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# Stimulating, Resourcing and Sustaining Social Innovation

## Towards a New Mode of Public Policy Production and Implementation

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# Stimulating, Resourcing and Sustaining Social Innovation – Towards a New Mode of Public Policy Production and Implementation

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ABSTRACT

*Social innovations «meet social needs», are «good for society» and «enhance society's capacity to act». But what does their rising importance tell us about the current state of public policy in Europe and its effectiveness in achieving social and economic goals? Some might see social innovation as a critique of public intervention, filling the gaps left by years of policy failure. Others emphasise the innovative potential of cross-boundary collaboration between the public sector, the private sector, the third sector and the household.*

*This paper explores the conditions under which the state either enables or constrains effective social innovation by transcending the boundaries between different actors. We argue that social innovation is closely linked to public sector innovation, particularly in relation to new modes of policy production and implementation, and to new forms of organisation within the state that challenge functional demarcations and role definitions.*

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## 1 INTRODUCTION

*«Our public services and welfare state are not currently set up to deal with complex challenges, or to mobilise other resources and sources of agency. Too often, they offer standardised solutions that lack the flexibility to respond to people's particular circumstances, and which can leave them feeling frustrated or undermined. This makes it harder to tackle the root causes of social problems, and to find lasting solutions that inspire confidence.*»

(Institute for Public Policy Research, 2014)

Any definition of social innovation is likely to raise as many questions as it answers, and that adopted by the European Commission is no exception:

*«Social innovations are innovations that are social in both their ends and their means – new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act. Social innovations take place across boundaries between the public sector, the private sector, the third sector and the household.»*[1]

So if social innovations «meet social needs», are «good for society» and «enhance society's capacity to act» what do they tell us about the role of public policy and its effectiveness in achieving these outcomes? Is social innovation grounded in a critique of public intervention, filling the gaps left by policy failure? Part of the answer is suggested by the statement that social innovations «take place across boundaries [our italics] between the public sector, the private sector, the third sector and the household» but on further reflection it becomes even more elusive. How are these boundaries transcended? Is the state engaged in an iconoclastic assault on the traditional walls and ceilings that inhibit innovation or are social innovators forced to use guerrilla tactics against a stalwart defence of bureaucracy, New Public Management and sclerotic work organisation in public institutions?

The starting point, of course, lies in recognising that public policy is not a single, instrumental entity. It is a contested and volatile terrain in which competing theories, values, forms of engagement and modes of internal organisation interact continuously in ways profoundly shaped by each geographical and historical setting.

This paper explores the factors which influence the divergence in policy approaches to social innovation. We are seeking to understand the conditions under which the state either enables or constrains the «new social relations or collaborations» which lead to effective social innovation by transcending the boundaries between different actors. We argue that social innovation is closely linked to public sector innovation, particularly in relation to new modes of policy production and implementation, and to new forms of organisation within the state that challenge functional demarcations and role definitions. To see the state purely as a resource provider ignores its potential as an initiator and driver of social innovation, bringing together the tacit knowledge and expertise of its own staff with that of other actors. But this creative synergy can only be released when public agencies transform their own ways of working.

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-

[1] http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/past-editions/definition_en.htm

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 Netherland, 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. Neoliberal perspectives from the US suggest that the state constitutes a major part of the problem and has little direct role to play in social innovation, though at the same time recent years have seen the emergence of new coalitions between North American municipalities, NGOs and other stakeholders leading to innovative solutions to previously intractable problems. European actors tend towards a more benign view of the state, arguing that under the right conditions public policymakers can play an important role in the creative process underpinning social innovation. Sometimes this involves shaping the policy context and resource base to enable NGOs, social entrepreneurs and other stakeholders to intervene proactively, sometimes it means entering directly into collaborative partnerships with other actors.

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 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. Based on evidence and experience from several parts of Europe, 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. Yet as the extract at the beginning of the paper suggests, this is not without difficulty. Policymakers work within a context that is shaped and constrained by history, culture and precedent as well as by explicit rules and expectations.

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.

This paper is situated in the context of the SIMPACT FP7 research project which focuses on the economic underpinnings of social innovation including its policy dimensions. The paper draws on the outcomes of the first SIMPACT Policy Workshop in Brussels on 23rdand 24th June 2014 and a review of literature on emerging trends in public policy.

## 2 CONTESTED TERRAIN

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 from the literature.

