Building the Social Innovation Ecosystem in Europe

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1. Introduction

“The field of social innovation remains fragmented and there is a need for more developed networks as well as innovation intermediaries for brokering the connection needed to nurture and scale up social innovations.”

BEPA, 2011

The field of social innovation is growing rapidly. There are now a range of networks, funds, institutions and government departments specifically focused on supporting and promoting social innovations of various kinds. Many of these organisations and institutions are interested in growing or spreading existing social innovations. For example, the Obama Administration’s Social Innovation Fund aims to “accelerate the growth of effective, evidence-based community solutions”. Similarly, a recent paper from the World Economic Forum and the Schwab Foundation entitled Breaking the Binary: Policy Guide to Scaling Social Innovation speaks of the need to “enhance and scale the impact of social innovation models pioneering solutions to many of the most entrenched social and environmental problems we face today”. As Bradach explains, “there may be no idea with greater currency in the social sector than ‘scaling what works’.” Indeed, there is a significant and growing literature on ‘scaling social impact’ and on the various ‘routes to growth’ that social ventures can take. In an accompanying report, we examine the literature that relates not only to the growth of social ventures but also to the diffusion of innovations.

In order to understand how to grow social innovation, one approach is to look at how to grow specific social innovations (or the social ventures that produce and deliver those social innovations). Another is to look at the conditions in which social innovators operate. Is the environment conducive to the generation and spread of social innovations? What kind of conditions need to be in place to support social innovators? It is this question that provides the focus for this report.

To examine this question, we have been influenced by developments in the field of innovation policy, namely the move towards looking at innovation policy from a systems perspective. The

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6 A third step/approach would be to look at the reciprocity between the first and the second approaches.
concept of National Systems of Innovation focuses on innovation actors (firms, universities, etc.) and the networks and relationships between them. Broadly, this approach aims to improve the interactions of various components of the system through, for example, knowledge transfer schemes, intermediary organisations and networks that ‘bridge’ the various components of the system. As such, the aim is to create the enabling conditions for innovations to flourish rather than simply fund research and development to increase the supply of innovations (the traditional supply-push model). In particular, the greatest contribution of the National Innovation Systems approach is that it has led to a reappraisal of the role and importance of demand side policies (the demand-pull model) to support innovation and highlighted the importance of enabling conditions (regulation and standards, procurement, the creation of clusters etc.) as well as the more traditional supply side policies.

Could this approach (looking at supply and demand side measures as well as the role of intermediaries and broader framework conditions) provide a useful way of thinking about how to grow and develop the field of social innovation? This report marks an attempt to use such a framework to examine the kinds of tools, policies and measures that need to be in place to help social innovation to flourish across Europe.

What forms of social innovation are we talking about here? Attempting to outline a theoretical ecosystem of what is necessary to support every form of social innovation in every sector runs the risk of being too broad to be very meaningful. So while we recognise that social innovations can emerge from any sector (private sector, public sector, informal/communities sector as well as the third sector), in this paper we are particularly interested in socially innovative organisations that emerge from civil society and the third sector, including social enterprises, co-operatives and mutuals. Our focus on the development of these social purpose organisations means that this framework is not intended to speak to the challenge of innovating within existing large bureaucratic institutions, or within multi-national corporations. That is not to say that social innovations do not come out of these contexts, only that they were not the institutions that provided the focus for this framework.

In writing this report, we aim to support the work of policymakers and funders – those who play a key role in creating the conditions under which social purpose organisations operate. The framework we have developed is theoretical rather than responding to any particular country context. Policy makers and funders should use the framework as a potential ‘menu’ of supports and policies that can be used to support the work of innovative social purpose organisations. Where the major gaps lie and where more resources should be invested will look very different depending on the specific country or regional context.

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In other TEPSIE research reports, we’ve written about the important role played by citizens in the design, development and delivery of social innovations.\(^9\) Citizens play a key role in terms of enhancing the supply of social innovations (by, for example, generating ideas for innovations) and in enhancing the demand for socially innovative goods and services, (by, for example, articulating a need for an innovation). However, we do not think it makes sense to see citizen engagement as a ‘building block’ within the framework outlined in this introduction. Instead, policymakers should think about how and when citizens can be involved in the wide range of activities outlined in this paper. Indeed, where possible and appropriate, citizen engagement should be seen as a constant thread throughout social innovation policies and activities. Since we have explored a number of issues around citizen engagement in social innovation in great depth in other reports, we have not touched upon the subject in this report.

About this paper

This report forms part of a broader programme of work looking into the growth of social innovation. As part of the TEPSIE project we are examining ways of growing social innovation. We have carried out a review of the literature that relates to the growth of social innovation, in particular, scaling social impact and the diffusion of innovations.\(^10\) We are also carrying out a series of case studies in order to better understand the ways in which specific social innovations have spread more widely (forthcoming). This report outlines the measures, structures and policies that need to be put in place to support the growth and development of social purpose organisations across Europe. It will be supplemented by a policy paper which will be published in September 2014.

