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A Theoretical Framework for the Economic Underpinnings of Social Innovation

Dieter REHFELD & Judith TERSTRIEP

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SIMPACT

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A Theoretical Framework for the Economic Underpinnings of SI

*Judith TERSTRIEP & Dieter REHFELD

* Institute for Work and Technology

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ABSTRACT

Solutions to empower and (re-)engage vulnerable and marginalised populations to unfold their hidden potential allowing them to fully participate the social, economic, cultural and political life, necessarily involve institutional change. This in turn requires understanding the processes and mechanisms by which social innovations lead to institutional change. Considering the specific nature of social innovations as interactive, generative and contextualised phenomena while maintaining that many practices at the micro-level can add up to patterns and regularities at the macro-level, middle-range theorising (MRT) is proposed as an appropriate method to theoretically underpin and substantiate theoretical advancements towards a multidisciplinary perspective on the economic dimensions of social innovation, identifying the direction of future empirical inquiries.

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1 THEORISING SOCIAL INNOVATION – STARTING POINT

Social innovation is a broad and dynamic phenomenon. The global mapping of the SI-Drive project shows that social innovation is different from world region to world region, from policy field to policy field, or from the societal level we look at (Howaldt et.al. 2016). In consequence, the expectations are high that social innovation contributes to a sustainable societal development. Social innovation

has the potential to overcome the shortcomings of purely technical innovation. The most prominent expectations associated with social innovation can be summarised as follows: Social innovations represent a new and more inclusive economic growth strategy. Social innovation is a seedbed for an active and responsible civil society. Social innovation contributes to solve problems of the welfare state. Social innovation is a key issue in facing societal challenges.

In theoretical terms social innovation is a rather unexplored phenomenon. Of course, there is a certain tradition in research with relevance for social innovation (see, for example, Rehfeld, Terstriep et. al. 2015) but this literature is rather broad and embedded in specific disciplinary contexts. It follows that theorising social innovation is a balancing act. On the one hand, it does not start from scratch and has to consider the state of the art of established theoretical approaches. On the other hand, it has to avoid that given analytical constructs direct theory in a direction that is not open for the specific and new aspects of social innovation.

There are different ways to cope with this challenge. One way is to start with a vague or fuzzy concept (Sarasin 2009: 55, 81) and sharpen the concept in the course of empirical research. Emphasising the necessity to follow the actors to understand networks, Latour's (2007) actor-network theory fits with such approach and a pragmatic interpretation is used in SIMPACT when studying components, objectives, and principles of social innovation and by making use of social innovation biographies which start with a narrative interview.

An example for such broader understanding of social innovation is BEPA's (2011: 43) definition that addresses the process and the outcome of social innovation as well as the different societal levels that are approached by social innovation.

«Social Innovation relates to the development of new forms of organisation and interactions to respond to social issues (the process dimension). It aims at addressing (the outcome dimension):

Social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society. Approach 1

Societal challenges in which the boundary between 'social' and 'economic' blurs, and which are directed towards society as a whole. Approach 2

The need to reform society in the direction of a more participative arena where empowerment and learning are sources and outcomes of well-being. Approach 3»

A further approach studies social innovation as an answer on the social problems raised by globalisation, financialisation and individualisation. In theoretical terms the study of Beck (2016) on the metamorphosis of the world contributes to an approach like this when he sees the rising engagement of international organisations and civil society going hand in hand with societal challenges that cannot be solved in the given frame of national states. In a more practical view the «Convivalist Manifesto» (2014: 24) lists a broad range of new activities by civil society that aim at overcoming social distortions caused by globalisation.

«There are countless initiatives already working along these lines, with the backing of tens of thousands of organizations and groups and hundreds of millions of individuals. They appear in an infinite number of guises and sizes: movements for men's and women's rights, citizens' rights, the rights of workers, the unemployed, and children; the social and solidarity economy, with its various components – producer and consumer cooperatives, mutualism, fair trade, parallel and complementary currencies, local exchange trading systems, and numerous mutual-aid associations; the digital sharing-economy (Linux, Wikipedia etc.); de-growth and post-development; the 'slow food', 'slow town', and 'slow science' movements; the call for buen vivir, the affirmation of the rights of nature, and the admiration for Pachamama; alter-globalization, political ecology and radical democracy, the indignados and Occupy Wall Street; the quest to identify alternative wealth-indicators; movements for personal growth, for 'simple living', for 'frugal abundance', and for a 'dialogue of civilizations'; the 'ethics of care', the new 'commons' thinking, and so on».

The problem of these approaches is that they do not differentiate between the heterogeneous and fragmented building blocks of social change and therefore, do not distinguish change from innovation in the social field. In contrast SIMPACT starts with the assumption that «innovation» is different from «change». Choosing such a focus point, SIMPACT is *not* about social innovation in general but

about a specific aspects and fields of social innovation that will be explained in the following chapter.

In theoretical term SIMPACT therefore aims at middle-range-theorising (MRT). The basic assumptions of MRT have been presented in a former SIMPACT paper (Rehfeld/Terstriep 2015) and will be summarised in the subsequently. The following chapters centre on key theoretical considerations of MRT. Several parts have been already published in the final brochure of the SIMPACT project (Terstriep et al. 2016).

2 FRAMING THE SCENE – THE FOCUS OF MRT IN SIMPACT

As a largely unexplored research field, SIMPACT focuses on the economic dimension of social innovations in an attempt to better apprehend the impact of social innovations on social and economic transformation by building and extending an advanced knowledge base. This specific research question leads to the following definition:

«Social innovation 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 social innovation or as a result of it.» (Terstriep et. al. 2016: 6).

This definition includes three key aspects which form the basis for our MRT approach:

Firstly, the definition focuses on those activities that contribute to empowering and (re)engaging vulnerable groups. This does not mean, however, that everything that is under change in the context of vulnerable populations is social innovation. Rather, social innovation refers to activities that strengthen vulnerable populations' capabilities (Sen 2010, Weisser 1978) to actively participate in societal life, or else, that broadens their scope of action. Hence, social innovation is not studied as change in the social field as such, but looks at activities that empower individuals or groups of individuals and contribute to societal cohesion.

Secondly, the point of reference is the given institutional context. Social innovations are those activities that transcend a given institutional context.

«Transcending» the institutional context does not mean that an institutional context is obsolete and replaced by actions from civil society or economy. Transcending aims at bringing about new ideas and new solution that contribute to learning and reforming the institutional setting (here: the welfare regime, cf. Esping Andersen 1990). Bringing about social change of the institutional frame is important because otherwise social innovations stay in a niche and remain peripheral and occasional with marginal impact on social cohesion.

Thirdly, the empirical research indicates a gap between the broad range of locally embedded social innovations and their impact on institutional change. Answering the question how to close this gap necessitates to study the current situation of social innovations and the processes that bridge individual action and institutional change.

In consequence, SIMPACT also studies how to close or narrow the gap between single social innovations and the institutional setting, where the economic underpinning of social innovation is viewed as crucial. This is evidenced by the observation that the economic underpinning of social innovations, as yet is rather weak, and that there is need and potential to improve economic thinking and action in social innovations.

2.1 The SIMPACT Approach of MRT in a Nutshell

When SIMPACT talks about economic underpinning this is neither to redefine social and economic theories nor to surrender to the temptation of designing new theoretical approaches to social phenomena. Instead SIMPACT followed an established way of linking theoretical and empirical research by using the concept of middle range theorising (MRT).

Introduced by Merton (1994) middle range theorising is not about general theory, but focuses on empirical research by accounting for spatial and temporal dimensions and social objectives and explanations. In this regard, SIMPACT focused on Europe following the 2007-2008 global financial crisis and economic meltdown. Emphasis was placed on the economic and political consequences of social engagement and the societal impact of social innovation. By reflecting on the need for political innovation, the SIMPACT acknowledged the necessity to

accelerate the process of social innovation for greater societal impact.

