

Understanding social innovation

SUMMARY

Social innovation has become an important concept in European policy-making, cutting across sectors and disciplines. However, despite the increasingly frequent use of the term there is no consensus as regards its definition. As a result, in part of extensive research work at EU level, it is currently interpreted as a ubiquitous concept that entails new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or forms of collaboration. The concept is strongly related to notions of solutions and transformation.

European policies promote social innovation in several sectors, such as the single market, employment and social affairs, health, education, energy, environment, and research. Within the EU, numerous policy and financial tools together with the (previous and current) research programme contribute to this process. However, there is still much to be done in terms of finding a comprehensive and well accepted theoretical approach to social innovation, efficient funding and regulatory environments, and also a way to measure its social (added) value. Without these social innovation runs the risk of becoming an empty buzzword in policy-making.



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- Social innovation in EU policies
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What is social innovation?

Social Innovation (SI) refers to new ideas that work to meet social goals. The EU's Bureau of European Policy Advisers (BEPA, now the [European Political Strategy Centre \(EPSC\)](#)) defines it ([2011](#) and [2014](#)) as innovation that is good for society and increases its capacity to act. While this might seem straightforward at first glance, a closer look at this rather complex concept in European policy discourse reveals it to be somewhat blurred, mixed up with the notions of social economy and social enterprise. It is also becoming a buzzword, like 'innovation' itself, and is sometimes used as a 'gap filler' as a result of austerity politics. In the last two decades, however, there have been attempts to define its most important features, so as to make it tangible and measurable.

The complex [concept of innovation](#) entails four important features: novelty, adoption, outcome and a process with numerous actors. The OECD's [Oslo Manual](#) distinguishes four types of innovation: product, process, marketing and organisational innovation.

Definitions of SI involve all four features and also correspond to the Oslo Manual categories. The additional main feature of SI is that it entails strategies or interventions, ideas and practices that meet social needs. Here the 'social' should point to [social value](#) (for society as a whole) in contrast to private value (for individuals, such as entrepreneurs). Some draw a [distinction](#) between social and business innovation, where the latter is greatly motivated by profit. There are however borderline cases, for example distance learning that is pioneered in social organisations but then adopted in businesses. SI is not restricted to the social field and cuts across public, private and non-profit sectors.

While the theoretical research on SI is still in its infancy, a [recent critical literature review](#) looking into the theoretical approaches to SI summarises the areas in which there are major differences in interpretation. These are: the role of technologies, the main actors and drivers, the relationship with social change, the governance and framework conditions, and the significance of power and conflict.

Most recently the SI-Drive project (Social innovation: driving force for social change) led by the Technical University of Dortmund, Germany, made an attempt to broaden the interpretation of this ubiquitous concept on the basis of empirical research. It carried out a [comprehensive mapping](#) of 1 000 examples from around the world in seven policy areas (education, employment, environment and climate change, energy supply, transport and mobility, health and social care, and poverty reduction and sustainable development). The new approach developed in the study focuses not only on the structural features of SI but also on the process, which involves 'new participation and collaboration structures', 'co-creation and user involvement' and 'empowerment and human resources development'. In this context it should also contribute to social change.

Brief history

The themes and concepts in SI already existed in the 18th and 19th centuries. Benjamin Franklin, for example, talked about small modifications within the social organisation of communities¹ that could help to solve everyday problems. Joseph Schumpeter addressed the process of innovation directly with his theory of 'creative destruction' and his definition of entrepreneurs as people who combined existing elements in new ways to create a product or service. In his terms, SI is to be looked at as a process of dynamic change, reconfiguring the forms of social relations.

A 2016 [study](#) looking into the rise of the concept of SI explains that the concept, as such, was first used by sociologists at the end of the 19th century either to explain how networked societies stimulated technological innovations (Gabriel Tarde, 1899) or to understand the social impact of innovation (Frances Hoggan, 1909). Before 1999 there were no clear developments of the concept. Since then two traditions have been evolving around its interpretation, distinguishable along two main lines: whether collaboration is a necessary element in the SI process, and whether SI is a process or a merely utilitarian value. The first tradition is more normative and radical and sees social change occurring as a consequence of innovations in social relations (especially through the empowerment of previously disadvantaged groups) and thus talks about co-production. The second is more utilitarian and emphasises the utilitarian impact of any innovation in terms of changes in aggregate individual utility. Social change is regarded as a final outcome of both approaches to SI, but according to the more radical tradition there is a shift in the balance of power, while in the utilitarian tradition the change is limited to the aggregate changes in individual utility.

