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Stimulating, Resourcing and Sustaining Social Innovation (2)

Towards a New Mode of Public Policy Production and Implementation

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Stimulating, Resourcing and Sustaining Social Innovation (2) – 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.

Contents

1	Introduction.....	3
2	Contested Terrain.....	6
2.1	The Neo-Liberal School – «Markets generate Common Goods».....	6
2.2	The Public Policy School – «Social Innovation as Public Policy»	6
2.3	The Third Sector School	7
2.4	Taking sides and X Efficiency.....	8
3	Evolving Modes of Public Policy	9
3.1	From Bureaucracy to Marketisation	9
3.2	Marginalising Social Innovation	11
3.3	Towards a New Model of Governance	11
4	The Four Enablers.....	15
4.1	Core Principles.....	15
4.2	Public Sector Workplace Innovation.....	17
4.3	Participative Governance.....	19
4.4	Strategic Partnerships based on Shared Values and Goals.....	21
4.5	Aligning Resource Allocation with Social Innovation	22
4.6	Building a Social Innovation Milieux	23
5	Conclusion: Towards New Modes of Policy Production and Implementation	24

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 will 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 its 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 policy makers since at least the 1990s. Building on the European social model, policy makers 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 pro-

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

longed recession has led to a pattern of uneven social and economic development in which restructuring has benefited some while leaving others far behind. Recessionary pressures mean that the state is generally in a poor position to drive interventions capable of achieving major solutions to tackle socio-economic challenges, even where there is the political will to do so.

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

In short, a model of growth based on technological innovation may play a role in generating the wealth required to address Europe's social and economic problems but it also leads to restructuring and unintended consequences that can exacerbate them. There is certainly no automatic trickle-down from technological innovation to the poorest and

most disadvantaged people in society. Moreover it is also increasingly clear that a public welfare model forged in the post-war settlement is no longer fit for purpose in addressing the structural disadvantage facing substantial numbers of European citizens. The state itself is facing a crisis of legitimacy in many countries with falling political participation by citizens, the rise of extremist parties and the growth of separatist movements. These tendencies have profound implications for the future of the EU and its goal of inclusion.

Fuelling this crisis of legitimacy, those on the centre right of politics have characterised the state as inefficient, ineffective and slow to change. Neo-liberal 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 policy makers 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.

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. 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 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 understanding of social innovation's radical and potentially transformative character.

This paper argues that social innovation's potential to re-engage poor and vulnerable populations in society means that it cannot be dismissed as the latest policy fad; rather it challenges policy makers 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. Policy makers 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 focused 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 in

June 2014, a review of literature on emerging trends in public policy, and a series of dialogue workshops held in 2015 and 2016 with policy makers from the Basque Country, Czech Republic, England, Finland, Norway, Poland, Romania, Scotland and Sweden.

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* process² seeks alignment with targets and initiatives at Member State level.

The EU's policy framework³ 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 innovation⁴ based on the proposition that: «At a time where governments face the challenge to ensure financial consolidation while fostering growth, competitiveness and employment, there is a strong justification for efficiency gains, better governance, faster delivery and more user involvement in public sector.» 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<http://ec.europa.eu/europe2020/making-it-happen>

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

⁴http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm

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 en-

terprise 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. Yet 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. 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:

- 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 the necessary skills needed for production be determined and bought in advance.
- Thirdly 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

3.1 From Bureaucracy to Marketisation

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 policy makers juxtapose themselves between the open market and democratic pressures for inclusion and fairness. If policy makers, 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. Evolution of 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 (Offe (1975).

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 of the policymaking body:

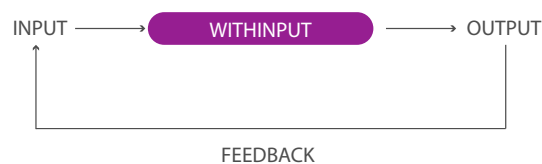


Figure 1. David Easton's model of political-administrative system (Torfing & Triantafyllou, 2013)

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. 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, policy makers 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 welfare and social policy spending 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. 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.

There are big differences in how countries approach public service reform, and two contrasting pathways are evident. One emphasises the modernisation agenda where bureaucracy is reformed by the introduction of new actors, the creation of new partnerships at national and local level, a greater role for the third sector, and the innovative decentralisation of services based. Within this pathway there are opportunities for social innovation in shaping alternative, local delivery of services, albeit within marketised rules. Much is made of the active citizen capable of making informed choices and maximising public good in a «big society».

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 impede tendering and competing 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.

3.2 Marginalising Social Innovation

Deep-seated social and economic problems require the long-term commitment of diverse stakeholders, each working to particular strengths within a common framework based on openness, dialogue, experimentation, shared learning and trust (Bourgon 2011). How do the modes of policy production described above support such an approach?