1.1 Introducing our ecosystem framework

In order to identify the kinds of measures which could support the development of innovative social purpose organisations, we first examined the kinds of supports which exist for technological and business innovation. We drew on the work of innovation policy experts Luke Georghiou and Jakob Edler\(^11\) and in particular on the Compendium of Evidence on Innovation Policy\(^12\), a systematic review of the evidence of the impact of innovation policies. We also examined various typologies of innovation policies.\(^13\)

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\(^13\) See for example INNO-Policy Trendchart, Information available at: https://research.mbs.ac.uk/innovation/Research/Currentprojects/INNOPolicyTrendChartonInnovation.aspx
With this information we developed our own typology of social innovation policies. Our framework has four main components: framework conditions, supply-side measures, demand-side measures and intermediaries. Together these kinds of policies and approaches could help develop the social innovation ecosystem across Europe. The list of building blocks is not exhaustive or comprehensive and we hope to build on this framework in the coming months and years. It is illustrated in the full page diagram on page nine

1.1.1 Framework conditions

Framework conditions describe the broad conditions or environment in which social innovators operate. As we have argued elsewhere, framework conditions indirectly affect the social innovation process: “….in the ideal case the framework is structured to enable social innovation and function as pull-factors. But depending on their nature, the framework factors can also hinder the innovation process.”

Framework conditions include: the financial or economic context (is the economy growing? Is it easy to access credit?); the political context (what is the welfare mix? Is the government stable and democratic? Are government decisions transparent? Are there high levels of corruption?); the legal and institutional context, namely the set of values, rules, norms and laws that regulate human and organisational actions (are laws seen as legitimate? Are human rights enshrined in law? Is there gender equality); as well as the social context (are there high levels of public participation? Are there high levels of citizen engagement in civil society organisations? Are there high levels of trust between citizens? What kinds of attitude to risk prevail? What kinds of social attitudes and norms prevail?)

Arguably, we might also include human resources in the general framework conditions since the level and quality of skills has a bearing on levels of social innovation. This relates to the level of education attained by the population (how many people have a university degree? What kinds of skills do the local population have? Are the people who have the skills able to be mobile?) It can be assumed that a lack of relevant skills will hinder social innovation and that a lack of skills among prospective employees might also be a challenge for innovative social purpose organisations.

The nature of framework conditions will often have a dramatic impact on the prospects of social innovations emerging from the third sector. But while they have an important theoretical place in this ecosystem model, we have not focused on these macro level conditions in the body of this report. Instead we have focused on what we have termed ‘building blocks’ within three categories: supply side measures, demand side measures and intermediaries.

1.1.2 Supply-side measures

In innovation policy more broadly, supply side measures are those that influence the generation of innovation. In our framework, these are the measures that will support the viability and future development of social purpose organisations that produce innovative goods and services. We have further subdivided these into three types:

a) Financial support

Here we have suggested different forms of financial support that may be particularly relevant to social purpose organisations:
- Grants for early stage development
- Prizes for social innovation
- Debt instruments
- Patient capital
- Social investment funds
- Crowdfunding
- Loans
- Social impact bonds
- Venture philanthropy

b) Non-financial resources

Here we have identified a list of forms of support that are likely to be important for social purpose organisations:
- Incubators
- Safe spaces for R&D (e.g. labs for social innovation)
- Business development support (e.g. accelerator programmes)
- Mentoring and coaching
- Peer to peer support
- Professional services of various kinds including:
  - Legal advice
  - Marketing services
  - Fiscal and accounting services
  - HR advice
  - Governance advice
  - Strategy/organisational development advice

c) Skills for innovation

These are resources and opportunities that will impact the ability of people to innovate in social purpose organisations:
- Tailored courses for social entrepreneurs and other actors
- University programmes for social entrepreneurs
**1.1.3 Demand-side measures**

Demand-side policies are those that induce investment in innovations by creating or enlarging markets for them, usually by requesting, buying or applying innovations. For our ecosystem, we have focused on those measures that might contribute to further demand for innovation as developed by social purpose organisations. These include:

- Pre-commercial procurement
- Public procurement and commissioning of innovative goods and services
- Supporting private (individual) demand through tax incentives/ subsidies/ personalised budgets
- Campaigning and advocacy
- New flows of information (open data)
- Developing the knowledge base (measuring impact and outcomes)
- Strengthening system wide capabilities (cluster policies, network policies, support for R&D co-operation)

**1.1.4 Intermediaries**

Intermediaries are all those institutions, groups and networks that enable the transfer of knowledge about social innovations. Intermediaries play a wide range of functions; some seek out and gather knowledge that is relevant to organisations’ innovation processes, others have specialist knowledge and others simply connect innovation actors to each other.