Social change

The historical insight shows the very strong relationship between SI and social transformation and change. This relationship is, however, under-explored. The dissemination, spreading and growth of SI is expressed in terms of [scaling, scaling up and diffusion](#). Scaling and scaling up refer not only to organisational growth but also to an increase in potential impact, while diffusion refers to the act of spreading. Spreading an innovation is not linear but a highly contingent process. Literature on these phenomena pays little attention to 'politics' and 'power dynamics' although successful innovation will generate conflicting claims for power. Neither does it analyse the relationship between SI and social change.

Analysis that looks into the relationship between SI and social change points to the fact that there are many theoretical traditions trying to define social change and there is no consensus. Moreover, these theories pay little attention to the particular phenomenon of SI. According to this analysis social change can be defined as 'the process in which *new social practices emerge*, become socially accepted, and diffused in society *by processes of imitation, adaptation, and social learning* ... transformed depending on circumstances and ultimately institutionalised as new social practice or made routine'. Hence SI is a central element of the social change mechanism and as such 'the process of SI has to be seen as a process of social change'.¹ The relationship between the two is then determined by breadth and depth, i.e. how far SI is diffused in society, to what degree it has been institutionalised and to what degree existing social practices are challenged.

Social entrepreneurship and social economy

Social enterprises and social entrepreneurship and the idea of the social economy are strongly related to SI. Social enterprise is understood 'as the technique of trading in the market to achieve social aims', whereas social entrepreneurship is understood 'as the use of entrepreneurial skills to achieve a social purpose'.² A [systematic review](#) looking into the subject emphasised the growing importance of social entrepreneurship not least on account of growing inequalities, urgent social issues and the growing recognition that corporate responsibility is not necessarily a means to an end. Social enterprises reinvest in communities and stakeholder groups. Social entrepreneurship often involves innovation but only a small minority of social entrepreneurs create new models. There is general agreement that social enterprise is just a part of a much broader SI landscape.

Within the EU there is [no consensus](#) on the definition of social enterprise but its entrepreneurial, social and participatory governance dimensions are emphasised.

Another term that often appears together with SI is that of the social economy.³ A [recent study](#) claimed that the major analytical difficulty defining the term stems from: 'clarifying the distinction between the different forms of social economy activities (such as foundations, charities and cooperatives) and identifying the differences between these entities, other private economic players and the public sector'. It points to four major features that distinguish the social economy from social enterprise: the primacy of people and the focus on the social objective; social and economic balance; the pursuit of sustainable growth over and above profit; and democratic, transparent and participatory decision making. SI happens in the social economy.

In the [EU context, the social economy](#) 'unites a large and rich variety of organisational forms shaped by diverse national and welfare contexts but with shared values, characteristics and goals' and 'combines sustainable economic activities with positive social impact, while matching goods and services to needs'. It plays an important role in the transformation and evolution of contemporary societies, welfare systems and economies.

Social investment

Finally, SI is also closely related to the notion of social investment. The latter has gained increasing momentum since the new millennium, but particularly since the financial crisis. However, the idea of socially conscious investment has been around for centuries and the concept of [socially responsible investment](#) for the last couple of decades.

The concept of social investment can be defined from two different angles: that of the welfare state and public policies; and that of the markets with a more limited role for the public sector. In the [EU context](#) the notion of social investment is strongly related to the idea that a strong economy requires a strong welfare state. Social investment puts the emphasis on public policies that 'prepare' individuals, families and societies to adapt to various challenges, such as changing career patterns and working conditions, new social risks, population ageing and climate change.