In practice, policy makers have tended to favour limiting the distribution of information and the openness of decision-making processes. Lines of accountability flow upwards to political spheres in which elected representatives, rather than stakeholders themselves, define values and strategies. Stakeholders compete against each other for public funding in procedures governed by technocratic decision rules. Innovation can often become the exception rather than the rule.

SIMPACT's dialogue workshops involving policy makers from nine European territories drew on their collective experience of both policy constraints and innovations. From their own experiences, participants validated and amplified conclusions found in a broad spectrum of published research:

1. Public policy is excessively focused on:

- **short-term funding**, often reflecting electoral cycles and the perceived need to demonstrate immediate impact;
- **quantifiable outcomes** which are relatively easy to measure in demonstrating impact;
- **political fashion**, distinguishing each administration from its predecessor rather than focusing on evidence-based practice;
- **media reaction**, leading to risk aversion.

2. The result is:

- **limited impact on «landscape change»**, when disadvantaged communities and

groups are the recipients of successive short-term initiatives with little cumulative effect;

- **weak core capacity in NGOs and community organisations** because quantifiable deliverables neglect the need to strengthen competencies, governance structures and renewal mechanisms required for sustainability;
- **the suppression of enterprising behaviour by public sector staff**, often linked to a blame culture and both tacit and explicit incentives to maintain established practices;
- **transactional rather than transformational relationships between public agencies and other key actors** because the funding relationship leads to an unequal distribution of power and the dominance of contract compliance as the principal focus for interaction;
- **few spaces for innovation** because competitive procurement processes encourage bidders to pursue established approaches, resulting in **conservative interventions**.

3.3 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):

6. Governance refers to a set of institutions and actors drawn from but also beyond government.
7. Governance identifies the blurring of boundaries and responsibilities involved in tackling social and economic issues.

8. Governance identifies the power dependence involved in the relationships between institutions involved in collective action.
9. Governance is about autonomous, self-governing networks of actors.
10. Governance recognises the capacity to get things done independent of the power of government to command or use its authority, rather focusing on its ability 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 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 co-

operation and coordination (Ebelein & Kerwer, 2004: 128). The European Commission's White Paper (EC, 2001) 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. Policy makers 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 policy makers, 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 Triantafyllou, 2013)

It also involves the creation of new tools, not least to foster the «active citizenship» (contrasted with the liberal notion of citizens as passive, individual bearers of legal rights) on which NPG is grounded. Nesta celebrates the emergence of i-teams, collectives of community representatives and stakeholders brought together to address strategic policy issues by national, regional or local governments (Puttick, Baeck and Colligan, 2014). Likewise Open Policy Making 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, for example, 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 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, 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 anticipatory capacity 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 political decision-making processes, creating a forward-looking learning culture (Bourgon, 2011).

At the same time the emergence of new forms of governance raises questions about purpose. Is the aim of policy involvement in social innovation to make disadvantaged people and communities independent of state support through a kind of collective self-sufficiency or is it about creating new social movements that shape state provision through democratic dialogue? Of course the two are not mutually exclusive: the instigation of inclusive dialogue can lead to the co-creation of public policy measures while also engaging social actors in creating innovations that transcend the boundaries of policy goals. Examples from Norway and the Basque Country show how this works in practice.

A key task for SIMPACT through its analysis of case study evidence and by actively engaging policy practitioners was 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

⁵ <https://openpolicy.blog.gov.uk/what-is-open-policy-making>

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

⁷ http://www.forskningsradet.no/prognnett-vri/Programme_Description/1224529235302

interaction and innovative forms of collaboration between diverse partners though, for example:

- «Regional dialogue conferences», a meeting place for regional actors to learn about each other's expertise and roles, develop a common understanding of what they can do together.
- «Dialogue and broad participation», a form of cooperation that promotes involvement in innovation efforts, with action-oriented researchers assisting in the process.

The involvement of researchers in the VRI programme makes an important contribution to organisational learning in public sector organisations, 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 elsewhere.

In the Basque Country, the Hedabide project (Social Innovation-Oriented Hybrid Contexts of Learning and Practice) led by Sinnergiak Social Innovation⁸

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 (Unceta and Pomares, 2014). Hedabide created «Learning and Practice Communities» focused on finding solutions to specific strategic challenges faced by the Region, involving diverse participants in identifying opportunities for 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.