Intermediary actors relevant to this ecosystem include:

- Social innovation networks
- Centres for information and evidence
- Hubs for diffusion and adoption
- Platforms for open data/exchange of ideas

These intermediaries provide a number of services that may help social purpose organisations such as:

- Networking opportunities/events
- Information and brokerage support
- Knowledge transfer programmes
- Learning forums and insight

*The content of this report*

Having developed an outline for an ecosystem organised in this way, we asked our consortium partners to each develop short overviews of some of the most relevant building blocks; these make up the short chapters of this report. We focused on those areas of the ecosystem where activity for
social purpose organisations is particularly distinctive, or has seen particular growth or interesting developments in recent years. Each building block features an introduction explaining what it is and then two short examples of the building block in action, followed by some reflections on the challenges associated with this particular measure. While contributors aimed to pool their examples from a good spread of countries in Europe and beyond, the priority was to illustrate the best examples they had come across.
AN ECOSYSTEM FOR INNOVATIVE SOCIAL PURPOSE ORGANISATIONS

FRAMEWORK CONDITIONS
- Financial/economic environment
- Human resources
- Legal/institutional environment
- Political context
- Social context

FINANCIAL SUPPORT
- Grants for early stage development
- Prizes for social innovation
- Debt instruments
- Patient capital
- Risk capital
- Crowdfunding
- Loans
- Social impact bonds
- Venture philanthropy

NON-FINANCIAL RESOURCES
- Incubators
- Safe spaces for R&D (e.g., labs for social innovation)
- Business development support (e.g., accelerator programmes)
- Mentoring and coaching
- Peer to peer support
- Professional services of various kinds including legal advice, marketing services, fiscal and accounting services, HR advice and governance advice

SKILLS FOR INNOVATION
- Tailored courses for social entrepreneurs and other actors
- University programmes for social entrepreneurs
- Subsidised secondments
- Mobility schemes

INTERMEDIARIES
- Social innovation networks
- Centres for Information and evidence
- Hubs for diffusion and adoption
- Platforms for open data/exchange of ideas
- Providing programmes/interventions
- Networking opportunities/events
- Information and Brokerage support
- Knowledge transfer programmes
- Learning forums and insight

Transferring knowledge about social innovation

ENHANCING SUPPLY → ENHANCING DEMAND
2. Part one: Enhancing the supply of innovative goods and services

2.1 Financial support

Funding for social innovation can come from many sources: from grants and donations as well as various forms of social finance. There are a wide range of organisations and institutions that provide funding and there are a growing variety of tools and instruments for social purpose organisations. Those with a promising idea may consider grants for early stage development, those who are confident in their ability to generate income may consider loans, while those who are taking a bigger risk may hope that they can convince a social investment fund to invest in their idea. Venture philanthropy, crowdfunding and social innovation prizes are alternative routes for social innovators or social purpose organisations to access finance – but securing these forms of funding may be contingent on social innovators’ ability to tell a compelling story about the uniqueness of their mission or the worthiness of their cause.

In this section we look at:
• Grants for early stage development
• Loans
• Risk capital (from social investment funds)
• Venture philanthropy
• Crowd funding
• Social innovation prizes

2.1.1 Grants for early stage development

(Authored by Gunnar Glänzel, The University of Heidelberg)

What are early stage grants?

Early stage grants are one particular type of grant. They provide non-repayable funds to a highly diverse set of projects or organisations – but as the name suggests, at the very early stages of their development. These types of grant provide relatively small amounts of money – commonly up to €15,000 and are usually very easy to access. Usually they involve some form of application but in some cases they can take the form of a challenge prize. These grants can be given out by government departments, foundations, individuals or even businesses. Grant recipients are equally diverse, but in many cases they are non-profit organisations, businesses (primarily start-ups), and

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institutions active in research and education, or again individuals. The aim of early stage grants is to test and explore the potential of early stage innovative ideas.

Brendan Thompson received a £500 grant from UnLtd

The rationale behind early-stage grants is that social innovators who are about to set up ventures are in need of relatively small amounts of money at low or no cost. This cash is needed to enable the innovator to develop their idea, potentially develop a prototype to see whether the idea works in practice, and to set up a rudimentary form of an organisation with the aim of implementing the innovation. In many cases, this demand is satisfied by “the 4 F’s”: The Founder, their Family and Friends, and finally “Fools”. In a way, the money these individuals provide may also be seen as an early-stage grant. However, this money isn’t always available or sufficient. When this is the case, there is demand for early-stage grant finance. Other forms of finance are not appropriate at this point either: To secure some form of investment, the (potential) social innovator would have to have a proof of concept and/or securities. While the proof of concept is not available in the early stages (that is what the money is primarily needed for), taking a loan with private securities is in most cases not an option, since securities are either unavailable or the innovator is not willing to take such risks. On the other hand, the amount needed in early-stage development is usually quite small, which is why in many industrialised countries the supply of such early-stage grants is less of a problem than other forms of finance.

The most effective programmes that supply early stage grants also provide various forms of non-financial support – such as business advice, access to mentors or coaches and access to networks and funders. While financial support is absolutely critical in the early stages so are other kinds of supports – and increasingly, the most innovative programmes for supporting early stage ventures recognise the dual importance of financial and non-financial support by providing a bundle of support.