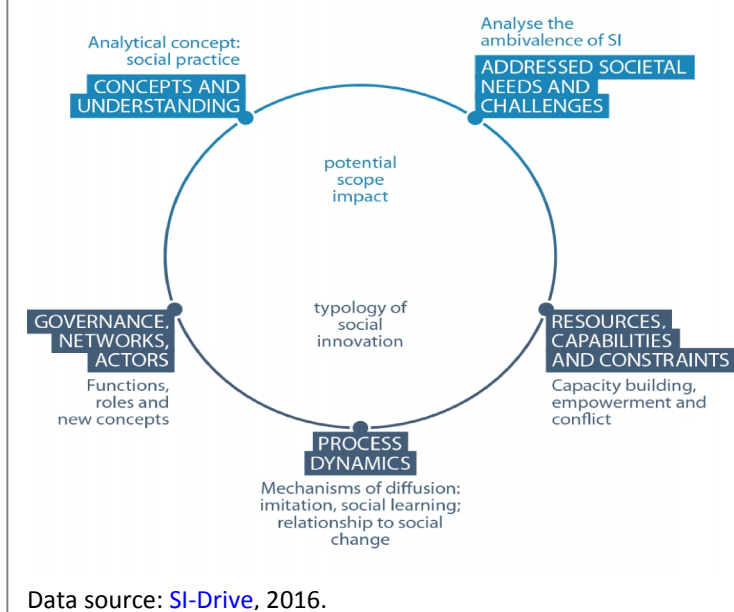
According to the OECD, [social investment](#) is the provision and use of capital with the aim of generating social as well as financial returns. The investors accept lower financial returns for the sake of greater social impact. Social investment can cover loans, equity or bonds, and is sometimes used alongside other instruments, such as guarantees or underwriting. The new notion of social impact investment provides the public sector with a more limited role but still emphasises the important role of the government as a catalyst for generating investment and a regulatory environment that attracts private investment, for example. However, it also requires restraint in public investment in order to avoid 'crowding out' private investors. The concepts of 'social investment' and 'social impact investment' are used interchangeably at times. According to the OECD 'social (impact) investments are investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return'.

Systemic approach to social innovation

The complexity of the SI concept has led to it being analysed increasingly in systemic terms (Figure 1). This approach allows a closer examination of the role of both formal and informal institutions in the SI process. In the EU context, the SI definition provided by BEPA seems to carry the most weight. It defines it as '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.¹⁴ One [research paper](#) looking at the definition of SI across several current research projects describes a number of common assumptions: all definitions include a reference to SI producing new social practice and relations or products, based on collaboration and participation of end-users, who are then equipped with legitimacy in relation or response to different needs and structural deficits: the provision of welfare, rural or urban development or failing markets.

Figure 1 – Key dimensions of social innovation



SI can happen not only in different sectors but also in very different environments, such as social organisations, movements, politics, governments, markets and media.

Social innovation in EU policies

Policies

SI is addressed explicitly in the work of the European Commission Directorates-General for Growth, for Employment and for Research and Innovation. However it also features in a transversal manner across other sectors (including environment, resource efficiency and education) as the concept is related to issues of social and economic inequality. The EC is developing policy and guidance in the field of SI that should, in turn, help to build an enabling environment or eco-system for it. Apart from facilitating the exchange of good practice, the EC is focusing on the regulatory environment, funding, measuring the scale and impact of SI and further policy-relevant research in the field. The EU 2020 strategy provides the larger frame for developing policies in and for SI. The [Innovation Union flagship initiative](#) promotes SI and job creation and also supports it directly through the yearly [Social Innovation Competition](#). The [Social Innovation Europe Platform](#), meanwhile, makes good practice visible.

The [Single Market Act I](#), adopted in April 2011, put forward twelve projects to deepen the Single Market. The aim was to re-launch Europe's growth and social progress by promoting free circulation for the benefit of businesses, citizens, consumers and workers. It also announced the [Social Business Initiative](#) (SBI), which was adopted by the Commission later that year. The SBI aimed to create a favourable environment for the development of social business⁵ in Europe and of the social economy at large. The initiative proposed three priority measures: improving the access of social businesses to funding, improving their visibility, and simplifying their regulatory environment. As part of the follow-up, to facilitate the cooperation of public institutions and social enterprises, the [Strasbourg Declaration](#) – with 2 000 social entrepreneurs, the Commission and the European Economic and Social Committee (EESC) on board – called for new, innovative funding sources, business support, networking, and clearer EU-wide regulations. The 2014 [Rome Strategy](#), drawn up with the broad participation of national and European

policy-makers, practitioners and researchers, promoted strong and wide cooperation for the improvement of the social economy among public institutions, private investors and research centres, and offered a unifying framework and approach. Since its inception in 2012 the multi-stakeholder [Expert Group on Social Entrepreneurship](#) (GECES until 2017) has aimed to secure this broad participation and support the development and implementation of the SBI.