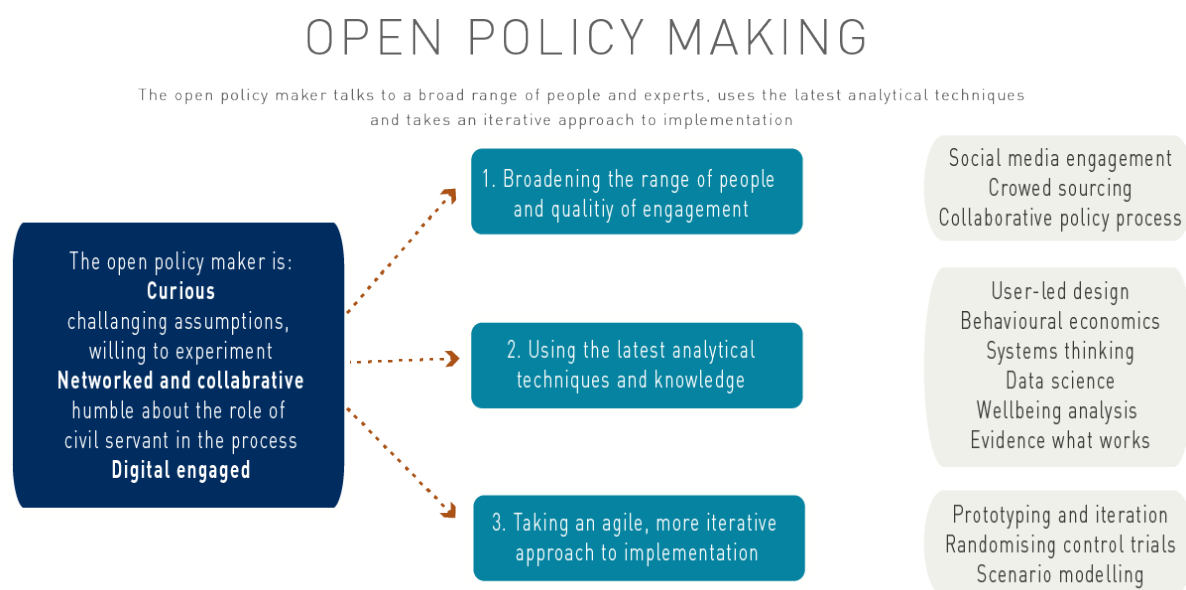


Figure 2. Open Policy Making (<https://openpolicy.blog.gov.uk/what-is-open-policy-making>)

⁸www.sinnergiak.org

Successful evaluation of Hedabide opened clear possibilities for mainstreaming the approach throughout the Province's policy process. More recently the Basque Government published a «White Paper on Democracy and Citizen Participation» reflecting an extensive programme of citizen involvement (see section 4.6 below).

The Norwegian and Basque cases demonstrate the need for «absorptiveness», in short the ability of public organisations to learn from and embed experience in reflective practice (Bessant 2015; Rządca and Strumińska-Kutra, 2016), and the potential role of action research (Karlsen and Larrea, 2014).

Measuring social innovation

The evaluation of intangible social outcomes is difficult, and there is at present no accepted and legitimate «social accounting framework» to match the market accounting systems that systematise and quantify economic gains. Because of the nature of social gains - in that they are socially defined, cultural and relational - it may be that precise externally defined metrics are partially or wholly inappropriate for the task, and that some measure of judgement and flexibility has to be ceded to the evaluators. Alain Supiot (2012) shows how market accounting seeks *quantification* within a self-referential framework one that excludes reference to values and political judgements. He instead talks about the need for a process of *evaluation* when looking at social outcomes because this brings in and aligns with the aims of actors, allowing for intangible factors to be given significance. This distinction between quantification and evaluation is one that is often dismissed but is of vital importance in any discussion of social innovation for public agencies and their assessment processes.

Bureaucracy in similar fashion to managerialism seeks control over processes; NPM has sought such control through recourse to the «audit society» and such arms-length measures in order to bring non-market forms and practices within a disciplined format. The diversity and disruptiveness of social innovation challenge state and civil organisations, as we say above, to let go of control, to evaluate differ-

ently and crucially to allow degrees of flexibility and judgement into policy and decision-making processes. Such flexibility and experimentation, whilst difficult, has been seen in many of the projects and innovation featured in SIMPACT.

One of the clear findings from discussions with policy makers involved in promoting social innovation was of the general ignorance of their role and of their isolation from colleagues, if not physically then mentally. Frames of reference that inhibit action to support social innovation are one of the biggest roadblocks to realising its full promise and potential.