Early stage grants are therefore important in terms of creating a pipeline of social innovations. Thus, they help establish a broad basis of potential social innovations. As these are in need of further testing and development, the overall failure rate of such a large innovation pool is rather high which makes funding early-stage grants relatively unattractive despite the fact the losses are limited. Therefore, for actors to engage here, they either need excess resources, or they need to have the opportunity to get something out of it in return.

Example 1: UnLtd’s Try It, Do It and Build It awards, UK
UnLtd is a foundation in the UK which promotes social entrepreneurship at home and abroad. It was established in 2002 by seven non-profit organisations with the idea of promoting the growing number of social entrepreneurs in the UK with funds from the Millennium Awards Trust (MAT), with a perpetual endowment of £100m from the Millennium Commission. In the UK, UnLtd provides a range of awards, networking opportunities and access to expert advice for social entrepreneurs and finances (among others) three early-stage promotion schemes for UK social entrepreneurs. Following a strategic review in 2010 it was felt that existing products could better support the early stages of social entrepreneurs’ ventures. Thus, UnLtd decided to “reconfigure that so that we were supporting people to get set up and then to move on to the next stage of their journey and the next stage and the next stage.”

As a result, the organisation nowadays offers three types of awards for early-stage development:
- **TRY IT Awards** include up to £500 plus support to develop an idea and social entrepreneurial skills;
- **DO IT Awards** include a cash grant worth an average £2,500 (but up to £5,000) besides pro bono support, expert consulting, as well as access to networks and other non-financial resources;
- **BUILD IT Awards** offer the same benefits as the **DO IT Awards**, but with a higher cash award (up to £15,000) and also help with team and board development.

In providing these different support schemes UnLtd focuses on several stages of organisational development. The TRY IT and DO IT award schemes follow an early-stage grant rationale and seek to satisfy the demand for a relatively small amount of money. So while in its overall strategy UnLtd addresses many other resource (both financial and non-financial) challenges, much of what it does is directed at the phase of prototyping.

Since the beginning of operations and giving out awards in 2003, 11,500 awards have been made by UnLtd to 20,300 people totalling £40 million. Most of the awards were DO IT or (more recently) TRY IT, as exemplified in the following figures for 2012-13:

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17 Ashoka; Changemakers, Community Action Network (CAN), Comic Relief, The Scarman Trust, SENSCOT, and The School for Social Entrepreneurs (SSE).
18 All quotes in this section are from an interview with Stephen Miller, a senior researcher at UnLtd.
Concerning some major impacts of these awards, a recent poll among award winners revealed that 72% of respondents would not have been able to run the venture, or would have struggled, without the award; 70% say the award helped them develop their skills; and 74% agree their professional networks and contacts have improved as a result of the award. As a result, we can say that the major strength of UnLtd’s programmes is that they support social entrepreneurs through all stages of development, including the earliest stages, with the aim of supporting them through all stages successfully: “The idea is that it is meant to be reflective of the journey that social entrepreneurs will go through, and it supports them in advance of going through that stage. (...) I mean that’s why it is called an award whereas previously it was more of a reward.” However, the organisation is also critically reflecting that not all social entrepreneurs are going through all of these stages, which may be seen as a drawback of its programmes.

Example 2: The “Programm Engagement mit Perspektive”21, PEP, Germany
This programme aims to improve the prospects of young people to become social entrepreneurs. It was established by Ashoka Germany and SAP, a German blue chip company and leader in business software. The partnership programme targets young people that have a socially innovative idea and runs several support schemes:

- The IT4Change programme includes a €2,000 grant along with coaching and mentoring from Ashoka as well as business and IT support from SAP. All of the social entrepreneurs selected were younger than 28 and use IT to solve social problems, such as an internet portal for human rights, open source learning software23, or an online platform to link NPOs with students of design and creative arts who want to develop their practical IT skills

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21 “Engagement with Prospects Programme”
22 www.irrepressiblevoices.org
23 www.serlo.org
by providing pro bono services, for example by creating media campaigns, logos, etc. for non-profits. In total, the programme has made six awards.

- The PEP scholarship programme does not provide single awards, but supports young people with an idea for a socially innovative venture to become social entrepreneurs with a scholarship of up to €1,200 per month. The scholarship runs over a one-year period during which the recipients can develop their idea and hopefully set up a business. Also here, non-financial support is an important part of the programme. An experienced SAP employee becomes the one-on-one mentor for the young entrepreneur, while Ashoka taps into its network to make pro bono services available. Since the start of the project in 2012 it has supported 12 social entrepreneurs.

The rationale for supporting social start-up ventures for the PEP initiators is fairly simple: while there is a relatively favourable landscape for conventional start-ups in Germany, such a support structure for social entrepreneurs is clearly missing: “Those who want to set up a business with a non-profit legal form are excluded from all such governmental support.” Particularly in the early stages of a promising social innovation, such support is crucial, since otherwise the idea will remain a void and diffuse concept in the young person’s head, because s/he will be too busy with everyday life’s challenges and/or not get the right kind of systematic feedback to see whether and how an idea could work as the basis for a business model: “Every good idea needs one person to advance it. With a PEP scholarship we give young people what they need most urgently: Free space and support to develop themselves and their vision.”