In doing so, a broad set of social mechanisms having the potential to bridge the micro- and macro-level following the MRT postulates were identified. Rather than focusing on the societal transition, SIMPACT has a specific and clearly delineated topic: institutional and related political change. The unit of analysis is the social innovation that addresses the challenge of dealing with vulnerable and marginalised populations. The level of analysis lies at the micro- and meso-level of social innovation with the latter being associated with policy fields.

SIMPACT's emphasis on the need to support vulnerable and marginalised populations came as a response to a provision for economic efficiency to better serve economically poor and socially underserved populations rather than subsidising them. It is argued that empowering vulnerable groups helps overcome the daunting problem of resource shortcomings by enhancing peoples' quality of life through enhanced engagement in society thus strengthening integration, welfare, and social cohesion in the long-term. In this sense, exclusion is not viewed as individual inadequacy, but is imputable to institutional blockings and shortcomings, market failures, public sector silo thinking and growing fragmentation of the civil society. One can logically conclude that a shift from viewing vulnerable groups as «burden to society» to one that values individual potential and their contribution to society constitutes a cornerstone in the social debate.

SIMPACT places particular emphasis on balancing economic, social and political efficiency and tailoring political intervention as a means to achieve economic balance and social cohesion as a requisite for societal change. Equally important is SIMPACT's focus on the micro- and meso-level of social innovation and the broad set of mechanisms that allow to bridge the two levels. Whereas «*micro*» refers to social innovation activities, «*meso*» covers the broad policy field in which social innovations take place. Micro- and meso-levels of social innovation highlight the importance of allocative efficiency and social effectiveness. *Efficiency* is understood in a broad sense as optimal distribution of available resources to achieve set goals. Within SIMPACT it is about balancing economic, social and political efficiency as well as tailored political intervention and instruments in

response to societal needs. Thus, the focus is on the micro- and meso-level of social innovation as well as the mechanisms to bridge both levels. *Effectiveness* points to adequacy of purpose and degree of accomplishment and producing the intended result.

Public institutions are increasingly under pressure to deliver new services while at the same time are being urged to reconsider and restructure the existing services by achieving higher levels of efficiency and effectiveness. Despite a continuous effort to improve their functioning and performance, the adoption of the private sector's business models and practices have not resulted in more effective solutions. In many instances, privatisation has failed to bring about the accessible, qualified and diversified offering it had promised. The situation is further exacerbated by the fact that (public) institutions operating in the social arena tend to follow their own institutional logic rather than adopting novel and transformational approaches. Due to their manifold missions and heterogeneity, public institutions' actions are guided by regulatory and legal considerations with little resources allocated to individual actions and potentials. By applying innovative business models, for example, social innovators challenge and are in conflict with existing practices and the established welfare and market institutions.

2.2 Analytical Frame: Components, Objectives & Principles

As a rather underexplored research field, social innovation requires analytic categories that are precise on the one hand and sufficiently open to account for their specifics and hidden characteristics on the other hand. In addition, and in accordance with SIMPACT's key research questions, related categories should facilitate studying the modes and deficits of social innovations' economic dimensions. Rather than economisation, economic foundation in the sense used here refers to the principles underlying and effective and efficient use of resources with respect to set objectives. Moreover, economic foundation refers to and provides a broad framework to study and comprehend the effectiveness of social innovation processes – from the very first idea of social innovators to the implementation of the solution and its spread/diffusion that will ultimately lead to institutional change. This entails the key analytical categories of SIMPACT: components (actors,

resources, and institutions) objectives, and principles (modes of efficiency and governance).

Components comprise actors and resources as active production factors and institutions as given context factors. As outlined below, actors from civil society, the economic field and policy field are key actors from economic perspective. Regarding the legal structure, civil society actors are grouped in informal actors and formal actors. Actors from the economic field facilitate social innovation in developing products and services and promote the social innovation initiative outside its core business (e.g. sponsoring). Whereas, actors from the policy field are representatives for defining and changing institutions as well supporting social innovation that demonstrate the potential to impact societal challenges at large.

Basically, economic resources such as labour, capital and premises are of utmost importance to implement social innovators' initial ideas. Political and social resources emerge as equally important factors which comprise several rights and laws as well as social trust and relational capital. What we can learn from this enumeration is that no category stands on its own. Organisations engaging in the design and implementation of social innovations usually combine economic, political, personal and/or social resources.

Moreover, institutions pertain to the category of components and constitute a building block of social innovation. Political, welfare, social and economic institutions can be designed with the purpose of empowering social and economic actors as well as to foster the process of social innovation at the micro-, meso- and macro-level. It is assumed that organisations are embedded in specific institutional contexts where actors' behaviour and interaction are shaped.

Objectives comprise actors' goals and motivations to engage in a social innovation, which could either be economically or socially driven or any combination of these. In general, consumers are driven by utility maximisation (e.g. quality of life), while firms are directed by profit maximisation and governments strive for welfare maximisation. It appears that economic actors mostly implement business strategies in order to sustain a competitive advantage, whereas social actors' motivation can be assumed to base on commitment and cooperation.

Principles refer to concepts or strategies of efficient allocation of resources relation to the objectives of the involved actors and modes of governance. At the organisational level this includes strategic aspects to be considered as well as rules of internal interaction (governance) on the micro- and meso-level, as well as in terms of external interaction, at the macro-level. Modes of governance describe how decision-making, leadership and ownership are managed in social innovation, primarily at the micro- and meso-levels. SIMPACT's aim is then to investigate (new) modes of governance at higher levels, related to policy-making, self-regulation and co-regulation of private and public actors as well as delegation of tasks to regulatory agencies.

2.3 Research Methods

Basically, an analytic approach to studies a widely unexplored topic requires research methods that are open to new and unexpected aspects. In this vein and to reflect the evolutionary character of social innovations while accounting for the dynamics in related policy streams, distinct forms and various levels of analysis have been adopted:

Meta-analysis of was applied to systematically summarise and integrate findings from existing social innovation case studies and analyse differences in the results, thus adding value to existing knowledge while avoiding duplication of research efforts.

Business Case Studies (BCSs) provide SIMPACT with an important means of understanding the economic aspects of social innovation and of grounding design thinking. Aspects covered comprise problems addressed and idea, core solution and motivation as well as the development process and value chain. BCSs advanced the understanding of economic aspects of already described cases though deep qualitative desk research, during which information from distinct sources (e.g. scientific/non-scientific publications, websites, interviews) is collected and compared. Business case studies are committed to the design approach and makes use of reverse engineering (cf. Rizzo et. al. 2015).

Social Innovation Biographies (SIBs) of successful and less successful social innovation initiatives have been conducted to deepen our understanding of development paths, knowledge trajectories and stakeholder interactions throughout the innovation

process. SIB's allow for the reconstruction of social innovation from its first idea to its spread and diffusion identifying involved actors, processes and networks as well as their interplay by following the process with narrative interviewing methods and triangulation (Butzin et. al. 2012, Butzin/Widmaier 2016).

Social innovators are confronted with a wide array of dilemmas. Rooted in management theory, Hampden-Turner and Tan (2002) as well as Trompenaars and Prud'homme (2004) discuss the existence of dilemmas and strategies to deal with these. The *dilemma approach* sheds light on social and cultural complexity, dynamics and the paradoxical if not conflicting demands of different actors or actors and the environment. The application of the dilemma approach in cross-cultural management studies illustrates that by reconciling seemingly opposing cultural values, conflicting values can be transformed into complementary values. In the dilemma approach, cultures are not assessed as a fixed set of value orientations, but by how they reconcile these dilemmas. Insofar the approach is open to social dynamics and avoids a targeted bias in social innovation studies. The first step to make use of the dilemma approach in social innovation studies is to elaborate key dilemmas in course of the social innovation process. Subject to the level of analysis, the dilemmas are conceptualised at different level of abstraction. At the macro-level, for example, social dilemmas are balancing individualist collective modes of operation at community, regional or national level or the balance between individual consumption or shared consumption (Rehfeld/Terstriep 2016). The term «balance» indicates that there is no one best or dominating solution but that social solutions and underlying processes may be situated anywhere between the two ends of the continuum.