4 THE FOUR ENABLERS

4.1 Core Principles

At the beginning of this paper we argued that «Social innovations typically involve creative interaction between diverse actors», and that these actors can include public sector institutions alongside service users, NGOs and other stakeholders. Based on this assumption it is reasonable to assume that the scale, effectiveness and sustainability of social innovations are shaped by the institutional and relational milieu in which they take place. ***Public agencies therefore have a critical role to play in evaluating and improving the alignment of internal working practices, systems of governance, stakeholder relationships and resourcing mechanisms with the vision for scaled, high impact and sustainable social innovation.***

The underpinning principles on which this alignment depends can be defined as:

- ***Inclusion:*** the creation of organisational and procedural spaces for shared reflection, learning and policy design which involve all the principal stakeholders with an objective interest in a social or economic challenge.
- ***Dialogue:*** a commitment to securing «the force of the better argument» in both strategic and transactional decision-making through open dialogue to which all stakeholders can bring tacit and strategic knowledge, experience and creative insights.

- **Power sharing:** innovative means of breaking the monopoly of state control over finance and other public resources while maintaining accountability for their use.
 - **Trust:** shared understanding of each actor's competencies and obligations based on openness, transparency and proximity.
1. Innovative public sector organisations, with empowered and enterprising staff who use their knowledge and experience to engage stakeholders in critical thinking, root cause analysis and the identification of creative solutions.

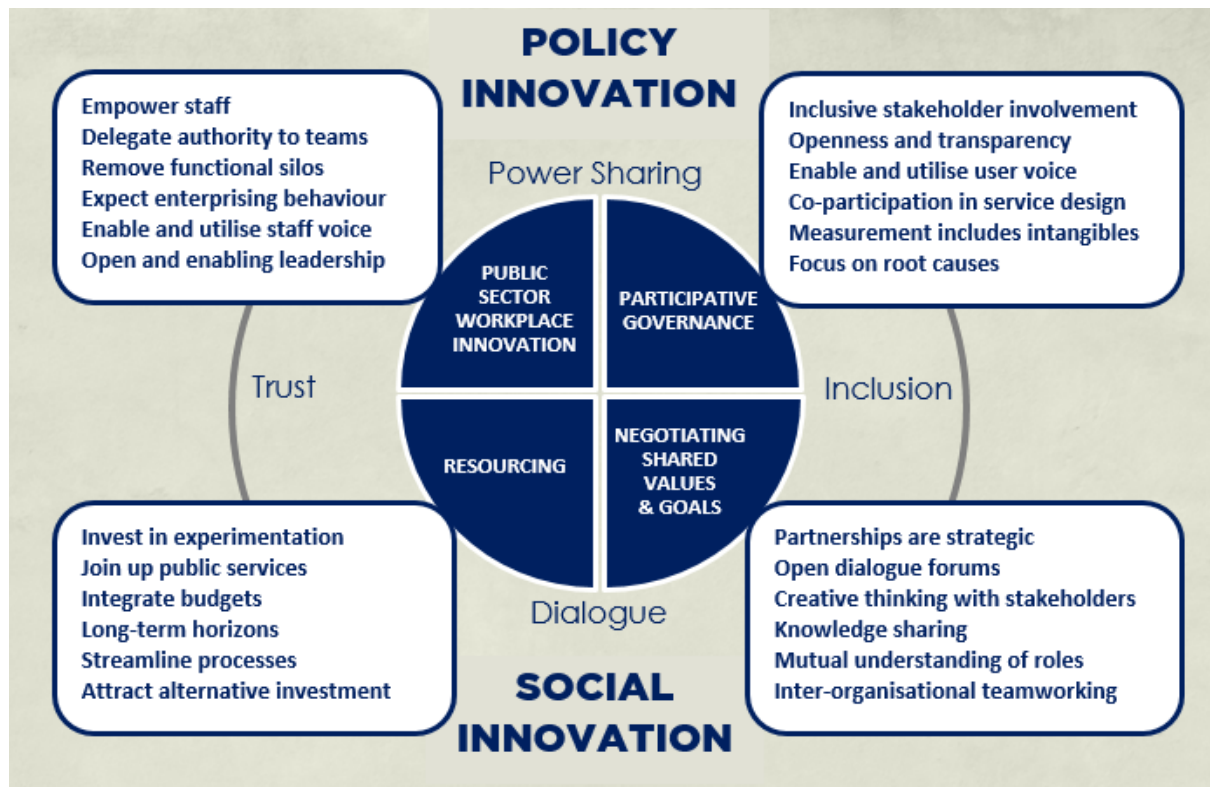


Figure 3. The Four Enablers: a collaborative framework for social innovation

To be of any practical use, generic principles such as these must be translated into the specific bundles of working practices, procedures and relational attributes that constitute a positive milieu, or eco system, for social innovation. Of course such milieux are highly contextualised, and in identifying these bundles the intention is not to offer a blueprint or detailed prescription. SIMPACT's aim is to provide actors with a generative resource to support evaluation, shared reflection and situated innovation. We identified four «Enablers» of effective and sustainable social innovation that constitute these policy milieux (Figure 3):

2. Participative forms of governance which enable disempowered communities and groups to find a voice and to share their knowledge and experience in service (re)design.
3. Partnerships between public agencies and other stakeholders with a strategic focus, and based on negotiated values and goals.
4. Ensuring that the process of public resource allocation is fully aligned with the other three Enablers, with a particular focus on supporting «the force of the better argument» as it emerges from stakeholder dialogue, including budget integration, long-term funding horizons and double loop learning.