### 2.1 The Neo-Liberal School – «Markets generate Common Goods»

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 opposition 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.

## 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* process[2] seeks alignment with targets and initiatives at Member State level.

The EU's policy framework[3] 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, 2003) 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[4] based on the proposition that: «At a time where governments face the challenge to ensure financial consolidation while fostering growth, competitiveness and employment, there

[2] http://ec.europa.eu/europe2020/making-it-happen
[3] http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/index_en.htm
[4] http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm

is a strong justification for efficiency gains, better governance, faster delivery and more user involvement in public sector.» The policy portfolio includes a pilot *Public Sector Innovation Scoreboard*.

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 (León et al, 2012; p.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».

## 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 debates 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*»

(European Commission, 1998).

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).

## 2.4 Taking sides and X Efficiency

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. SIMPACT 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.

The debate about the impact on performance of employment relations and staff collaboration has tended to be one for industrial sociologists and HR specialists. However there is also a debate in economics regarding impact led by Harvey Leibenstein. If a firm is producing the maximum output it can given the resources it employs such as labour, machinery and the best technology available, it is said to be **technically efficient**. However such approaches do not allow us to explain why similarly technically efficient enterprises have such different output outcomes.

The concept of x-efficiency was introduced by Leibenstein (1986) as a way of explaining such differences in outcome. Contrary to the view of many economists, Leibenstein says that there is no determinate relation between inputs and outputs because other important things get in the way. He identifies three of those things:

Firstly the incomplete labour contract. The labour relationship is not a mechanistic one in which output is directly linked to payment because other motivational issues intervene.

Secondly, not all factors of production are marketable. Cooperation cannot be purchased nor can all of the necessary skills needed for production be determined and bought in advance.

Finally the production process is never completely specified or known, leaving room for tacit skills and informality.

For him it was these factors, namely a cooperative management regime where actors were motivated and committed, that could explain significant differences in outcome. Cooperation here means using both formal and tacit skills particular to the productive process. It also involves a flexible, contextualised approach to structures and processes given that there is no one deterministic way to organise work. For Leibenstein the importance of intra-plant motivation was high, as was the role of management as facilitation rather than as a command function. Finally the informal and tacit have value that is not marketised and is therefore not recognised; understanding and making use of them is clearly another important element in x efficiency.

What this means for firms and particularly for social innovation is clear. There are huge gains to be had by harnessing the motivation and involvement of active citizens, employees and organisations seeking local solutions in ways that utilise specific, grounded and non-marketised skills and knowledge within innovative and flexible formats.

## 3 EVOLVING MODES OF PUBLIC POLICY

Public policymaking can be understood as a dynamic process that seeks to reconcile contradictory and sometime 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 begun 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.

For David Easton, the «withinput» of the political-administrative system is a crucial field of study. While the provision and processing of input is defined in terms of demands, support and mobilisation of resources, withinput shapes policy production and implementation in ways that reflect the roles, values (explicit and covert), norms, work organisation and routines characteristic of the policymaking body:


Figure 1. David Easton´s model of political-administrative system (Torfing & Triantafillou, 2013)

As we argue below, traditional public administration is characterised by processes of rationalisation, centralisation, specialisation, and bureaucratisation (Ferlie, 2007). In contrast post-modern conditions feature organisational fragmentation and decentralisation, but there is a critical distinction to be drawn between their manifestation in marketisation and in social innovation.

***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.

***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).

***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 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, consumer 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. Nonetheless evidence can be found of efforts to create latitude within New Public Management regimes to overcome these rigidities and this will be explored later.

## 3.1 Towards a New Model of Governance

Bureaucratic, programmatic and NPM approaches to policymaking as described above tend to co-exist at the national, regional and local levels, often creating a policy landscape that is not entirely conducive to social innovation. Nonetheless there are encouraging signs that forms of governance focused on the enablement of social innovation are beginning to emerge in many parts of Europe.

However these emerging forms of governance are not well defined and understood, and the picture is confused by the competing models and explanations which exist throughout the literature. Stoker's five propositions about the nature of governance provide a useful starting point in forming such an understanding (Stoker, 1998):

1. Governance refers to a set of institutions and actors that are drawn from but also beyond government.

2. Governance identifies the blurring of boundaries and responsibilities involved in tackling social and economic issues.

3. Governance identifies the power dependence involved in the relationships between institutions involved in collective action.