For instance, productivity, profitability, innovation, and competitiveness are among the main economic objectives. Moreover, economic, social and political inputs and outputs need to be considered when measuring performance of innovations. Accordingly, different modes of resource allocation and value creation will not only determine the efficiency of innovations. In general, but also of social innovation. However, so far insights in what efficiency means in the context of social innovation remain rather scarce. Therefore, it is proposed to de-

scribe different trajectories to deal with trade-offs between contradicting objectives as dilemma approach (Figure1). Here the focus is on, for example, the contradictions between economic and social goals, short-term success and long-term sustainability as well as between competition and collaboration.

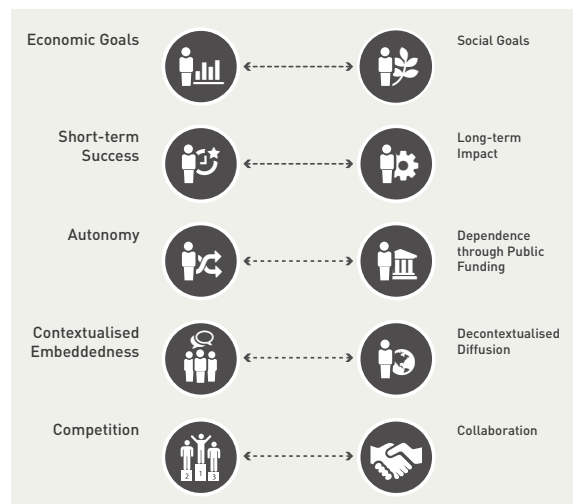


Figure 1. Distinct Modes of Efficiency

3 KEY RESULTS – ECONOMIC UNDERPINNINGS OF SOCIAL INNOVATION

In the following selected results with relevance for middle range theorising in SIMPACT are presented. The first two sections aim at understanding more precisely the meaning of social innovation. Based on the three analytical categories of components, objectives and principles, social innovation is compared with other modes of innovation and actors' roles in the innovation process are discussed. Subsequently, it is reflected on the social innovation ecosystem and bridging mechanisms, both of which are crucial in accelerating social innovation dynamics.¹

¹ Additional results are presented in different chapters of SIMPACT's publications available at <http://www.simpact-project.eu/>.

3.1 Comparing Social Innovation and other Types of Innovation

Taking components, objectives and principles as point of origin, the Table 1 summarises central factors distinguishing social from economic innovation. More precisely, innovation in different social fields are compared. The key feature of the concept of social field (Bourdieu 1985) is that it is aware of the specific logic of the single social fields on the one hand and of the impacts of other social fields on the other hand.

Components include actors, resources, and institutions (Table 1). From a classical perspective, the situation in the *economic field* is rather simple: companies functioning as suppliers, households representing the demand side, public sector setting the framework conditions, and research providing innovation-related knowledge are key actors. Capital, labour, land and knowledge are the key resources. Market driven competition govern interactions, while improving or sustaining the competitive position is the key objective (cf. for instance Kline/Rosenberg 1886, Fagerberg et. al. 2004, Mai 2014).

Innovation in the *social field* is much more complex. Social innovation takes place in manifold organisational settings. While social enterprises have a specific legal status in several countries, in others they do not. Also, the understanding of «social innovators» varies largely across Europe. In Anglo-Saxon countries, for example, social innovators are mainly seen as social enterprises, whereas in other European countries social innovator stands for a broad range of different organisations including social movements, clubs, self-organised groups, cooperatives, foundations, projects, and so on. Beneficiaries – in SIMPACT vulnerable and marginalised people – are involved as customers, co-creators or knowledge providers. Also, social innovators are supported by volunteers and by actors from the political or administrative sector. Such manifold actor constellation corresponds with the broad range of financial resources including own resources, public funds, donation, crowd funding or free facilities and infrastructure are of importance. Next, social capital shows to be an important resource in social innovation. The institutional context is divers as well. Some social innovators act on the market, others bypass

commercial markets and apply sharing strategies. Nevertheless, what social innovators have in common is their strong local embeddedness.

		SOCIAL INNOVATION	ECONOMIC INNOVATION
COMPONENTS	Actors	Social entrepreneurs, initiatives, movements, foundations Beneficiaries Public Sector Intermediaries	Companies Households Public sector Research
	Resources	Economic and social capital, premises, participation, political resources (vote, protest)	Capital, labour, land, knowledge
	Institutions	Market, welfare regime, local or regional governance	Market
OBJECTIVES	Social	Prevailing	Partially addressed by CSR, sponsoring etc.
	Economic	Often neglected or subordinated	Prevailing
PRINCIPLES	Efficiency	Balance of social and economic objectives with clear priority on social ones	Balance of different economic objectives (e.g., long vs. short-term, shareholder vs. stakeholder-driven)
	Governance	<i>Internal:</i> participative <i>External:</i> complex mode of regulations, bargaining, cooperation and conflict	<i>Internal:</i> hierarchical with different degrees of participation <i>External:</i> competition and cooperation

Table 1. Social vs. Economic Innovation

Subject to the envisaged aim, innovation in the political field can likewise be assigned to social innovation or economic innovation. Nevertheless, the situation in the *political field* is more structured but subject to change (Sabatier 1993, Srensen/Boch Waldorff 2014, Totterdill et al. 2015). Politicians and administrative staff are key actors. Ideas as well as pressure for innovation are mainly come from civil society and lobbying associations. Academia is involved through policy advise, consulting, advisory boards, evaluation, and so on and is of rising importance. Votes are the basic resources and the legitimation and power to implement political decisions in an authoritative or obligatory way. Although knowledge builds a common resource in politics, in «post-factual» times and the rising influence of social media one must be careful in not overestimating it. In European democracies, the institutional setting is clearly defined: elections and majorities, formal bureaucratic procedures, the rule of law, and the subsidiary principle that is guiding the division of labour between the multiple political levels.

As far as objectives are concerned, at first glance in each social field specific objectives prevail. However, taking a closer look unveils that borders between the three social fields become increasingly fluid and objectives interwoven. The rising importance of *economic objectives* in almost any social field is well-known and broadly accepted (Crouch 2015, Ther 2014). As regards economic innovation in the political field this is reflected in, for example, «New Public Management», competitive calls, rigid budget policies («black zero») or instruments such

as monitoring, evaluation or best practice. Likewise, this applies to social innovation in the political field. As mentioned earlier, social innovation is often abridged as social enterprise and in certain schools of thought viewed as an instrument to improve economic or technical innovation. In contrast, SIMPACT aims at a broader concept of economic underpinning that is about making best of the given resources in relation to a specific balance of objectives.

	ECONOMIC ASPECTS	SOCIAL ASPECTS	POLITICAL ASPECTS
ECONOMIC INNOVATION	<ul style="list-style-type: none"> » Research and technology » Business models » Organisational concepts » Modes of production 	<ul style="list-style-type: none"> » Networking attitude 	<ul style="list-style-type: none"> » Internalisation of economic effects » Shaping and framing fo markets
SOCIAL INNOVATION	<ul style="list-style-type: none"> » Strengthening economic underpinnings (e.g. entrepreneurship, monitoring, evaluation) 	<ul style="list-style-type: none"> » Empowerment » Self-organisation » Responsibility » Changing societal values 	<ul style="list-style-type: none"> » Institutional and legal frames » Prohibitions and incentives
POLITICAL INNOVATION	<ul style="list-style-type: none"> » New Public Management » Competitive calls » Budget policies » Monitoring & evaluation 	<ul style="list-style-type: none"> » Resistance » Social fragmentation » New modes of participation » Changing societal values 	<ul style="list-style-type: none"> » Decentralisation » Regionalisation » 'Good Governance' » Coordination & delegation

Table 2. Links Between Economic, Social and Political Innovation

Hitherto, the *influence of social aspects on economic innovation* (Figure 3) is rather unexplored. For instance, the change of entrepreneurs' attitudes from «lonesome riders» to network actors was one of the most important cultural shifts in the economic field and one of the driving forces of new cooperative innovation concepts such as cluster, triple helix, or open innovation. In addition, the rising awareness of ecological and social affairs within companies – as is reflected in the concept of corporate social responsibility (CSR) – is to be mentioned in this context. Obviously, social change is important for modifications in the policy field. Changing values are accompanied by individualisation and social fragmentation. Demographic change results in a radical rebuilding of the party system and new modes of participation and policy formulation. To make better use of the potential social and economic impact of

social innovation, requires a coordinated policy approach, i.e., an improved coordination of the different policy fields concerned.