Already in 2009 the European Parliament (EP) [recognised](#) the social economy as a key player in Europe's economy. Then, following the launch of the SBI in 2011, an EP resolution stressed the [important role](#) of the social economy and social enterprises as drivers of economic growth. It described them as change-makers that can enhance the creation of sustainable jobs and the integration of vulnerable groups into the labour market, while also responding to the 'growing demands of citizens for ethical, social and environment-friendly corporate behaviour'. Finally, owing to the broad benefits for individuals and society, it expressed the need for the creation of SI clusters that would have added value beyond the local area, i.e. could be scaled or diffused.

The strengthening of the social economy has remained firmly on the agenda over the years. In 2015 the Council's draft conclusions on the [social economy](#) and the Luxemburg Presidency's roadmap on [social enterprises](#)⁶ called for a better funding and regulatory environment. In 2016 the communication on [Upgrading the Single Market](#) wished to address the most recent economic and social challenges and also took on board the new idea of the [collaborative economy](#). The follow-up [communication](#) on the collaborative economy aimed to help consumers, businesses and public authorities engage confidently in this rapidly evolving landscape. The EP [Intergroup](#)⁷ for the social economy is developing an [action plan](#) on the topic.

The Commission's 2013 [Social Investment Package](#) approached SI from a different angle and called for a new comprehensive approach to social policy and investment in human capital from both the government and the private sector. It recognised SI as a vehicle for the implementation of Member State social policies and thus called for experimentation. The Commission's general [Guide to Social Innovation](#) was developed with the aim of facilitating this social experimentation and efficient use of European funds for this purpose.

Measuring social innovation

Measuring the process and the outcomes of SI is an important issue for policy makers. The discussion on this topic has evolved around the rationale provided in the 2009 report by the French [Commission on the Measurement of Economic Performance and Social Progress](#). The report intended to provide guidance for creating a broader set of indicators [beyond GDP](#) to capture both well-being and sustainability more accurately. It also sought to provide impetus for improving the ability of GDP and related statistics to assess the performance of the economy and society.

At the Commission, a subgroup for the GECES on social impact measurement was set up to agree upon an EU methodology. The group came forward with a report on [proposed approaches to social impact measurement](#). Though work is ongoing in this field, social impact measurement is still a big challenge as there are no reliable metrics in place for the social and civic values generated by public and social organisations.

Funding social innovation through programmes

Several EU funding instruments support SI directly. The [European Union Programme for Employment and Social Innovation](#) (EaSI) is aimed at supporting high levels of

employment, securing social protection, fighting social exclusion and poverty, and improving working conditions. EP has [called](#) repeatedly for the EaSI funds to be used for the most vulnerable, e.g. children living in poverty. [Horizon 2020](#), the EU's research and innovation programme, has an SI component, including the development of indicators for SI, and of techniques for social impact measurement. The new [European Fund for Strategic Investment](#) (EFSI) offers an opportunity to invest in public-private partnerships in the field of innovation, including in the social domain. Finally, SI can be also financed under the European Structural and Investment Funds (ESIF).⁸

Research

While in the early days, much of the literature on SI was produced by business schools such as Harvard, Stanford and Oxford, significant investment has been put into cross-national research on SI at European level, particularly under the Seventh Framework Programme (FP7) and Horizon 2020. One reason for the subject being neglected by social policy researchers in the past might be the fact that the concept of SI has been unclear.

Recent projects have been focusing on developing theoretical frameworks that capture the diversity of SI. Projects are building theories around the interplay of structures and agencies and how it affects choices for strategic action ([Transit](#)), types of business model ([Simpact](#)), types of SI ([SI-Drive](#)), the link between SI research and theoretical work on the welfare state and social policy ([Improve](#)), and specific types of welfare innovation ([Wilco](#)). Some other projects are analysing SI as one approach to solidarity ([Solidus](#)) or in relation to social entrepreneurship in rural areas (Rurinnio). Some, such as [Efesiis](#) and Solidus, are focusing on individuals in SI.

The [Social Innovation Community](#) project is helping to set up a network of networks so as to mainstream the SI process and align definitions and concepts.