4. Governance is about autonomous, self-governing networks of actors.

5. Governance recognises the capacity to get things done which does not rely on the power of government to command or use its authority. It sees government as able to use new tools and techniques to steer and guide.

In the context of social innovation, governance can ideally be seen as a non-hierarchical process involving networks of actors from both public and private sectors, leading to collaborative action based on the identification of common interests through negotiation, bargaining and participation. As Bourgon (2011, p.46) points out, addressing challenges such as an ageing population or poverty is beyond the reach of a single public organisation working alone: «The role of government entails a search for balance between the authority of the state and the collective power of society to advance results of higher value to society.» Dealing with complex issues involves a web of interrelationships and requires multifaceted approaches that cannot be contained in a single agency. The ability to work across boundaries is needed amongst public agencies, across government, and between levels of government. It is needed beyond government and across society where public organisations can operate as platforms of collaboration to leverage the power of others.

Of course this reflects the concept of multilevel governance which, in political science, refers to the re-allocation of authority from the central state upwards, downwards and sideways while emphasising the independent role of supranational and subnational levels (Hooghe & Marks, 2003). From a social innovation perspective multilevel governance reflects the changing 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 principles of «good» governance (participation, accountability, effectiveness and coherence) underpinned the EU's view of a more democratic approach while emphasising subsidiarity (ie: delegation to lower levels or to private actors).

As Eizaguirre et al (2012) argue, this political discourse combines with European Regional and Cohesion Funds to strengthen 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 innovations take place within this multilevel governance environment. From this perspective policymakers at the different levels of decision-making (including the EU level) need to forge new roles as enablers, catalytic agents or facilitators to accelerate transformative processes.

Stephen Osborne (2010) has tried to grasp these emerging and increasingly significant forms of collaboration with the notion of New Public Governance (NPG). The focus of NPG is almost the inverse of that informing New Public Management. It is based on participatory and networked processes characterised by interdependency, collaboration and trust, and directed at improving processes and outcomes in public policymaking and public service delivery in the light of increasing expectation and demands as well as growing complexity and fragmentation. 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. This means changing the «withinput»:

*«Under NPG, the administrative governing process (withinput) is characterized by collaboration, rather than competition ... Whereas NPM aimed to create effective, competing silos, NPG seeks to drill holes in the silos, enhance negotiation between public authorities at multiple levels, and foster interaction between public and private stakeholders through the formation of networks, partnerships, and relational contracts. The immediate goal of such crosscutting collaboration is to exchange and pool public and private ideas and resources through negotiated interactions in order to enhance effective and democratic governance, while a further goal is to facilitate mutual learning and build joint ownership of new and innovative solutions.»*

(Torfing and Triantafillou, 2013)

This also involves the creation of new tools, not least to foster the «active citizenship» (which contrasts with the liberal notion of citizens as passive, individual bearers of legal rights) on which NPG is grounded. Nesta celebrates the global emergence of i-teams, collectives of community representatives and other stakeholders brought together to address strategic policy issues by enlightened national, regional or local governments (Puttick, Baeck and Colligan, 2014).

Likewise Open Policy Making (Figure 2 below) is described as «better policy making through broadening the range of people we engage with, using the latest analytical techniques, and taking an agile, iterative approach to implementation»[5]. This can involve diverse methods based, for example, on crowdsourcing, ethnography, design thinking, deliberative dialogue and social media analysis, while a global network of 100+ government policy innovation labs is emerging as a vehicle for exchanging techniques and experiences.[6]