The impact of *political aspects on economic innovation* is a raising field of research. Political decisions structure markets, and strong regulation as well as public research works as a driving force in coping with societal challenges such as communication, health, or sustainability (Mazzucato 2014).

Finally, SIMPACT case studies illustrate the *influence of political aspects on social innovation*: Firstly, the empirical results indicate that competitive calls might hinder the free flow of knowledge that drives social innovation as former collaborators become competitors due to limited funding. Rather than sharing their knowledge as is customary in social innovation, social innovators tend to protect in-

novation-related knowledge and ideas underlying their solution. Secondly, a clear majority of social innovators avoids to make use of public funding because they fear that their own objectives and creativity is subordinated to the objective of the formal frame of the funding program. In some cases, social innovators feel as being put in the role as agents of the public sector. An aspect which has been already studied in the 1950ies (Draheim 1952) in research about public funding of cooperatives.

3.2 Towards a Typology of Social Innovation

Social innovation is more complex than other types of innovation there is need to work out different types of social innovations. Doing this, one must keep in mind that in social innovation processes the analytical categories are mutually dependent and form a loop of components, objectives and principals in the theoretical model (Figure 4). The model anticipates that the interplay between the elements with-

in a category and the dynamics between the categories drive social innovations' economic and social impact. For example, subject to the actors involved in the innovation process available resources such as knowledge, social and relational capital plus finance are expected to vary, and therewith affect the scope of action.

Likewise, the specific institutions actors embedded may fuel or hinder social innovation, while in turn - over the course of time - actors' innovations ideally result in institutional change. Moreover, SI actors' objectives are shaped by actor constellations and motivations on the one hand and available resources on the other. Changing objectives might call for the involvement of new or distinct actors, whereas the allocation of resources to achieve the set of goals is closely related to modes of efficiency and governance.

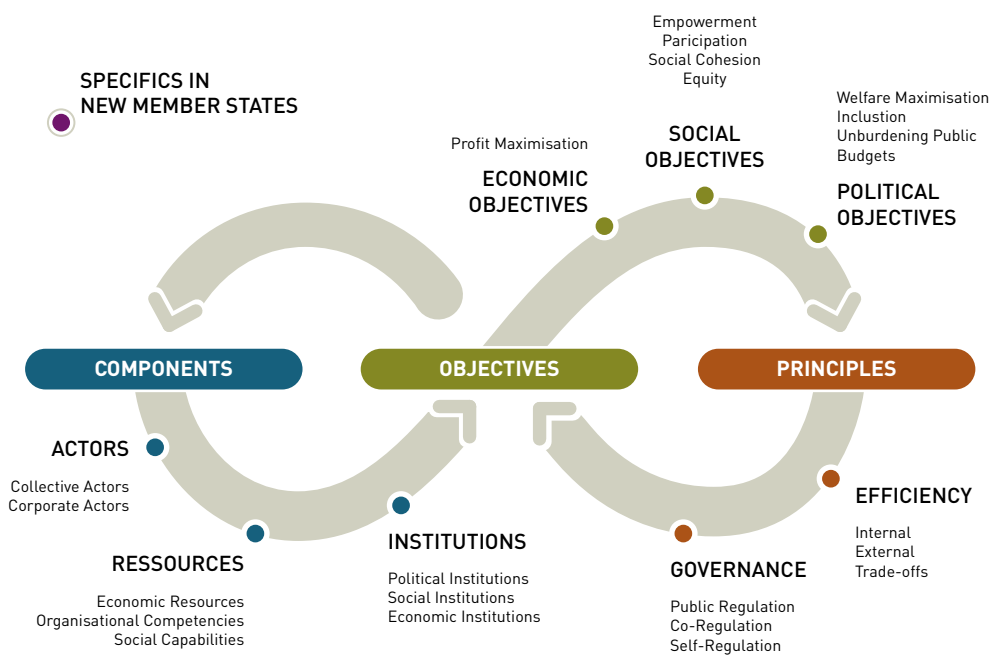


Figure 2. Components, Objectives & Principles – SIMPACT's Basic Model

The following typology aims at positioning single socially innovative activities in the overall context of social innovation by allocating them to the three societal levels (micro, meso, macro) and the balance between economic and social objectives

(Table 3). The first column describes *actors at the micro-level* which initiate or actively support social innovations. There is a longstanding tradition of established business models for associations, cooperatives or mutual and fast growing social enterprises

that have a specific legal form in several countries. The centre column concentrate on *actors that balance economic and social objectives at the meso-level* including actors from policy field and social economy which traditionally are responsible for institutional change. *Actors at the macro level* have global

economic and social influence and are in the position facilitate social change regardless of their location.

	ACTORS WITH FOCUS ON THE MICRO-LEVEL (SINGLE IMPACT)	ACTORS WITH FOCUS ON THE MESO-LEVEL (INSTITUTIONAL CHANGE)	ACTORS WITH FOCUS ON THE MACRO-LEVEL (SOCIAL CHANGE)
FOCUS ON ECONOMIC OBJECTIVES	<ul style="list-style-type: none"> » Selective use of specific competencies » CSR » Workplace innovation 	<ul style="list-style-type: none"> » Business Associations » Lobbyists » Regulative Boards 	<ul style="list-style-type: none"> » Think tanks » OECD » IMF
BALANCED ECONOMIC & SOCIAL OBJECTIVES	<ul style="list-style-type: none"> » Social enterprises » Charities » Mutuels » Associations » Cooperatives 	<ul style="list-style-type: none"> » Associations » Foundations with a specific focus » Policy 	<ul style="list-style-type: none"> » Business Organisations » ZEW0 - Central Office for Charitable Organisations
FOCUS ON SOCIAL OBJECTIVES	<ul style="list-style-type: none"> » Broad range of diverse actors with hybrid business models 	<ul style="list-style-type: none"> » Platforms » Fora » Imitation » Community building 	<ul style="list-style-type: none"> » World Social Forum » NGOs

Table 3. Social and Economic Objectives at distinct Societal Levels

Above table summarises the actors that showed to be driving forces of social innovation in SIMPACT's case studies and which are constantly under pressure to sustainably balance economic and social objectives. Traditional companies and companies initiated by individuals (e.g. user-driven companies) at the *micro-level* have a clear focus on economic objectives. More recently a growing number of companies considers social objectives in their strategic planning. Corporate social responsibility strategies (CSR), for example, recommend to make use of the very specific competencies of people (e.g., involvement of autistic people in software-development or

blind people in cancer prevention) and participative approaches in workplace innovation. However, by following such strategy several obstacles arise, e.g., social objectives are not linked to the core business and are currently. To circumvent such problems, companies tend to outsource their social engagement to autonomous foundations.

At the *meso level*, traditional companies as well as companies from the social economy are organised in associations and special interest foundations which are members of policy round-tables or networks in the related policy fields (health, youth, labour policy etc.), in regulation or expert boards. In

contrast, other social innovation actors organised in platforms or fora are less committed to a specific policy field, but are more heterogeneous in terms of its members and their organisational form.

The communication at this level is informal, but creates successful mechanisms of cooperation: Interaction that leads to imitation and adaption in other regions; platforms, and fora that result in community building. The analysed social innovation cases provide evidence that capacity building is more appealing for meso-level actors. In this context, capacity building includes new modes of cooperation between different social service providers, combinations of information activities, strengthening of professional structure of public services, training for local government employees and train-

ing and coaching for teachers. Likewise, networking activities which pave the way for knowledge sharing, the combination of project and web platforms as well as community building. Moreover, the introduction of the legal status for social enterprises at the meso-level is progressing in several European countries. Finally, implementation mechanisms aiming at the integration of inclusion policy and cluster policy such as the ESF-project, support social innovation at the meso level.