Current challenges and possible solutions

Despite many recent efforts there is still no complete, theoretically sound definition of SI able to describe the commonalities and differences in the many relevant sectors in which SI occurs. Moreover, there is no systematic quantitative analysis describing the enablers,

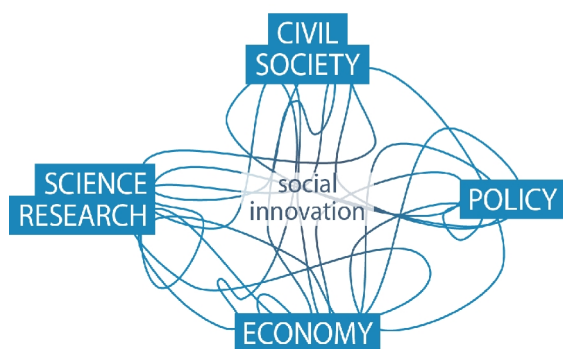
critical success factors and obstacles so as to efficiently support SI across the board.

This conceptual imprecision carries with it the risk that the concept can be used 'to disguise an agenda of further liberalisation and public service withdrawal'.⁹ The SI-Drive project's final report expands the notion of SI across the sectors and points to the need for an SI ecosystem (Figure 2). It emphasises the need for public policy and government to play a new role in creating a suitable framework and support structures, for the resources of the economy and civil society to be brought into

play, and for science and universities to contribute with supporting measures (e.g. education for SI performance and know-how transfer).

A [collaborative research paper](#) prepared as part of the Social Innovation Europe Initiative¹⁰ identifies some external barriers to SI, such as the regulatory environment and long-term funding options, and identifies a number of internal barriers, such as the lack

Figure 2 – The ecosystem of social innovation



Data source: [SI-Drive](#), 2016.

of financial and managerial knowledge and of vertical knowledge of the industry where the commercial branches of the mission-driven organisation operate.

Although the measurement and financing of SI have developed a great deal in recent years, there is still a lot to be done. The two challenges are also strongly interconnected. The fact that the concept of SI is ill-defined makes data collection difficult. This makes it a challenge to assess the different funding tools, such as crowdfunding, public procurement, or [social impact investment](#). Measuring the process, outputs, outcomes and impact of SI is increasingly high on the agenda but the measurement of social value creation and the development of indicators are still works in progress.

Main references

Howaldt, J., Schröder, A., Kaletka, Ch., Rehfeld, D., [Mapping the world of social innovation. A global comparative analysis across sectors and world regions](#), SI-Drive D1. 4, 2016.

Mulgan, G., Tucker, S., Ali, R., Sanders, B., [Social innovation; what is it, why it matters and how it can be accelerated](#), Oxford Said Business School, 2007.

[Social Innovation – A decade of changes](#), European Commission, BEPA, 2014.

Endnotes

- ¹ J. Howaldt and M. Schwarz, [Social innovation and its relationship to social change](#), SI-Drive D1-3., April 2016, p. 58.
- ² G. Mulgan, S. Tucker, R. Ali and B. Sanders, [Social innovation; what is it, why it matters and how it can be accelerated](#), Oxford Said Business School, 2007, p. 45.
- ³ The concept of the 'social economy' should not be confused with that of the 'social market economy' that emerged after the Second World War mainly in Germany and is today a mix of notions of market capitalism, strong labour protection and a generous welfare state. It is also reflected in Article 3(3) of the Treaty on European Union ([TEU](#)).
- ⁴ [Empowering people, driving change. Social innovation in the European Union](#). EC, BEPA, 2011 p. 9.
- ⁵ [Social business](#) covers an enterprise whose primary objective is to achieve social impact rather than generating profit for owners and shareholders; which operates in the market through the production of goods and services in an entrepreneurial and innovative way; which uses surpluses mainly to achieve these social goals and which is managed by social entrepreneurs in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.
- ⁶ Adopted by government representatives from France, Italy, Luxembourg, the Slovak Republic, Slovenia and Spain.
- ⁷ A platform for exchange between Members of Parliament (MEPs) and members of civil society.
- ⁸ A [guide](#) with all the European funding instruments was published in 2012.
- ⁹ S. Sinclair and S. Baglioni, '[Social innovation and social policy – promises and risks](#)', *Social Policy and Society*, Vol. 13, No 3, July 2014 , p. 410.
- ¹⁰ Coproduced by the [EMES Network](#).

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