4.2 Public Sector Workplace Innovation

The idea that user-centred and collaborative and public services can be introduced successfully without changing the structure and culture of the host organisation is fraught with difficulties, despite its apparent widespread acceptance in practice (Deserti and Rizzo, 2015). To fulfil its role as an effective partner for external stakeholders in stimulating, resourcing and sustaining social innovation, a public agency must ensure that its internal culture, processes and work organisation are fit for purpose. Staff at every level of public sector organisations accumulate tacit knowledge of «what works» and gain 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, and can be powerful enablers of collaborative improvement and innovation when empowered.

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. Entrepreneurial behaviour (or «intrapreneurship») by individual public officials and teams can actively support and even stimulate social innovation. Public sector staff 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. This requires delegated authority, empowering individuals and teams to exercise discretion in how their tasks are undertaken.

Yet 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.

In traditional state organisations, challenging established practice is likely to be seen as highly disruptive and even career-limiting. Innovation can be suppressed at several levels including:

- the explicit use of authority and the threat of sanctions to prevent ‘insubordinate’ questioning by employees or beneficiaries;
- anticipated reaction based on previous experience or subtle cues that ideas will be met with hostility or indifference;
- when the status quo is so deeply embedded and reinforced that alternative practices become unimaginable.

A study conducted within the UK’s National Health Service (Exton, 2010) shows how change entrepreneurs secure effective and sustainable improvements and innovations by engaging staff at different levels. 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 study⁹ 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.

The conditions under which more public sector staff can become potential innovators need to be better understood and facilitated. Enterprising behaviour is heavily influenced by whether or not an individual’s ideas and knowledge have been valued in the past, and by the extent to which job design and team practice provide space and legitimacy for questioning, productive reflection, shared learning and dialogue. Likewise public bodies need to create organisational and temporal spaces which bring people together, internally and externally, to think creatively and to innovate. It also means overcoming organisational obstacles including hierarchical structures, rigid functional divisions, professional demarcations, fear of blame and line management resistance to staff empowerment (León et al, 2012).

Fully engaging public sector staff in improvement and innovation therefore involves more than an isolated management initiative or programme: rather it involves the introduction of empowering

⁹ <http://uk.ukwon.eu/green-employability-project>

work practices and procedures at every level from day-to-day operations to strategic decision making. Now widely referred to as «workplace innovation», the introduction of such practices has been actively encouraged by EU policy since 2013 when the European Commission instigated EUWIN (the European Workplace Innovation Network)¹⁰. EUWIN identifies four interdependent «Elements» of workplace innovation that combine to form «The Fifth Element», a powerful combination of high performance, innovation and employee engagement (Totterdill, 2015):

1. Job design and self-managed teamworking

Well-designed jobs that provide constructive challenges, opportunities for day-to-day problem solving, variety and collaboration help public sector staff perform well because they are empowered to make on-the-spot decisions based on background knowledge and experience of 'what works'. They avoid delays caused by unnecessary referral to managers or manuals. They make time to learn and to reflect on what is working well and what should be changed. This generates steady flows of improvement and innovation (Truss et al, 2013).

Of course individual jobs cannot be examined in isolation. Self-managed teams empowered to plan, organise, review and improve their own work are more productive, healthier and can become fountains of innovation (West, 2012).

2. Organisational structures, line management and procedures

Designing organisational structures and teams around workflow rather than functional demarcations enables staff to play a more integrated and complete role in service delivery, providing clients with «joined up» support and experience. Co-operation and shared understanding between different professionals is enhanced by broad, service-wide performance indicators based on both tangible and intangible outcomes, and by appropriate line management roles and behaviours. It also means closing the divide between procurement and delivery often characteristic of New Public Management.

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 can lead to challenge and conflict¹¹.

3. Employee-driven innovation & improvement

Systematic opportunities for shared learning and reflection are well embedded in innovative organisations. It means the ability of employees at every level to reflect on what has gone well and what can be improved in the future, to share knowledge and skills gained in the course of recent work experience, and to anticipate and reflect on the impacts of future challenges and change (Bessant and Tidd, 2015; Cressey et al, 2006). It goes beyond «single loop» learning and improvement confined to the means of delivering prescribed objectives, to questioning the objectives themselves (the «double loop») on the basis of experience acquired during the programme (Argyris & Schön, 1978).