[5] https://openpolicy.blog.gov.uk/what-is-open-policy-making

[6] http://www.nesta.org.uk/event/labworks-2015-global-lab-gathering-london

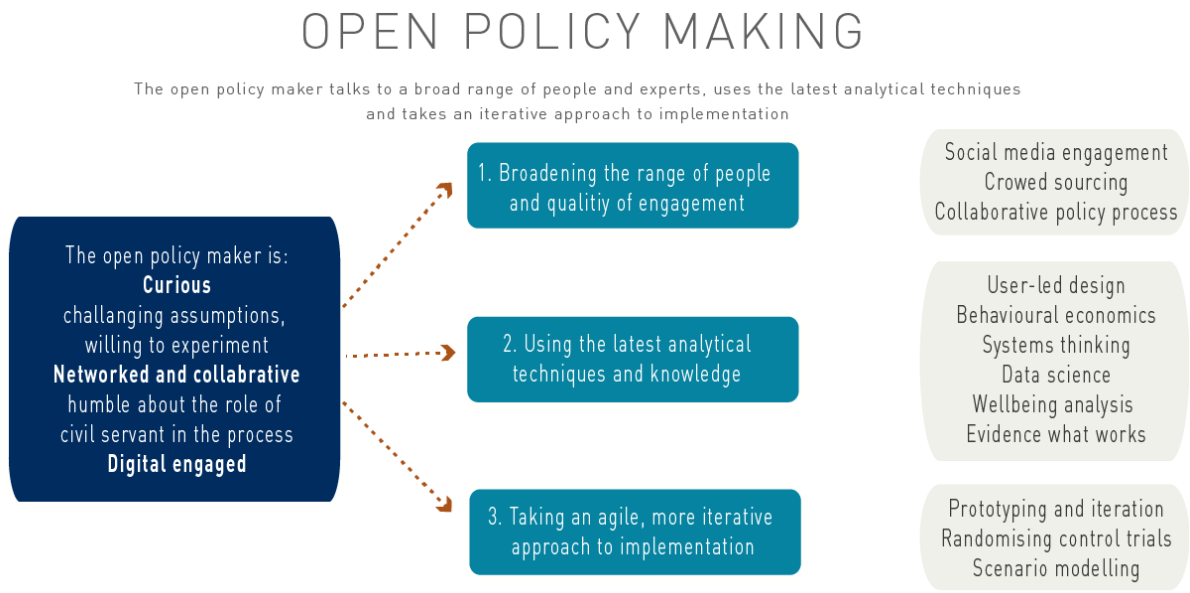


Figure 2. Open Policy Making (https://openpolicy.blog.gov.uk/what-is-open-policy-making)

Table 1 summarises the ways in which its advocates identify the distinctive characteristics of Open Policy Making:

| TRADITIONAL | OPEN POLICY MAKING |
|---|---|
| Hierarchy | Collective |
| Static | Dynamic |
| Expert | Multidisciplinary |
| Risk averse | Open to experimentation and failure |
| Market driven | User driven |

Table 1.Open Policy Making

Future-oriented and anticipatory work must also form part of the capabilities needed if governments are to be fit for their times, to help them and society think more systematically about the future, and to build a broad-based consensus about what constitutes a preferable future and how to get there. It helps to assess and manage risks, identify and mitigate vulnerabilities and detect opportunities. It also helps to challenge assumptions that may lead to unproductive results at great cost to society. Government policy units should contribute to the anticipatory capacity of government by engaging a wide range of stakeholders in scenario building and strategic choice, helping to improve decision making in the short, medium and long term. Futures work needs to be embedded in the political decision–making process creating a culture for looking ahead and learning (Bourgon, 2011).

A key task for SIMPACT through its analysis of case study evidence and by actively engaging policy practitioners is to identify emergent policy forms that both challenge embedded practice and begin to map a new terrain based on dialogue, inclusion, openness, long-termism and fostering creativity.

One notable example can be found in the Norwegian *VRI (Virkemidler for Regional FoU og Innovasjon)* regional development programme grounded in the action research work of Bjorn Gustavsen (see for example Ennals et al, 2007). VRI focuses on «research-based development processes in the regions»[7], critically including strands designed to create new spaces for interaction and innovative forms of collaboration between diverse partners though, for example:

- «Regional dialogue conferences», a meeting place for regional players to learn about each other's expertise and roles and develop a common understanding of what they can do together.

- «Dialogue and broad participation», a form of cooperation that promotes involvement in in-

[7]http://www.forskningsradet.no/prognett-vri/Programme_Description/1224529235302

novation efforts, with action-oriented researchers assisting in the process.

The involvement of researchers in the VRI programme is significant, on the one hand bridging academic knowledge and practice and on the other capturing transferable learning in ways that enable the knowledge and experience created in one location to become a generative resource for innovation.

In the Basque Country the Hedabide project (Social Innovation-oriented Hybrid Contexts of Learning and Practice) led by Sinnergiak Social Innovation[8] and financed by the Provincial Council of Gipuzkoa also piloted a more open and inclusive approach to governance, particularly in terms of social participation in the decision-making processes of public organisations and in the formulation of public policies (Unceta and Pomares, 2014).