As indicated above, providing just grants is not a very attractive option to many actors who want to promote social innovation, as the risk-and-return ratio is not very attractive: Failure rates are high, and the potential reputation gains are rather limited. Therefore, companies like SAP are more interested in programmes where they can also feed in their unique capabilities and competencies. So the company decisively seeks win-win situations “where we can leave an SAP mark where people say: Okay, this is a project or this is a programme that only SAP could do – so to really leave your own mark on the thing, some originality.” And of course, this is also a win for the grant recipient, and thus the overall likelihood that the early-stage grant is a successful funding tool is enhanced substantially.

**Reflections**

Social innovators are very much in favour of low-cost capital, particularly in the earliest stages of developing an idea into an innovation. As long as an idea remains just an idea, it continues to have two major drawbacks: First, it does not make any difference in the world; and second, it does not generate any job opportunities for anyone. Therefore, there is little incentive to invest the time and effort to actually make the idea work as a social innovation. Early-stage grants are probably the best tool to fill this gap.

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24 [www.youvo.org](http://www.youvo.org)
25 Dennis Hoenig-Ohnsorg, PEP programme director.
26 Gabriele Hartmann, SAP corporate responsibility executive.
27 Gabriele Hartmann, SAP corporate responsibility executive.
Besides the obvious (early-stage grants are most useful in early stages of social innovation), we can say based on the previous examples that “pure” early-stage grants, i.e. “only” the money and no other kinds of support, are most useful for innovators who know fairly well what they are doing. That is, they have the skills and knowledge enabling them to develop their idea into a prototype without much additional support. In reality, however, successful, experienced innovators are usually in a situation where they do not really need early-stage grant support. Or put another way, those with early stage ideas are seldom in this position. Therefore, this approach is most useful when it is accompanied with some forms of non-financial support or at least access to networks and people who can assist in finding access to such support. The usefulness of the approach also tends to increase when grant providers succeed in designing an un-bureaucratic application process to keep transaction costs to both parties low. Particularly proof of concept requirements should be kept to a necessary minimum if people in very early stages are to be incentivised.

A more profound limitation is that the objective behind providing early-stage grants may not easily and directly be accomplished by just giving money. The goal is to support the prototyping phase. But this is a process usually more complex than one would initially think. Besides being in need of money, potential social innovators in the seed and/or prototyping phases of their start-ups also need support in finding funds, applying for them, and – most notably – in using them effectively. And they also need help in taking one step back before looking for money and asking themselves how to develop their idea into a functioning venture. So the first major drawback of “pure” early-stage grants clearly is the absence of non-financial support that often comes with other forms of finance, such as angel investment.

A second potential limitation is the rather unattractive ratio between transaction costs and potential social returns. This cost-return ratio in terms of social returns (in the form of social impact generated with each unit of resources invested), the ratio between transaction costs and potential returns can be quite unfavourable when a lot of additional funding is needed for allocating grants, i.e. for evaluating and selecting grantees (such as in the case of UnLtd).

Taking this into account, a conclusion is that strong partners are needed and that co-operation between different actors bundling their strengths is also required. Obviously, in such constellations the state is the partner providing financial strength which is indisputably the most straightforward way to overcome the challenge at hand here. However, also with less financial strength it is possible (and illustrated by these examples) to make major contributions to overcoming this barrier. Both examples highlight the importance of including actors from organised civil society who contribute access to networks and people, mentoring and – not to be underestimated – a good deal of idealism and motivation. And then there are partners from business providing support in professionalization and quite frequently rather specific types of support such as the one in setting up IT processes and structures provided by SAP in the German example. Although not directly related to overcoming the ‘low range capital’ challenge, they are very much interrelated in a complex process where all parts are necessary.
2.1.2 Crowdfunding

(Authored by Gunnar Glänzel, The University of Heidelberg)

What is crowdfunding?
Crowdfunding is a method of attracting funds from a large number of unrelated individuals, nowadays in almost all cases via web-based tools. The process is usually that an applicant determines the amount of capital that is needed to fund a project, a product or an organisation. This target amount is communicated on an online crowdfunding platform along with investment details: Why the funds are needed, personal and organisational details about the investee, the type of finance that is required, minimum/maximum investment and possibly investment increments, and (in later stages of the process) the amount already raised and the amount that still needs to be raised. Once the amount originally determined is raised, the crowdfunding process is usually closed, but in many cases it continues, depending on the nature of the funding project.

We can identify four major types of crowdfunding, based on the type of financial transaction that takes place between the funders and the recipients:

- **Donation-based crowdfunding** means that the funders donate their money which is of course the most attractive form of crowdfunding for social mission organisations. Here, the transaction does not necessarily have to be closed after the funding target is reached.

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28 RE-GEN is dedicated to raising environmental awareness through a combination of music, education & restoration projects; http://startsomegood.com/Venture/regen/Campaigns/Show/regrowth_festival_2014
• **Reward-based crowdfunding** involves the pre-financing of a product or a service, i.e. potential customers buy a certain product/service in advance and not after it has been developed and produced. This form of financing is becoming increasingly popular in the music industry among artists who want to become independent from the mainstream music industry. Excess funding beyond the target is then used to produce more of the product.