This culture of improvement and innovation can be reflected in regular times and spaces where staff discuss ideas with co-workers or in team meetings. Sometimes it involves imaginative opportunities to 'think out of the box' by bringing people together across different departments and divisions to share knowledge and experience and to think creatively together. A growing number of organisations provide employees with regular opportunities to join cross-functional improvement teams to identify and drive forward product or process changes that would otherwise be lost under the pressure of day-to-day workloads. Time-out sessions, 'down-tools weeks' and hackathons, bringing people together who otherwise wouldn't meet, can also become fountains of constructive dialogue and creativity.

One example of such dialogue, albeit tangential-ly related to social innovation, can be found in the

¹⁰ <http://uk.ukwon.eu/euwin-resources-new>

¹¹ SIMPACT Social Innovation Biography, forthcoming.

Devon & Cornwall Police service¹². 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).

4. Co-created leadership and employee voice

Considerable attention is paid in the literature to the importance of leadership in stimulating public sector innovation. «Shared and distributed leadership» (Buchanan et al, 2007) has emerged as a widely-recognised approach. Leadership is co-created with other actors through dynamic, collective activity with a strong focus on building relationships and networks of influence. It is as much bottom up as top down, characterised by frequent egalitarian interactions and role changes in which individuals lead in some situations but «follow» in others. Shared and distributed leadership is effective in change and innovation because it can ensure widespread owner-

ship of both processes and outcomes rather than seeking mere compliance. 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).

4.3 Participative Governance

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 need is to define processes of governance that maximise synergies between actors and facilitate convergence of effort towards shared, long-term transformation, accountable to a broader constituency than that of elected politicians alone.

Yet in pluralistic democracies such relations are likely to be the product of conscious effort rather than natural inclination. Overcoming constrained and often mistrustful relationships between public actors and other stakeholders may require a gradual process of trust-building and experimentation.

The state has to deal with the great complexity of actors and levels; its actions must embrace this diversity rather than macro-level policy uniformity. Participative governance means operating within and across myriad interfaces, networks and micro groupings rather than seeing them as challenges and distractions. One central issue is finding ways of *sharing* control within that diverse arena so as to enable social innovation and change and thereby make real gains. This is the opposite of a zero-sum game where one party gains control as one party loses it: rather sharing control, if done properly, can maximise gains for all parties.

Inclusivity in stakeholder involvement is only possible when both visible and concealed barriers to participation are addressed (Lukes, 2005), enabling disadvantaged communities and groups to find a voice. Trust requires the willingness of public authorities to «open the books» to other stakeholders, including the disclosure of influences from external

¹² <http://uk.ukwon.eu/devon-and-cornwall-police>

sources and the analysis of all arguments through inclusive dialogue. Such dialogue must be informed by tools and resources that enable participants to focus on root causes and structural solutions.

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.

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.

Measuring what matters

When we discuss social innovation the question of value - whose value and value for what end? - comes into sharp focus. 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:

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

Table 2: Value in New Public Management and beyond

This raises profound and difficult questions about how to audit outcomes and what forms of measurement are most appropriate. This is especially pertinent since social innovation embodies fields of activity at macro, meso and micro levels with a plurality of actors. Yet data collection is predominantly pitched at national level for macro-governance purposes.

Measurement for social utility is distinct from that relating to market transactions and poses different problems. One, related to the different levels mentioned above, suggests a need for the disaggre-

gated 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 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* methodology¹³ (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. The Scottish Government's *National Performance Framework*¹⁴ is an innovative attempt to embody this wider, integrative approach 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.

4.4 Strategic Partnerships based on Shared Values and Goals

The third Enabler is about the nature and quality of relationships between different actors. A rudimentary analysis of several case studies suggests that social innovation is stimulated when policy makers 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. These relationships should 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. This means replacing the exclusivity of public agencies as the primary source of policy initiation through inclusive dialogue forums in which «the force of the better argument prevails».
- **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 portfolio of methods and techniques are required for stimulating critical reflection, new insights and breakthrough solutions, both in online and face-to-face settings with diverse participants.
- **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,

¹³ <http://www.thesroinetwork.org/>

¹⁴ <http://www.scotland.gov.uk/About/Performance/scotPerforms>

and to share private concerns and aspirations, including job swaps, dialogue seminars and collaborative research.

- **Inter-organisational team working and reduced demarcations at every level.** It is critical that inter-organisational partnership extend beyond formal agreement by senior management. Staff at every level need 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 policy makers in terms of time, resources and competencies. It will also challenge procurement, competitive tendering and other regulatory frameworks.

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 policy makers 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.