Although the specificities and influences of *macro-level* actors are not part of the SIMPACT, it showed to be useful to integrate some aspects of the global context in our analysis, e.g. the geographic scope and the macroeconomic shocks and trends.

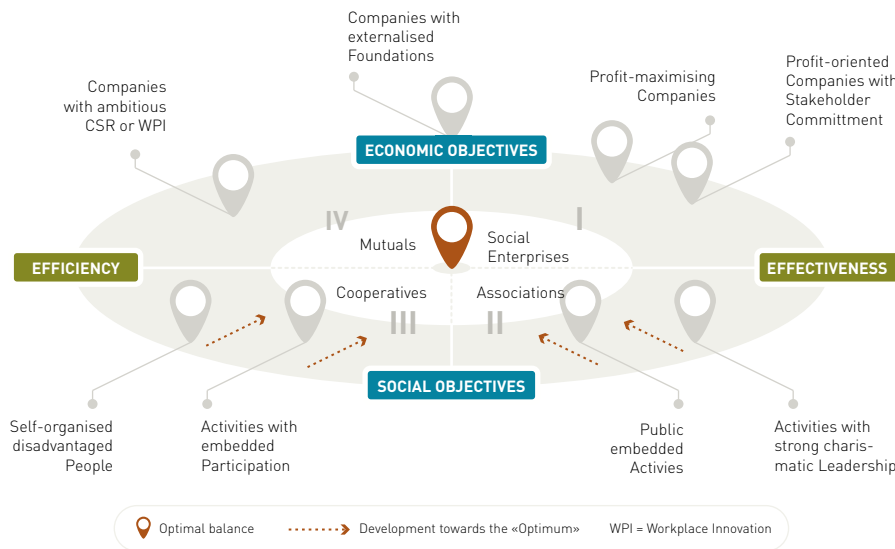


Figure 3. Towards a Typology of SI

SIMPACT’s approach further concentrates on the transfer of social innovation from micro- to meso-level. The question is on how to support the manifold social innovation activities (micro-level) to sustainably and effectively balance between social and economic objectives to reform or change the institutional frame (meso-level). Dealing with this question, we consider actors at the micro-level as given units with distinctive social and economic objectives which can be combined or balanced in various and even contradictory ways.

Figure 3 above is structured along the dimensions of social and economic objectives on one hand,

and efficiency and effectiveness on the other hand. Taking efficiency and effectiveness as two opposing poles does not pose them as two extremes on a continuum, but bases on the assumption that there is a trade-off between efficiency and effectiveness in social innovation processes. SIMPACT’s empirical findings show that the preference to reach both efficiency and effectivity result in, for example, bricolage attitudes which could endanger the survival of the organisation itself. In this vein, bricolage is a consequence of a dominant focus on results (effectiveness) and the need to acquire more and more resource instead of improving the process of balancing

efficiency and effectivity. In contrast, especially in the case of self-organisations or organisation with a strong involvement of beneficiaries, the process of participation and empowerment is dominating (efficiency) and the results are almost neglected. However, at best, effectiveness and efficiency constitute equilibrium. Moreover, the interplay of economic objectives and social objectives are traditionally characterised by a trade-off. The equilibrium in the centre of the coordination system also depicts a balance between economic and social objectives as well as locates important actors involved in social innovations at the micro level.

Analysing the paths of the four dimensions (efficiency, effectiveness, social and economic objectives), relating to four ideal quarter circles (I-IV). We argue that in general, traditional companies focus on economic objectives and little on efficiency or on a socially sustainable process, because cost cuttings and time saving dominates the business strategies of companies. These companies are mostly not interested in initiating social innovations. Nevertheless, it could be of high interest to raise their awareness for the economic potential resulting from engaging in social issues and in cooperating with social actors.

A priority for economic objectives and a strong focus on social aspects could be found in the area of economic-driven companies, namely social enterprises («economic-effective»). Moreover, CSR and workplace innovation are the most spread tools to integrate aspects of social efficiency, whereby efficiency is more than cost calculation («economic-efficient »).

The lower two quarter circle shapes, i.e., «efficient-social» and «effective-social» emphasise a strong focus on social objectives, for which cooperatives and associations are good examples. While cooperatives focus on output («social-efficiency»), associations tend to emphasise outcomes («social-effectiveness»). Forasmuch, it is recommended to manage associations and cooperatives with a focus on social objectives towards a central balanced position including the aim of effectiveness and efficiency in order to reach long-term sustainability. This is particularly the case for self-organised groups of disadvantaged people, activities which engage the beneficiaries (i.e., embedded participation) as well as public embedded activities and activities with strong charismatic leadership.

This typology is a first step towards a deeper understanding of different types of social innovation. Further typologies need a broader empirical base than given in SIMPACT. Aiming at a more systematic view of economic underpinnings in further research should try to create a typology of social innovation activities, which indicates: (1) involvement of beneficiaries, (2) form of organisation, (3) thematic field, and 4) scope of activities.

3.3 Social Innovation Ecosystems – A Seedbed for Social Innovation

Socially innovative activities are locally embedded, they are characterised by bricolage and improvisation, have to deal with resource scarcity, aim at great outputs with limited inputs (hyper-efficiency), and often lack professional processes. To overcome these strategic and operational shortcomings, networking and collaboration emerge as a common pattern in social innovation.

While research on regional innovation systems is well-established in economics and innovation research (Cooke 2004, 2013, Trippel/Tödtling 2012, Asheim et al. 2011), the idea of regional social innovation ecosystems is rather new. A major difference between regional (economic) innovation systems on the one hand and regional social innovation ecosystems on the other hand is the region as point of reference: Silicon Valley, Third Italy, and Baden-Württemberg functioned as «holy trinity» of regional innovation studies. In course of the following years many regional case studies with further good practices (Eindhoven, Tampere, Grenoble etc.) signified the value of regional innovation systems. Social innovation lacks such commonly accepted reference points. Forasmuch, SIMPACT's social innovation case studies have been taken as starting point to elaborate a framework for regional social innovation ecosystems, while accounting for what can be learned from economic regional innovation systems. From an analytical perspective, such framework is necessary to allow comparing the conditions for social innovation across distinct institutional contexts, i.e., various regions. In strategic terms a regional social innovation ecosystem provides orientation of what could be done to establish a fertile environment in support of social innovation activities. Our empirical results indicate that a well-established re-

gional social innovation ecosystem has to meet four requirements:

- Provision of an open and enabling environment that functions as seedbed for a broad range of distinct social innovation activities and that is open for change.
- Supporters and promoters facilitating social innovation activities and help ensuring a fertile balance between economic and social objectives are present.
- The ecosystem is equipped with regional governance capacity that makes use of social innovation in a broader frame of problem solving and future shaping of integrated regional projects such as smart, sustainable or healthy city.
- It incorporates local/regional nodes and pipelines beyond the region that allow for an accelerated circulation of knowledge and linking knowledge in the system with the external environment, especially with the related policy fields and its institutions.

In elaborating a regional social innovation ecosystem, one needs to account for the more general differences between social and economic innovation. Although not neglecting regional lead markets as an important innovation driver, economic innovations mostly target global markets, whereas social innovators are not generally interested in spreading their idea beyond the actual context. In addition, socially innovative solutions are often co-created with beneficiaries, and as such are locally embedded. Consequently, the societal conditions of a region (including the challenges it faces), i.e., regional vulnerability, builds a core element of the regional social innovation ecosystems.

In this context, the regional vulnerability (Castro Spila 2016) covers the living conditions and the

capacities of disadvantaged populations to overcome their constraint situation. In a broader sense, vulnerability refers to an inadequate response to potentially high-impact problems (social, economic, environmental, and institutional). Hence, vulnerabilities are potential drivers of social innovation in a specific institutional context. Forasmuch, regional vulnerability is closely linked to institutional change at the regional level.

Accounting for the above the proposed regional social innovation system builds on the interplay of two main pillars: the challenges driving social innovation (i.e. regional vulnerability) and the context of social innovation activities. The context of social innovation activities entails social innovators and the enabling and supporting environment (e.g. supporter, promoter, intermediaries). The challenges driving social innovation are structured by the social situation with respect to the vulnerability of the region. Mechanisms and instruments (e.g. governance, co-creation) define the interplay between regional challenges and the context of social innovation.