• **Lending-based crowdfunding** involves the collection of funds which are eventually bundled as a loan with certain pre-defined conditions to the investee. The transaction is usually closed as soon as the target is reached, as the investee does not want to accumulate more debt than actually needed.

• **Equity-based crowdfunding** means that the investment is made in the form of equity enabling investors to participate in the success of the venture more directly than with a loan. Thus, this form is more risky (as equity is also subordinated to debt), but also yields more return potential. Again, the transaction is closed once the target is reached. In many countries, this form of investment is difficult to set up legally, as equity investments involve rights and responsibilities that are generally hard to spread over a large number of investors with rather small investments.

**Example 1: Altruja, Germany**

Altruja (derived from the term ‘Altruism’ and the German word for ‘yes’: ‘ja’) is a crowdfunding software and service provider set up in 2010 in Munich. It offers modern donation tools for online fundraising to donation-based organisations such as non-profits, NGOs or social entrepreneurs, but also sports clubs, churches or political parties. What differentiates Altruja from other crowdfunding platforms and service providers is that the organisation does not operate a platform where fundraisers present their organisation and/or cause; instead, Altruja provides one product and one service: First, it delivers some software to include in the fundraising organisations’ own website to install the fundraising tool there; funders can donate there and use a variety of payment methods. And second, it offers the service to administer the donations made on clients’ websites. These offerings are paid by the fundraiser primarily on a results basis: Besides a fairly small monthly fee, only €0.79 has to be paid for every single donation, and then 5.9% of the donation’s overall amount. This has the advantage for the organisation that it is very much “success-related. (…) They don’t have any risk. They don’t have to pay hundreds for the software, but only depending on how much they actually raise.”

Altruja is the only organisation with this kind of offering in Germany and the approach yields a number of advantages compared to ‘conventional’ fundraising: First of all, the reach of the tool is much larger than that of a platform. Whereas a platform is only found on one single website, this tool can be integrated in any website and thus appears far more often on the net. Second, there will already be a certain degree of thematic interest of the site visitor (since they are already visiting the site) and thus some predisposition to actually donate. And the tool can be altered and customised to meet fundraisers’ particular characteristics, strategies and/or to incentivise donors. In addition, individual fundraisers’ track records can be measured. Currently Altruja’s management is considering introducing a reward scheme for fundraisers’ performance, e.g. through a points
system performing the role of a virtual currency. Moreover, although Altruja administers the
transaction which is why the donor has to accept Altruja’s terms and conditions, s/he donates
directly to the fundraising organisation (and not to some platform owned and operated by some
third party). Therefore, a more direct link between donor and the fundraising organisation can be
established: “Such a donation, well that’s fine, but what’s way more exciting is to build up long-
term relationships with donors.”

However, Altruja’s approach also has some drawbacks. The first of them is rooted in one of its
strengths, i.e. potential donors have to have a certain interest in the fundraising organisation
already beforehand. This means that the number of potential funders is limited to those who
already have an interest in the organisation and are likely to visit its website. In addition, some of
the intermediary functions that other crowdfunding service providers perform are not offered by
Altruja, such as doing some sort of scanning and analysing fundraisers in order to ensure or to a
certain extent guarantee that the funds are used the way they are meant to be. Nevertheless, to a
certain extent this “quality check” is outsourced which is also sort of a safe-guarding mechanism
against mission drift: “Ok, we leave some possible financial returns out, but we focus on the non-
profit area. So our criterion for accepting organisations to use our tool is that it is tax-privileged,
that is, they need proof from the financial authorities.” However, this may also exclude some social
entrepreneurs, as many do not have that legal status.

Example 2: StartSomeGood, Australia
Like most crowdfunding platforms, StartSomeGood29 (SSG) is relatively young: The organisation
was set up in 2011. Today, it is an LLC in the US, has an Australian PTY LTD as a subsidiary, and
employs roughly 11 people (~5FTE), half of which work in the US, and the other half in Australia.

In principle, the platform is set up to work like any other donation-/reward-based crowdfunding
platform, i.e. SSG receives applications from people with an idea for a social project and/or
organisations who need funding, and it presents selected ideas on the platform along with the
amount that needs to be raised. However, there are some significant and interesting alterations
and additions SSG has put into the crowdfunding approach “that other platforms have since
adopted”. These are as follows:
- First, SSG was a pioneer in using crowdfunding for social ventures: “We focus solely on
  social impact. We only support and approve ventures that want to create social impact
  with their projects.”
- Second is SSG’s tipping-point model: Instead of defining only one funding goal (“all-or-
  nothing” model) or using a “keep what you raise” model, the respective fundraiser (with
  advice from SSG) defines a tipping-point to be fundraised, which is considered the
  “minimum amount of funds that they need to take action”. The tipping-point amount must
  be reached before the end of the campaign, which can run from 7-60 days, or the pledges
  are not charged and neither the fundraiser nor SSG acquire the funds originally pledged (in
  this respect, SSG’s model is an “all or nothing” model, yet with a lower threshold).
  However unlike reaching the target amount, meeting the tipping-point amount will not

29 http://startsomegood.com/
lead to the campaign being closed – instead it will go on until the actual target amount is reached. This model has proven to be quite successful and attractive, as it “has since been adopted by a number of other platforms which is really great to see.”