4.5 Aligning Resource Allocation with Social Innovation

The fourth Enabler is based on the need for corporate recognition within policy agencies that disadvantage and disempowerment of individuals and communities originates in multiple interdependent causes including education, employment, environment, health, housing and political voice. Strategic policy frameworks and targets should therefore transcend functional policy spheres to focus on systemic transformation, including a corporate approach to budgeting linked to the vision of «joined up public services». Narrow departmental

spending priorities and targets then become subservient to cross-cutting goals and interventions agreed through open dialogue with both internal and external stakeholders.

This will help transcend the limitations of short-term funding and procurement cycles aimed at narrow, quantifiable targets:

- Competitive tendering is replaced by resource allocation shaped by the outcomes of inclusive, multi-stakeholder dialogue.
- The resulting transformation pathways draw on and enhance the respective strengths of each partner, are grounded in root cause analysis, and target deep structural change over a sustained time period.
- Embedded double loop learning leads to quality assurance and quality improvement by engaging participants in a continuous process of productive reflection and shared learning.
- Public funding also targets internal capacity-building within NGOs, other external partner organisations and communities, enabling them to explore and tap unconventional sources of social investment funding and thereby enhance their sustainability.

In Sweden, the **Frame Lake Model** pioneered by Gävleborg Regional Council successfully challenged traditional procurement practices while working within the existing legal framework and cost constraints.

The provision of foodboxes for elderly people in a remote rural community had been outsourced to a centralised supplier, with resulting difficulties relating to delivery, nutrition and attractiveness. Fieldworkers from the Council spent a period of immersion in the community to understand both the problems and the potential opportunities. By living temporarily in the community they were able to match local needs with local resources, providing opportunities for small business to produce and deliver the food boxes while also creating new value, for example occasions when elderly people can eat together. Client satisfaction increased, food waste reduced, community cohesion was strengthened and the local economy grew.

The success of the project depended on the presence of staff empowered to act in enterprising and imaginative ways, as well as the willingness of the Council's corporate functions to look at the rules governing public sector procurement in a fresh way and to create elasticity in budget allocation in order to achieve cross-cutting goals.

4.6 Building a Social Innovation Milieux

SIMPACT's task has been to conceptualise an approach to policy design and implementation capable of supporting the stimulation, resourcing and sustainability of social innovation on a large scale across Europe. The Four Enablers offers a framework that will enable policy makers and other actors to test policy structures and practices in their own milieu, ask difficult questions and begin a process of constructive dialogue. As in all eco systems, the individual components that comprise The Four Enablers are interdependent, emphasising the need for a systemic and truly transformative approach.

During the life of the SIMPACT project, the authors of this paper explored these issues in depth with policy makers from diverse spatial, topical and political settings, elaborating themes extracted from our reading of the literature, and testing propositions relating to «good practice» against their personal insights and experiences of what does and doesn't work.

While we did not find examples of systemic transformation, evidence of pathways towards transformation was abundant. Enterprising staff behaviour drove the Frame Lake Model described above, originating in the procurement team rather than from frontline service functions. Likewise in the UK, we examined the experience of a Senior Accountant in Devon County Council's Finance Department who achieved greater value for money, reduced waste and greater community cohesion by bringing different budget holders together with external actors to integrate service design and delivery in social care. In Romania, a Deputy Director of Social Services challenged established practices in managing the adult care homes within her County, achieving wide-ranging changes in patterns of leadership and care by creating long-term partnerships with UK charities and supporting the development of a local NGO.

From a strategic perspective, the Scottish government instigated a radical process of structural change in 2007. Functional departments were abolished to facilitate cross-cutting approaches to policy. The National Performance Framework¹⁵ based on cross-functional goals and objectives provides a template to guide policy production and delivery both within government and through strategic partnerships with other stakeholders. It recognises the need for social policy innovation and identifies the empowerment of individuals, families and communities as a central value. Figure 3 below summarises the nature of this transition.

In the Basque Country, the government began an equally radical journey involving the collaborative

¹⁵ <http://www.scotland.gov.uk/About/Performance/scotPerforms>

production of a «White Paper to Transform Public Affairs into a Shared Responsibility», placing citizen participation at the heart of its approach. The process of producing the White Paper was designed to close the distance between government and citizens and to address disaffection with public affairs, thereby preparing the ground for a systemic model of participative governance that has grown from the specific needs and culture of the Basque Country.

Over a 12 month period, more than 400 people and 150 organisations took part and contributed 1,800 hours of work to the design of the White Paper. Customised approaches to participation were developed to reflect the needs of different groups.

in which public policies are designed and delivered, and both recognise the necessity of such transformation in order to realise Bourgon's (2011) notion of «the collective power of society coming together for a shared purpose». Strategic policy in these contexts is shaped by the expectation and the necessity of social innovation in addressing deep-seated social and economic challenges.