Hedabide created Learning and Practice Communities (LPCs) focused on finding solutions to a specific strategic challenge faced by the Region, engaging a diverse range of knowledge and creativity in identifying collaborative strategies which stimulate social capital construction and social innovation.

The participants of each of four Communities carried out activities on a weekly basis for one month and a half. Project methodology comprised five different stages:

1. identification and integration of different bodies of knowledge;
2. the generation of ideas;
3. interaction between the group's participants and external participants;
4. prototyping;
5. evaluation.

Successful evaluation of Hedabide opens clear possibilities for mainstreaming the approach throughout the Province's policy process

## 4 POLICY ENABLERS OF SOCIAL INNOVATION

At the beginning of this paper we argued that «Social innovations typically involve creative interaction between diverse actors»; these actors can be public sector employees or institutions, service users, NGOs or other stakeholders in a given policy field.

In the context of social innovation we can break this proposition down into four dimensions: innovators, innovative public sector organisations, innovation partnerships, and innovative approaches to measurement and accountability:

### *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. 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

[8] www.sinnergiak.org

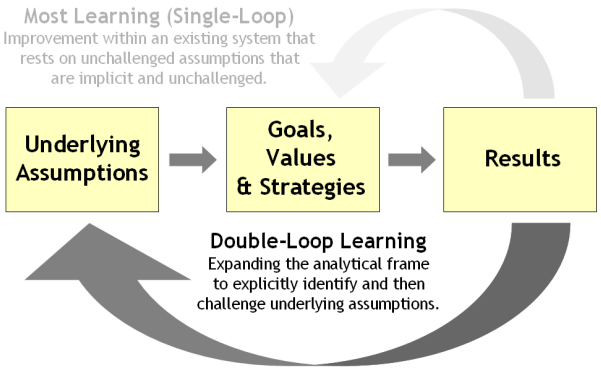

Figure 3. Single and Double Loop Learning

prescribed objectives. Questioning the objectives themselves - the «double loop» (Argyris & Schön, 1978) even on the basis of experience acquired during the programme is unlikely to be well-tolerated.

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.

***Permission to innovate?***

Considerable attention is paid in the literature to the importance of leadership in stimulating public sector innovation. In particular «shared and distributed leadership» (see for example Buchanan et al, 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») 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[9] 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. In the Netherlands, *Mothers of Rotterdam* (which provides disadvantaged pregnant women and new mothers with an integrated pathway towards autonomous living) defines itself as both a social innovation and a public sector innovation because it challenges organisational demarcations within and between public agencies – a proactive role which sometimes leads to challenge and conflict[10].

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).

## *2. The innovative public sector organisation*

We've 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 collabora-

[9] http://uk.ukwon.eu/green-employability-project

[10] SIMPACT Social Innovation Biography, forthcoming.

tion 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 (León et al, 2012).

The starting point must lie with recognition at senior level that staff 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 (Totterdill, 2015). 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.

One example of such dialogue, albeit tangentially related to social innovation, can be found in the Devon & Cornwall Police service[11]. 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.

Governments are also experimenting with SkunkWorks initiatives - teams tasked with innovative projects, semi–detached from government, acting with a high degree of autonomy and free from day–to–day bureaucracy (Breckon, 2015).

***Co-participation***

Within industrial relations, participative mechanisms have been seen as a workplace issue that acts both as a power equalising mechanism and a format to unlock the knowledge and experience of employees (Cressey et al, 2006). When considering social innovation this notion of a worker-centred form of participation has to be jettisoned because it does not include active citizens and actors involved in socially innovative initiatives. What is needed is a format that sees participation in a wider and more nuanced sense, crossing the public/private line and involving communities as well as organisation-level actors.

There is another literature that looks at theories of co-production, co-design, co-decision and co-evaluation; however this literature has emerged primarily from a service user involvement rather than the conjoining of both employee and community/user participation (Pollitt et al, 2006; Bovaird, 2007; Bovaird and Downe, 2009).

To develop the policy debate, the need is for is a clear understanding and conceptualisation of ***co-participation*** where the formats of co-production, co-design and co-creation involve active citizens and public and private employees contributing together and sharing essential situated knowledge and experiences to improve services, products and social environments.