- Third, SSG offers one-to-one support to its fundraisers in order to improve their fundraising performance and help them in setting up their campaigns, “A venture support specialist is assigned to each and every venture to assist them right throughout the process: in the design and building of the campaign, right through to when the campaign is live and post-campaign.”

Besides these unique features, SSG also provides non-financial support in some areas, partly in cooperation with external partners to “provide people with extra resources or networks to tap into, particularly post-campaign to help them scale up or develop their business model.”

With this approach SSG has been very successful in its fairly short history: It has had 273 successful projects with a success rate of 55%; it has had 20,500 supporters who have made 2,000,000 pledges; the total amount raised has been $1,700,000 (an average of $6,200 per campaign).

Concerning the tipping-point model, SSG has felt that it needed some improvement, because the relationship between the tipping-point amount and the actual target amount had not been clear enough in the past to fundraisers: “A lot of ventures focused on getting to the tipping point and then winding down in their campaign efforts. Now, we are shifting towards a more realistic scenario where the tipping point really does represent a minimum amount. And, what ventures are really aiming for is the total fundraising goal. So, you have a better and a clearer relationship between those two goals and a more effective approach to crowdfunding.”

Reflections
There are many benefits of crowdfunding. Probably the most obvious advantage is the low threshold to use it – both on the side of “the crowd” where people can step in with any amount and on the side of the fundraiser where this may be even more important. For fundraisers, there is no bureaucratic or overly competitive application required. While other forms of low-cost capital acquisition often require extensive documentation and take a long time, crowdfunding is easy to access, documentation is very limited, and the duration of the campaign can be determined relatively autonomously. Similarly, another benefit is the flexibility in the determination of the amount to be raised - in the case of SSG there are two different amounts to be determined, adding to the overall autonomy and flexibility of the approach. And also the variety of different types of fundraising (donation-based- reward-based, etc.) offers some flexibility. For instance, fundraisers frequently offer small or mid-sized give-aways or incentives in exchange for a certain amount donated. A fourth advantage particularly for social innovators is that it pays for them to be really innovative: Whereas they often do not fit into more traditional funding schemes just because they are “too innovative”, they are likely to attract crowdfunding more easily by being innovative, if they succeed in making innovation comprehensible and convincing to “the crowd”. And this points to another major benefit of crowdfunding: Convincing the crowd can be seen as a factor of legitimisation and some form of proof that your approach really is socially innovative – if you succeed in convincing many, then you are likely to have proposed a legitimate way of addressing a
social problem that a large number of people deem worthy of support. And finally, crowdfunding also offers the possibility to stay in touch with a large number of people and keep them involved or at least informed. So crowdfunding is not only a financing tool, but also a way of making new contacts and probably also establishing long-term ties with many people.

That said, the approach is most useful where a project has a convincing or probably an emotionally appealing story to tell that is likely to be spread on the Web. It is not so much about convincing people about your business case or the viability of your business model (like for many other financing tools), but about being interesting, appealing and convincing in a more personal way. Social innovation may be too complex to reach many people that way, but nevertheless, innovation may become a unique selling proposition if it is communicated well. That may also require that there are networks that can be active, as very often fundraising campaigns do not succeed to reach beyond circles of friends and their friends.

The major limitation of crowdfunding is that it is bound to the Internet and the complex dynamics and general information overload associated with it. From the user’s and potential donor’s perspective, the Web is overloaded with good and worthwhile initiatives in need of support. Thus, it is hard to stand out, reach awareness and get the amount of interest necessary to even start convincing people. So after all, it may be tough to get beyond a certain circle of friends and their friends.

The fundraiser needs to have an interesting, appealing and/or convincing story to tell and they need to do it quickly and concisely in order for their campaign not to fall victim to the transient and fleeting nature of the web or for potential funders to succumb to information overload. In the case of a highly innovative approach, the fundraiser needs to reduce its complexity when telling this story. And of course, the fundraiser also needs to fit into the criteria of the crowdfunding platforms, e.g. have a tax-privileged status (Altruja) and/or be able to demonstrate their potential to achieve social impact according to how the platform defines that (SSG).

2.1.3 Loans

(Authored by Gunnar Glänzel, The University of Heidelberg)

What are loans and why are they important?

A loan is a form of funding where a lender provides money (the principal) to a borrower on pre-defined terms concerning the repayment of these funds. These terms are usually evidenced by a contract or note including the principal amount, interest to be paid as well as the duration. The loan agreement ends when the money and interest have been paid to the lender. In many instances, principal and interest are (re)paid in instalments, i.e. in relatively equal fractions of the total amount owed. Loans may be forwarded to third parties both by the lender (who would then sell his/her title to receive repayment plus interest) or the borrower (who would buy the right to be released from his/her duty to repay the money plus interest), which is frequently done in long-term
loan agreements concerning a particular asset such as real estate. Although the term loan in almost all cases refers to monetary agreements in principle any asset can be the object of a loan.

