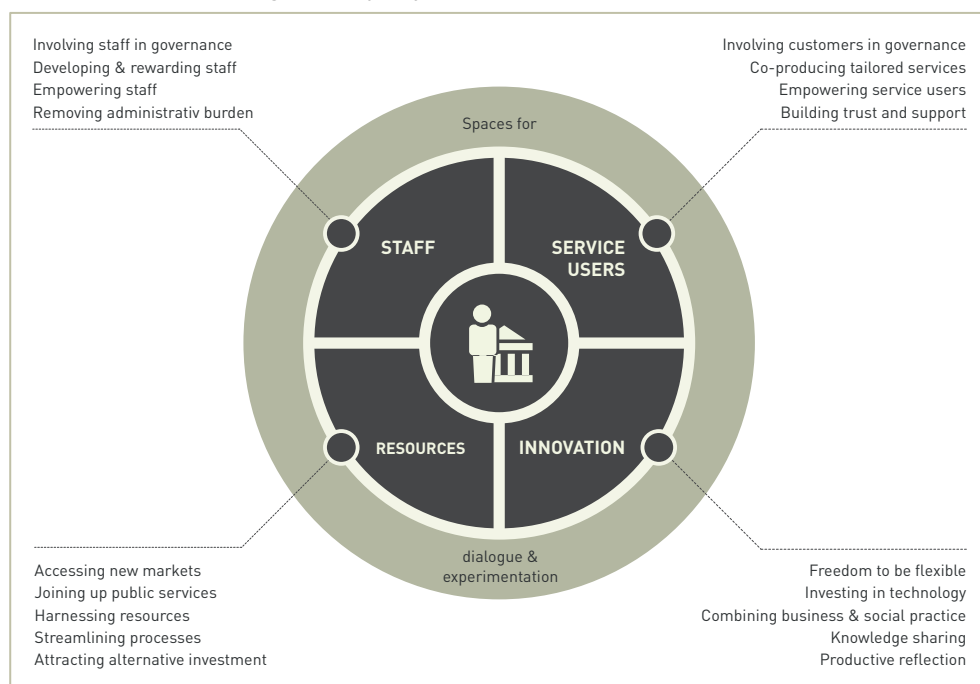
- ***A strategic relationship.*** Trust-based relationships must be built on more than the short-term transactional and contractual concerns associated with outsourcing. Partners need the opportunity to forge a common vision and a sense of mutual interdependence in securing a successful future.
- ***Dialogue extends beyond compliance.*** Contractual relationships are often focused on the achievement of quantifiable targets with little scope for shared reflection and double-loop learning. Spaces need to be created in which more open dialogue with diverse stakeholders takes place on a regular basis, driving innovation and improvement.
- ***A deepening appreciation of each partner's competence and contribution.*** Public sector commissioners and NGO providers benefit from informal opportunities to learn from each other, and to share private concerns and aspirations. Mechanisms such as job swaps, dialogue seminars and collaborative research can provide such opportunities.
- ***Inter-organisational team working and reduced demarcations at every level.*** It is critical that inter-organisational partnership extends beyond the formal agreement at senior management level. Staff at every level needs to benefit from the shared visioning and learning described above if they are to avoid mistrust and work together as an effective team across organisational boundaries.

There is no doubt that establishing such partnerships creates real challenges for policymakers in terms of time, resources and competencies. It will also challenge procurement, competitive tendering and other regulatory frameworks.

6 CONCLUSION: TOWARDS A NEW MODE OF POLICY PRODUCTION AND IMPLEMENTATION

Social innovation implies different roles and ways of working for all stakeholders, both individually and collectively. SIMPACT will explore this further in the coming months but the following model provides a starting point:

Figure 1. A policy framework for social innovation?



Source: Adapted from Social Enterprise UK (2012)

For public agencies themselves this may have profound organisational consequences. Hierarchical structures, functional demarcations and limited staff discretion will need to be replaced by more enabling work practices that enable public sector staff at all levels to use their full range of knowledge, experience and creativity - in short, social innovation in the workplace (Totterdill, forthcoming).

SIMPACT's task is to conceptualise a systematic approach to policy design and implementation capable of stimulating, resourcing and sustaining social innovation on a large scale across Europe, while drawing on innovative and emerging policy practice from across Europe. This is not simply a desk exercise but will involve active dialogue and engagement with policymakers at local, regional, national and EU levels as well as with other social innovation stakeholders.

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