[11] http://uk.ukwon.eu/devon-and-cornwall-police

We need to document and describe the range of actors (paid or voluntary) who provide facilitation, collaboration, resources and appropriate expertise. Within this co-participation framework the interactions between workers and users are vital; intersubjectivity and reflexivity are key underlying mechanisms in these processes. The term co-participation has been previously developed in workplace learning literature but here it refers to forms of practice, change and knowledge creation through participation and engagement within this extended scope of enterprise activities (Billett, 2002; 2004). This existent concept of co-participation is here extended to denote collaborative, empowered relationships between citizen users and staff through all stages of the social innovation cycle.

***3. Building and Sustaining Innovative Partnerships***

Governments can work to empower and rely on the power of those best-positioned to act on a given public issue, recognising that there are multiple sources and forms of power already available in society that can be brought to bear on a public issue or goal. It is about the collective power of society coming together for a shared purpose (Bourgon, 2011).

The third dimension is therefore about the nature and quality of interaction or partnership between different actors. These relationships are summarised in Figure 4.

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 outcomes. 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.

There will also be profound organisational consequences for public organisations. 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, 2015).

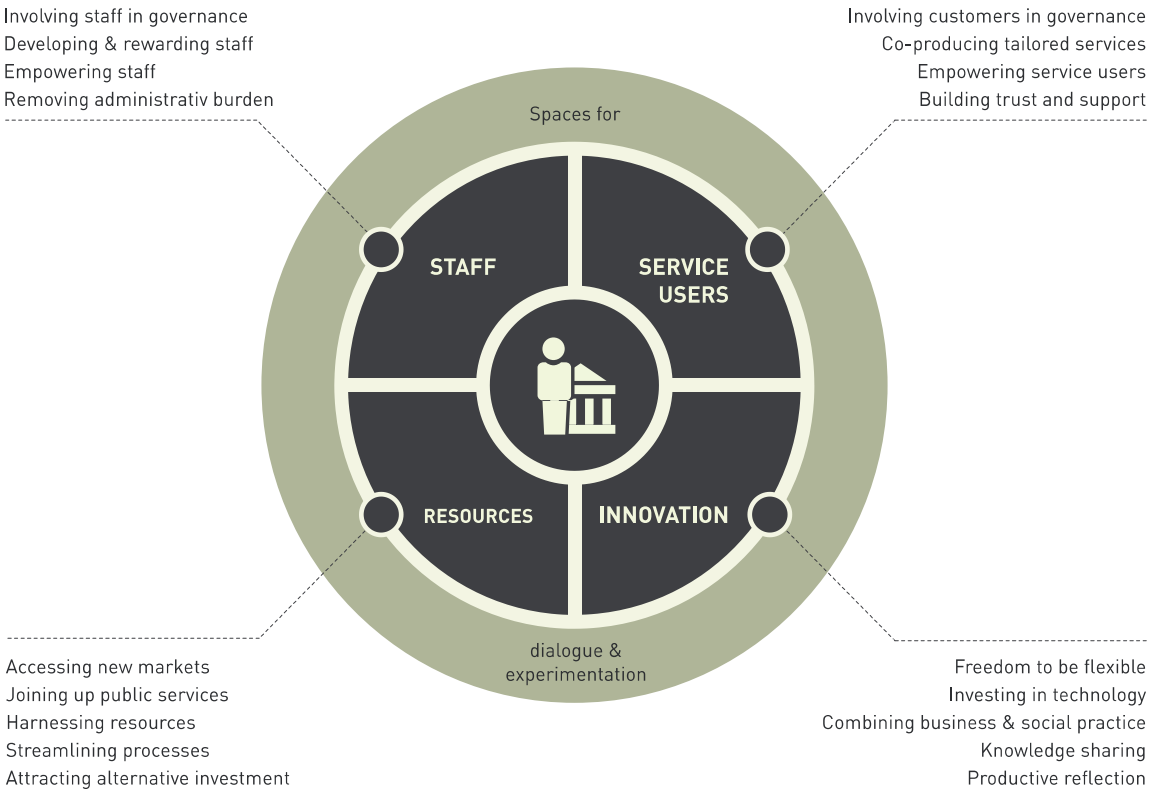


Figure 4. A collaborative framework for social innovation (adapted from Social Enterprise UK, 2012)

NGOs may also play an important role as drivers for change within government organisations. *Inspiring Scotland*, the subject of a SIMPACT Social Innovation Biography, was established by a former civil servant in the Scottish Government who was frustrated by the inability of short term, target driven funding initiatives to tackle deep-seated social and economic problems in deprived communities, or to invest in strategic capacity building. Using her knowledge of the governmental system she has persuaded senior policymakers to adopt more strategic approaches to funding drawing on evidence from a series of pilots led by *Inspiring Scotland* in partnership with community-based charities.