Distinguishing «challenges» from «context» is crucial: At a first glance, one could assume that the higher the degree of regional vulnerability, the higher is probability of unsolved problems and posing challenges, and the higher is the likelihood of social innovations to emerge. Accounting for the preconditions for socially innovative activities (e.g. inventive capacities, social capital, engagement, awareness), this impact chain, however, is not an automatism. On the contrary, regional vulnerabilities question the compliance with the conditions necessary to facilitate social innovation. Finally, it has to be considered that regional ecosystems are linked with and shaped by the external environment in different ways and to different degrees. Figure 4 presents the key elements, framework conditions and processes of a Regional Social Innovation Ecosystem.

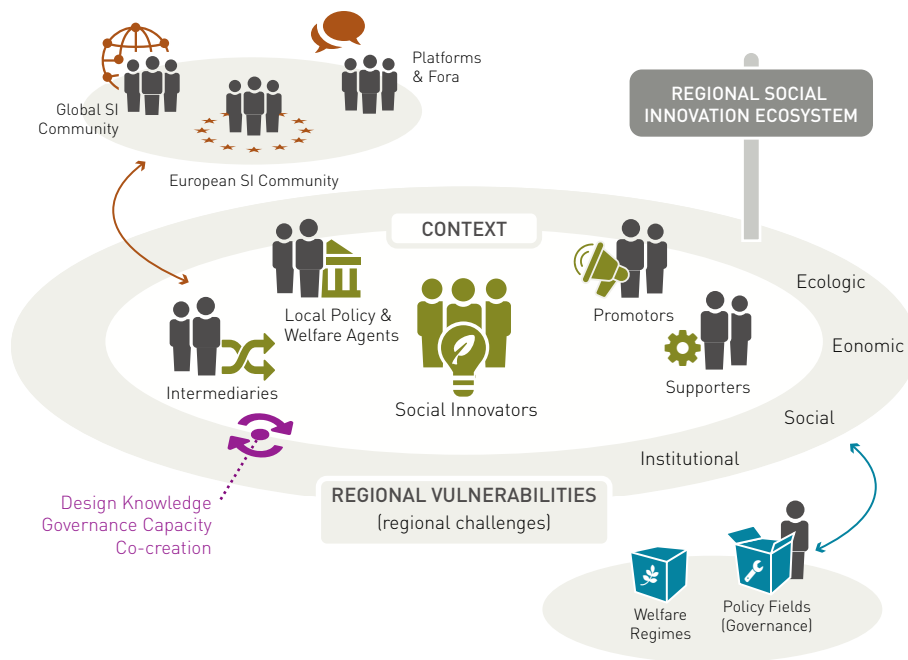


Figure 4. Regional Social Innovation Ecosystem

The *inner circle covers the context* of social innovation that bases on a civil society characterised by a culture of responsibility and solidarity. It centres on the drivers of the social innovation activities, the social innovator. The group of innovators is heterogeneous including but not limited to social entrepreneurs, interest groups, cooperatives, coordinators of publicly funded initiatives, affected individuals or groups, and individuals sensitive to socio-economic problems.

Supporters are crucially important for the implementation of socially innovative activities. Teachers, social workers, volunteers that provide knowledge, financiers and suppliers of further resources, researchers or consultancies who help to work out project schemes and applications for funding, or legal advice are examples for promoting actors. Promoters comprising public and private as well as non-profit organisations, and foundations become important when the activity grows and spreads.

Two groups of actors are of special importance: Actors from public policy function both as promoters and supporters of social innovation. Their key function, however, is to secure legitimacy and to include social innovation actors into the regional net-

works and governance systems. Actors from the local or regional departments of the social welfare system are important as they are the implementing unit. On the one hand, they hold the power to obstruct social innovation activities, while on the other hand they dispose leeway for interpretation in favour of social innovation.

The *outer circle focuses on regional vulnerabilities and their interplay*, rather than on singular problems as the challenges regions are facing multifaceted and interrelated, and responding social innovations pursue multiple objectives. For example, the integration of unemployed in the labour market is much more promising when it goes hand in hand with workplace innovation including alternative employment opportunities.

So far the conceptualisation of the regional social innovation ecosystem has been conceptualised on basis of actors, their environment and the related problem constellation (vulnerability). But an ecosystem means more, it is about learning and capacity building, about change and improvement. Covering various aspects, interactions are, therefore, crucial for the development of the ecosystem.

First, it is about the *interaction between social innovation actors and beneficiaries*. Compared to service innovation the development of new solutions to social problems to a larger degree necessitates the active involvement of the beneficiaries/users, as social needs are best perceived by the citizens affected by the problem being addressed. Moreover, beneficiaries' specific expectations, the innovation-relevant knowledge they own, as well as their acceptance and use of the new solution strongly supports this argument.

Second, interaction is about *linking social innovation activities and the social situation*; it is about designing social innovation in a strategic way. Being governed by formal and informal institutions, as pointed out in greater detail in section 3.1, the range of actors and the modes of interaction are much more complex than in the economic field that is governed by the market.

Third, interaction is about *capacity building*. Social innovation activities initially emerge as isolated activities, but they only can unfold their potential when they become part of a broader local or regional strategy to improve citizens' quality of life. Such strategies need new modes of participation and cooperation at the political level. To this end, interaction is about policy innovation.

Despite of the strong local embeddedness of social innovation activities the local is always linked with the global context. Social innovation actors often build fora and platforms, and interact with the European as well as the global social innovation community. With a few exceptions, laws and regulations in the policy fields (e.g., employment, education, environment, energy policies) and welfare regimes are defined at European and national level. They limit, hinder or give leeway for experimentation and innovation at the regional level.

Having a facilitating and 'bridging' role, intermediaries are crucial social innovation actors. Being located at the intersection of distinct social innovation actors, intermediaries as gatekeepers enable and secure an open flow of knowledge within the region and with the external environment, i.e. intermediaries as «knowledge broker». In that sense, intermediaries also have the potential to bridge inequalities by helping beneficiaries to become aware and gain access to socially innovative solutions.

Finally, they ideally connect the local and the global field of social innovation and function as «idea broker» by connecting distinct socially inventive ideas. Intermediaries can be established physically in form of social innovation labs, research institutes, special interest organisations or start-up centres. They can be virtual, for example, fora, social networks, communities, or exchange platforms. Equally important, they can take a temporary form such as summer schools, conferences, workshops, or fairs. What these distinct manifestations have in common is that they link social innovation actors and contribute to a broad and open use of locally produced knowledge enriched by inflows of external knowledge and ideas.

Social innovation ecosystems foremost focused on the improvement of welfare and quality of life of social groups, communities, individuals and citizens. The macroeconomic environments of states and the management of their social, economic, cultural and political resources affect not only the type of welfare regime, but also the extent to which populations exposed to the risk of vulnerability or the benefit of social protection. Being subject to continuous change, the dynamics of welfare regimes are most pronounced in EU New Member States (NMS). Forasmuch, the interplay of welfare regimes, political economy and social innovation is exemplified for NMS in the following.

The states' political economy is eager to understand how the welfare regime manages and covers social policy needs (Moghadam Saman/Kaderabkova 2015: 9). According to Gamble (1995: 3), «[c]entral to political economy has always been the appraisal of politico-economic systems and analysis of their relative advantages and disadvantages, and recommendation of the most appropriate institutions and structures for the development of policy goals, in particular in relation to welfare, distribution, prosperity and growth».

Regulations and legislations in key policy fields are on the one hand embedded in a welfare regime affecting national approaches to social innovations, and thus, hinder or limit the capacity of regions to experiment and implement social innovations. On the other hand, the rates of populations' vulnerability depend on the strength and capacities of Welfare regimes to tackle social problems through public

policies and through the management of their political economy.