Scotland and the Basque Country should serve as important test cases for Europe in coming years. Both face potential threats to success including uncertainties relating to political continuity across the electoral cycle, and the impact of a challenging fiscal environment on resources for innovation.

From

- Specific, delineated policy responses
- One size fits all
- Starts with the problem and offers standard solution
- Person/ user voice not evident
- Funding specific projects / programmes
- Focus on policy goals



To

- Holistic solutions to complex needs
- Place-based solutions, prompted by the individual and community
- Starts by identifying potential and what will help make the change
- Person / user voice is the starting point and the test of success
- Investing to build capacity
- Policy goals backed by clear delivery method

Figure 4. The Scottish Government's steps towards transformation.
Source: Doreen Grove, Scottish Government

The provisions of the White Paper were passed into law in November 2015. All Departments of the Basque government subsequently identified internal projects that could be used to pilot collaborative approaches to service design and delivery in five strategic policy areas: environment; social cohesion; economic development; health and learning. Shared learning lay at the heart of this process and the current priority is to embed the lessons from these pilot initiatives into mainstream processes of policy production and implementation.

Both the Basque and the Scottish cases illustrate the potential for far-reaching reassessment of the ways

A key measure of their success also lies in the extent to which frontline public sector staff gain the autonomy, motivation and confidence to emerge as social innovators in their own right, challenging the fundamental precepts of bureaucracy and New Public Management.

5 CONCLUSION: TOWARDS NEW MODES OF POLICY PRODUCTION AND IMPLEMENTATION

We have seen that the concept and practice of social innovation challenges both policy makers and conventional models of the welfare state alike. To

summarise, these challenges can be grouped into six main areas:

1. Social innovation represents a diverse set of practices operable across micro, meso and macro levels. It deals with manifold social issues that cut across normal ministerial/civil service boundaries and stretch budgetary time boundaries beyond convention.
2. By its nature, social innovation does not follow the normal rules that govern market innovation. They are often based on left field thinking, and are disruptive to accepted practice. They have no necessary single logic of action (or theory of change) associated with them. Quite often, social innovations emerge out of market failure and for this reason operate with different processes and rules to those understood within rational policy making debate.
3. Unlike some policy paradigms, social innovation can have a high degree of contextual embeddedness. Place, community and identity figure are important drivers of action, meaning that macro-level activity is often detrimental to many social innovations that appear similar in form and operation. This embeddedness poses a challenge to state policy in joining up the varying levels, and dealing with the complexity and inter-relationship issues that result.
4. Social innovation has multiple impacts that are not reducible to the economic alone. Hence there are different and alternative value systems at play that designate the impact of social innovation. In this sense, social innovation is a multi-dimensional concept demanding both quantitative and qualitative methodological approaches, the latter posing a particular problem in relation to policy choices.
5. As a result of these four points, social innovation presents policy makers and civil servants with many practical and conceptual roadblocks for which they are ill prepared. The classic notion of the «bureaucratic» as enunciated by Max Weber is one marked by rule-following behaviour. Such

behaviour eschews experimentation, personal decision making and individual enterprise. Instead the state is organised around the application of formal rationality that seeks to replace the substantive rationality of everyday life and existing social practices. Our discussions with policy makers representing social innovation within their ministries revealed that this clash is palpable to them; they find themselves isolated in arguing for innovation and flexibility whilst decision making continues to follow rules based on rational calculation, with means end evaluations expressed in purely nominal terms.

6. The state can play a pivotal role in mobilising the wider resources of society to address challenging problems and opportunities through social innovation. But social innovation also creates conflicts with internally embedded state practices. To realise the full enabling potential of their role, public bodies must to reform their own structures and processes, empower their staff, and build collaborative partnerships based on power sharing and trust. A systemic approach is required, with a long-term commitment to transformation that extends well beyond normal electoral cycles.

We have argued that social innovation is closely linked to public sector innovations that challenge functional demarcations and role definitions within the state, and between the state and its partners. This implies different roles and ways of working for all stakeholders, both individually and collectively. The goal for public bodies is to create synergies between the knowledge, expertise and latent creativity of their own staff and that of other actors, thereby enabling social innovation.

Likewise the transformation of public policy-making provides a vital key to mainstreaming social innovation in Europe. Without such transformation, social innovation is likely to remain a marginal feature of welfare systems which, in turn, will increasingly fail to deal with the complex social challenges of the twenty first century.

We offer the Four Enablers as a systemic and transformative approach to public policy making and its relationship to social innovation, helping ensure the capability of European welfare systems to meet the needs of the next generation.

Further information can be found in the *SIMPACT Resource Kit for Policymakers*, available at www.simpact-project.eu.

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