### *4. Innovative Approaches to Measurement and Accountability*

When we discuss social innovation the question of value - whose value and value for what end? - is brought into sharp focus. In many respects we need to take a different starting point to value, one based on an understanding of each of the different actors and beneficiaries, and which directly challenges NPM strictures:

Table 2. Value in New Public Management and beyond

| NEW PUBLIC MANAGEMENT | BEYOND NEW PUBLIC MANAGEMENT |
|---|---|
| Individuals as market actors | Individuals as active citizens in a community framework |
| A consumption relationship | A sharing relationship |
| Public services as resource depletion | A sustainable approach to resources and communities |
| Indifference to disadvantage | Empowerment and the active eradication of disadvantage |
| Narrow market profitability | Maximising social utility |

This raises profound and difficult questions of how to audit outcomes and what forms of measure-

ment are appropriate. This is especially pertinent since social innovation embodies macro, meso and micro fields of activity with a plurality of actors. Yet data collection is currently pitched predominantly at national level and used for macro governance purposes.

Measurement for social utility is distinct from that relating to market transactions and poses different problems. One is related to the different levels mentioned above and suggests a need for the disaggregated collection of data in different forms, reaching down to small communities, groups and households.

The second challenge relates to tangibility and intangibility. How appropriate is it to use forms of quantitative measurement for social interventions grounded in matters such as empowerment, sustainability, tacit knowledge and personal development?

NPM's mantra of 'value for money' as defined by market testing is a reductive measurement exercise when compared to approaches in which public good is promoted through for example sustainability and empowerment, or debates relating to topics such as wellbeing and Layard's focus on happiness.

We need to examine the different assumptions points embedded in these approaches including what is actually measured and valued. A good starting point is that of the *Social Return on Investment* methodology[12] (SROI) that was developed within the UK government's Cabinet Office. Here stakeholders in both public and non-market organisations can «value the things that matter» by using financial proxies for indicators. This leads to the inclusion of the values of indicators excluded from markets in same terms as those used in markets. Actions that prevent harm to individuals, households and communities are also included, widening the scope of measurement and bringing into focus social preventative measures that are largely invisible in other accounting measurement formats.

We can examine environmental sustainability, wellbeing and health audits with a similar lens. In all of these wider approaches the basis for measurement differs and widens what is seen as valuable in comparison with the canonical market model. Likewise the Scottish Government's *National Performance Framework*[13] is an innovative attempt to embody this wider scope at a national level.

In summary, valuing solidarity, community, cohesion and sustainability, and crucially providing methods of substantiation, is no less than a key test for future public policy when considering such a complex issue as social innovation.

## 5 CONCLUSION: TOWARDS A NEW MODEL OF POLICY PRODUCTION AND IMPLEMENTATION

Social innovation implies different roles and ways of working for all stakeholders, both individually and collectively. However the transformation of public policymaking provides a vital key to mainstreaming social innovation in Europe.

We have argued that social innovation is closely linked to public sector innovations that challenge functional demarcations and role definitions within the state in order to create synergies between the tacit knowledge and expertise of its own staff and that of other actors. 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.

As we argue above, there are four main dimensions to this approach:

1. **Supporting innovators.** Implementing the leadership and organisational cultures that develop and release entrepreneurial behaviour across the public sector workforce.

2. **Creating innovative public sector organisations.** Introducing workplace innovation practices that create opportunities for shared reflection, learning and innovation, sometimes involving users and other stakeholders as well as frontline staff.

3. **Building innovation partnerships.** Investing in forging long-term, trust-based relationships

[12] http://www.thesroinetwork.org/

[13] http://www.scotland.gov.uk/About/Performance/scotPerforms

with a clear strategic focus supported by sustained collaborative interventions.

4. **Developing innovative approaches to measurement and accountability.** Recognising intangible outcomes, social and human capital, organisational capacity and the value to all stakeholders as central to the measurement and evaluation of intervention outcomes.

Identifying the practical approaches capable of realising these dimensions is now a priority. The current version of this paper therefore remains as work-in-progress, to be further developed and refined through analysis of SIMPACT's social innovation biographies and through 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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