The degree of de-commodification, i.e. the extension of social rights that are independent of market mechanisms, the system of stratification, and the relation between the state and market, result the different degrees of social protection, inequalities, poverty, and social exclusion of populations which can also have a major impact at the regional level. Following Esping Andersen (1990), «Liberal Welfare States» are less supportive of public social policies, whereas «Social-democratic Welfare States» rely on social classes as a major agent of change, that is to say, as a powering balance between different political and economic forces within nations.

Governance capacities in different policy fields to respond to the many socio-economic challenges heavily depend on welfare regimes and influence the social innovation ecosystem. For example, welfare regimes in NMS (EU-8) have in common that corporate and personal income tax rates are considerably lower compared to EU-15 resulting in lower tax income for the welfare state. Hence, not surprisingly one finds distinct and more socially vulnerable segments in these societies which have to be dealt with at different levels.

In Europe, a broad range of welfare regimes exist. In Western Europe we find more classical, established types of welfare regimes (e.g. Liberal, Anglo-Saxon, Scandinavian model). Welfare systems in the Baltic countries resemble «Minimalist Welfare Regimes», whereas the South Eastern European countries have been characterized as showing specifics of (so-called) «Familistic Welfare Regimes», and Central European countries as bearing a mixture of liberal, corporatist and universalistic elements in their welfare regimes. These differences are also reflected in the countries' social expenditure. Central European countries such as Hungary, Slovenia and Czech Republic, for example, have highest social expenditure as percentage of GDP among the NMS, this also has implications for their social innovation ecosystem.

In fact, the more universalistic a welfare regime tends to be and the higher the social expenditure in the country is, the higher is likelihood that at least the basic needs of the vulnerable groups in the society will be met. Based on this, social innovations in these societies can – and tend to - focus more on

«empowerment» of vulnerable groups than focusing on meeting their basic needs.

A further implication from the welfare regimes across the NMS is related to the extent the social innovations can expect support from the public sector. Indeed, the governance models associated with each welfare regime gives an indication of the degree to which sharing the power and adopting participatory approach can emerge within the social policy fields. One can conclude that the more universalistic a welfare regime tends to be (e.g. Czech Republic or Slovenia), the more pronounced are the perceived – or predicted – challenges welfare states are facing due to, for example, ageing population, and the greater the willingness to seek and incorporate alternative solutions to the social challenges.

In close connection to the above, the level social capital appears to impact the pervasiveness, quality and sustainability of social innovations in NMS. Empirical analyses have indicated that higher levels of social spending by the state leads to higher levels of social trust (social capital), which in turn facilitates a smooth formation and operation of social innovation networks (Moghadam Saman/Kaderabkova, 2015). Forasmuch, the public sector in NMSs has to understand that investments in social innovation are an opportunity for triggering a virtuous circle of improving the level of social capital in the society resulting in enhanced conditions for cultivating a more conducive ecosystem for sustainable social innovations. In addition, social innovations are to be viewed as social experimentation helping to learn «what works» as regards the transition from an existing welfare system to a potentially more efficient and effective one. An argument that is reinforced by the fact that share of social expenditure in the GDP increases due to the economic growth taking place currently in many NMS. In addition, the higher level of trust in local governments compared to central governments within the NMS shall be exploited as an enabling factor for local ecosystems of social innovation, which through the process of scaling out/up can lead to bottom-up process of institutional change.

Path dependency of national welfare states and their influence on the sociocultural and historical context of the respective regions are another important condition in the definition of a social innovation ecosystem. When the state and the region fail to

manage policy and economic resources in the right direction or are exposed to external market and or political failures, local policymakers, social innovators, activists and social entrepreneurs become important actors/agents of change. The interactions between the macro-meso (state-region) and micro segments of the population (local policy, social innovators, social entrepreneurs, civil society, etc.) at different levels define the social innovation ecosystem. The openness towards bottom-up participative approaches influences policy and the management of resources inside the political economy of countries is crucial when trying to identify and improve policy failures inside welfare states. In this context, a more open approach towards the conception of social innovation ecosystems should be considered in future research.

3.4 From Social Innovation to Institutional Change – Mechanism to Bridge Micro and Meso Level

Identifying social mechanisms bridging the micro and the macro level is certainly an ambitious task. Drawing on SIMPACT's empirical findings and relevant contributions from middle-range theory studies lead to the systematisation of bridging mechanisms by means of scaling.

Drawing on SIMPACT's case studies locating social innovations in the welfare regime we find four distinct positions:

Social Innovations as «Niche Solutions»: Social innovation activities occupy niches of the welfare regime. Examples are different modes of self-organisation that partially depend on subsidies of the welfare system and aim at self-empowerment. Although such initiatives do not have an immediate effect on the welfare regime, they support beneficiaries to actively participate in social life.

Social Innovations as «Complementary Solutions»: Traditional welfare regimes are marked by rule-following behaviour that eschews experimentation, personal decision making and individual enterprising. Although to a certain degree required, related regulations, laws and rules impede responding to and build on individual needs and potentials. Social innovations fill this gap by empowering vulnerable people according their needs while utilising their specific strengths.

Social Innovations as «Embedded Solutions»: Social innovations as «embedded solution» are in the one way or the other integrated in the implementation of welfare regimes. Just as «niche solutions», these activities do not result in direct institutional change but contribute to enhancing welfare regimes efficiency, while embeddedness is associated to

- initiating new modes of cooperation between different social services and other public actors,
- bundling information,
- connecting initiatives and facilitating the division of labour between the projects,
- strengthening the professional structure of the public service by training or better and more efficient use of vouchers

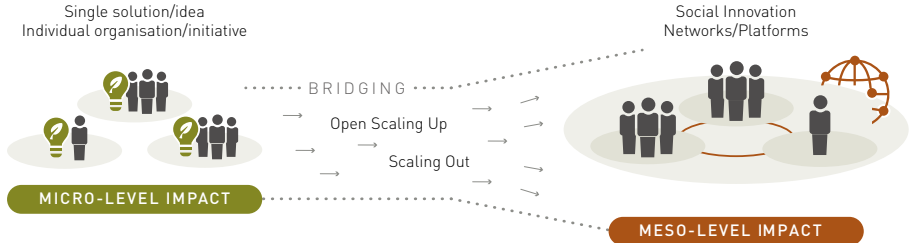
Social Innovations as «Experimental Solutions»: Experimentation is an inherent characteristic of social innovation. Although such practices challenge established welfare institutions, they seldom influence welfare regimes directly. As has been outlined, it is the cumulative impact of many social innovations in a certain field, rather than the single initiative that facilitates institutional change. But scaling covers only the strategy of the social innovators. The process of bridging micro- and meso-level includes more, especially the interplay between social innovators and opponents and the intervention of politics. Figure 9 gives a first impression about the different and interwoven aspects of dynamic processes.

The first column in Figure 6 entails the actors or group of actors that initiate and drive social innovations, the social innovators. While the first three actors appear to often function as social innovators, social movements and the organised civil society (welfare associations, foundations, trade unions and so on) are less assertive as social innovators. Additional actors such as policymakers, however, are expected to enter the scene and take up the role in the future.

The second column «scaling» summarises activities or instruments that are used by social innovators to spread and diffuse their idea/solution in a broader societal context. Subject to social innovators' motivations, strategies and resources instruments and activities vary largely. For example, social

enterprises' scaling instruments ideally base on and correspond to their business model and are frequently associated with organisational growth. In contrast, interest groups' scaling activities centre on

campaigning and knowledge sharing. Often these groups are locally embedded and globally connected.



ACTOR	SCALING	SI PROCESS	POLICY INTERVENTIONS
Actors with a focus on economic objectives	<ul style="list-style-type: none"> » Networking » Community Building » Events » Education 	<ul style="list-style-type: none"> » Imitation & Adaption » No conflict as long as the solution remains at the periphery of welfare state » Social conflict in case of successful scaling 	<ul style="list-style-type: none"> » Project funding » Awards » Better Practice » Open method of coordination
Self-organised vulnerable and marginised populations (e.g., interest groups)	<ul style="list-style-type: none"> » Locally rooted and globally connected » Campaigns » Knowledge sharing 		<ul style="list-style-type: none"> » Free urban infrastructures » Project funding » Outsourcing (subsidiarity)
Social enterprise	<ul style="list-style-type: none"> » Growth (often limited) » Social Franchising » Business models 	<ul style="list-style-type: none"> » Market-driven » Balancing competition and cooperation 	<ul style="list-style-type: none"> » Seed-/Start-up funding » Incubators » Regulations & Incentives » Public procurement
Social movement	<ul style="list-style-type: none"> » Organisation » Crowd effect » Self-enforcing dynamic » Cellular structure 	<ul style="list-style-type: none"> » Community-driven » Direct confrontation » Legal conflict » Mediation 	<ul style="list-style-type: none"> » Integration » Repression » Adaption » Legal frame
Organised civil society	<ul style="list-style-type: none"> » Fund raising » Lobbying » Campaigning 	<ul style="list-style-type: none"> » Network governance » Modes of participation 	<ul style="list-style-type: none"> » Round tables » Policy networks » Moderation » Institutional adaption

Figure 5. Scaling as Bridging Mechanism

Interactions among different social innovators and conflicting actors to implement or impede a new solution, i.e., the process dimension (third column), become particularly apparent in the phase of scaling when socially innovative solutions attract the attention of a wider public. In this context all modes of governance can be found. While in certain phases the process is characterised by pure bargaining, in

other phases it can be driven by reflection and shared learning or by self-enforcement and rule-breaking. For stakeholders in search for new solutions, for example, conflicts are not very likely as long as their innovation remains at the «margins of welfare state», whereas they experience major conflicts and tensions when scaling their solution as they put established institutions into question. In

comparison, social enterprises scaling processes are foremost market-driven and call for balancing competition and cooperation to successfully spread and diffuse their solutions.

As is discussed above, policymakers and programmes play a crucial role in facilitating the acceleration of social impact through scaling. Instruments to intervene in the process range from seed-/start-up support and project funding, as is the case in current innovation policy, to different modes of cooperation and consensus building. This is only a first approach and further research is needed to understand the dynamic that drives the processes that bridge micro- and meso level. The mechanisms transferring the micro and the meso level need a strong social and policy approach. Some interesting contributions have been studied in our literature review, some should be added. Examples are:

The work of Elias (1976, 1977) on social processes. Elias is interested in long-standing historical processes and he is interested in the factors driving the dynamics of such processes and his focus on balancing or rebalancing societal principles like centralisation and decentralisation can help to base the dilemma approach.

In their work on political processes Mayntz and Nedelman (1997) understand social processes as taking place in the context of new modes of governance and multi-level governance systems. Accordingly, they emphasise political processes that base on networking and bargaining.

In addition, Kingdon (1995) has worked out three processes or policy streams that are needed that politicians are open for new solutions: the feeling that the given instruments cannot solve the problems that are addressed, the availability of new and improved or promising instruments and political gatekeepers that promote the new way of problem solution.

Complementary, Chiapello (2010) worked out what is needed for a new concept to become broadly accepted: it starts with good practice, needs promoters that have access to the political system, it needs a well-accepted guiding idea and a certain degree of institutionalisation

4 OUTLOOK: SOCIAL INNOVATION, INCLUSIVE GROWTH AND THE WELFARE SYSTEM

New ways of thinking and alternative approaches are needed for dealing with European socioeconomic challenges. That is what social innovation is all about. As has been shown in the previous sections, social innovations as novel combinations of ideas and distinct forms of collaboration cover a broad range of practices that transcend levels of governance (micro, meso and macro), institutional boundaries and sectors. At the micro level the many small, locally embedded, initiatives address a broad range of distinct needs. By empowering vulnerable groups to fully participate in social, economic, cultural and political life they actively facilitate processes of inclusion. At the meso level social innovation is about institutional change. That is, social innovators as «rule breakers» challenge established institutions such as rules, laws, attitudes, and modes of governance. At the macro level social innovations imply a new division of labour between the sphere of politics, i.e. welfare regimes and the institutions that govern them, civil society and market-driven economy.

SIMPACT'S middle range theorising starts with a clear focus: it is about the economic and societal potential of disadvantaged and/or marginalised people, it is about institutional change in the welfare system, it is about the social challenges Europe has to cope with since the crisis 2007/8. Components, objectives and principles are the key analytical categories to study the question of economic underpinning. SIMPACT's cases are positioned on the micro-level, the processes are bridging the micro- and the meso-level, and further research is needed to understand the changes on the macro-level. In a nutshell the key arguments can be summarised as follows:

- There is a high potential of social innovation initiatives to contribute to better integration of the potential of disadvantaged people into the societal and economic life.
- The potential only is used in a limited way because most of the social innovation activities remain embedded on the local level and have hybrid business models with few effects on the institutional setting of the welfare system.

- In consequence, there is a gap between the small and locally embedded status of the social innovation activities and the challenges to improve and reform the welfare system.
- Economic underpinning is the key strategic focus to make better use of the so far untapped potential. In this article we focused on regional social innovation ecosystems, on scaling and process dynamic, and the balance between efficiency and effectiveness. Other SIMPACT results focus on business models, the role of politics and measuring, business model tools and modelling as instruments that contribute to improve economic underpinning.

Going beyond the limits of SIMPACT, one of the key challenges for future research is to elaborate an advanced concept of integrative growth for which our results provide some relevant indications. Social innovations addressing vulnerable groups in society have an, as yet underestimated potential to contribute to the Europe 2020 priority of inclusive growth. That is, more and better jobs, helping people to anticipate and manage change through investment in skills and training, modernising labour markets and welfare systems, ensuring the benefits of growth reach all parts of the EU. According to SIMPACT's findings, such community-based understanding of inclusive growth should consider the following aspects:

First, inclusive growth has to be based on the integration of seemingly disadvantaged people in the economic process. Companies' awareness of social and economic inclusion needs to move beyond mere sponsoring, but requires commitment including the willingness and ability to drive workplace innovation.

Second, inclusive growth necessitates open innovations that integrate civil society in the innovation process through, for example, co-creation. For related practices it is, however, not enough to treat civil society just as another element in the innovation process, as is reflected in the debate of moving from triple to quadruple helix. Unemployed, migrants and other people affected by exclusion have the knowledge necessary to design solutions that lift them out of their constraint situation; they know about the shortcomings, needs and requirements clearly before markets recognise these, if at all. The

very fact of promoting the empowerment of vulnerable people and their active participation in the innovation process as well as underlying social processes contributes to inclusion.

Third, social innovation is embedded in a process of different and complex modes of interaction which are marked by competition, cooperation, conflict, and bargaining. These interactions involve a variety of actors from various sectors and fields of practice, acting at different levels and in specific contexts with their own rationale. Forasmuch, achieving the goal of inclusive growth cannot be limited to the application of pure principles of market economy but should take into consideration social, economic, and contextual factors and dynamics. Rather evolutionary changes in the markets must be accompanied by political leadership in terms of framing inclusive growth irrespective of market failure. Social innovators have to outpace bricolage attitude and economically sustain their activities. Actors from public, private and third sector as well as civil society must overcome the current «silo»-thinking and associated deficit in strategic thinking to implement comprehensive solutions.

Fourth, co-evolution and mutual learning require an open and interactive flow of knowledge which is a matter of intellectual property rights in traditional economic thinking. Social innovations' dynamics, however, are shaped by knowledge sharing, imitation, and cooperation. Overcoming the limits of locally embedded knowledge is crucial for social innovations' contribution to inclusive growth. Public and private research organisations or social innovation hubs, for example, acting as intermediaries or else boundary spanners could facilitate the necessary knowledge flows and processes of mutual learning.

Finally, inclusive growth is embedded in a broader discussion about a new societal division of labour between public and private sector, and civil society. Although exceeding the focus of SIMPACT activities, this is particularly important for our understanding of the «economic underpinning» that goes beyond the mere marketisation of social innovation. As discussed in SECTION 1, social innovation will realise its potential contribution to inclusive growth to the extent it can unfold its social and economic impact for vulnerable people as well as for society at large. This can only be achieved when civil

society, public and private sector co-evolve, accompanied by changes of markets shaped by an institutional frame that incorporates social and economic factors as well as their interplay.

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