Niederrhein Wind Farm, financed in part with a loan from Triodos Bank, with a total capacity of 19.5 megawatts, supplying 9,500 households.

Nowadays loans are typically made by banks. To determine the interest rate banks use two variables: First, the LIBOR (London Interbank Offering Rate) or some equivalent which is a proxy for banks’ own costs of borrowing money; and second, a premium accounting for the default risk which in turn depends on a variety of factors, primarily the characteristics and situation of the borrower as well as the term of the loan.

There are several types of loan, most of them again with a number of sub-types. The major types of loan include:

- **Secured loans**: The borrower provides some collateral, i.e. some asset which the lender is entitled to acquire in case the borrower fails to service the debt. Overall, that lowers the risk for the lender and thus the risk premium in comparison to unsecured loans. For the financing of socially innovative projects or organisations, this form of finance is the most common.\(^{30}\)

- **Unsecured loans**: The borrower does not have to provide any collateral. These may take a variety of forms that are usually not referred to as loans, such as bank overdrafts or credit

card balances. For the financing of socially innovative projects or organisations, this form of finance is the second-most common.\textsuperscript{31}

- \textbf{Forgivable loans} are a form of loan which can be forgiven or deferred for a period of time either in its entirety or in part.

- \textbf{Subsidised loans} usually involve lower capital costs for the borrower, because (part of) the interest is paid for either by a third party or by the lender (by going below market rate).

For social innovators, loans are a very suitable financing instrument for almost all kinds of purposes, since generally the borrower has very few obligations once the loan has been made. And besides the flexibility and autonomy offered by this instrument, its second major advantage is that it is a very predictable form of capital.

\section*{Example 1: Triodos Bank, Europe}

Triodos Bank N.V., founded in 1980 in the Netherlands, is now the largest sustainable banking institute in Europe. While its headquarters are in Zeist (Netherlands), it has branches in a number of European countries, including Spain, the UK, and Germany.

Concerning its overall business model, the bank works fairly similarly to mainstream banks. That is, it collects deposits and investments both from individuals and from institutions and allocates this capital to generate returns; so it is active as a private, commercial and investment bank. The difference to commercial banks is that it only invests in sustainable projects and organisations: “100% of Triodos Bank loans and investments benefit sustainable projects.”\textsuperscript{32}

Although the bank also engages in investment banking activities, it is more active in loan provision. In 2012, it had 24,082 loans totalling €3,285 billion in multiple fields which may be subsumed under three headings: Environment (green energy and sustainable agriculture), social (economic development and inclusion) as well as education and culture. Here Triodos sees itself as a classical commercial bank providing loans; the only distinguishing factor is the type of customer: The loan-taker needs to fit into the bank’s concept of sustainability. Apart from that, however, Triodos Bank’s strategy is rather straightforward banking. That is, customers get their loans at regular market conditions: “Yes, of course [we offer market conditions]. So, we do not have differentiations here. (...) We are very much on the market average [concerning interest rates].”\textsuperscript{33}

So, the loans offered by Triodos Bank are part of a fairly conventional market strategy, yet a focused one targeting certain types of borrowers. However, this focus is not so much directed towards social innovators for one major reason: After all, Triodos is a regular commercial bank that has to withstand competition: “Therefore, eventually we are in competition. (...) At the end of the day, we are also a bank.” That negatively relates to social innovation in two ways: First, as social innovation usually involves high risk: “[Risk] is a problem, yes. (...) It is one of the core problems at

\begin{itemize}
  \item \textsuperscript{31} Ibid.
  \item \textsuperscript{32} http://report.triodos.co.uk/en/2012/impactandengagement/impactinanutshell.html?cat=b (retrieved December 17, 2013). For more information about what Triodos Bank means with sustainability, please follow this link.
  \item \textsuperscript{33} All quotes are from an interview with a Triodos Bank senior executive, unless stated otherwise.
\end{itemize}
the moment I believe. One of the core problems is simply that most ventures active in social business are very young with extremely high risk (...).” And the second barrier for Triodos Bank to serve social innovators is that they are very rarely in a position to bear market costs of capital by paying market interest rates. And in fact, from the bank’s point of view this fact may be seen quite critically: “How [economically] sustainable is such a business model, if they are not in a position to pay interest? (...) I think you have to ask the next question then, if [the business] fails because of three percent interest, then I would also doubt whether the loan can be repaid at all.” As a result, the type of loans offered by Triodos Bank is only suitable for a rather small group of social innovators. At the core of this group are most probably innovators in the renewable energy sector. For instance, Triodos has financed four wind turbines in Börde (Saxony-Anhalt) and the 19 turbines of the Niederrhein wind farm with a total capacity of 19.5 megawatts which supplies 9,500 households with clean energy. Besides that, the establishment of the wind farm enabled these communities to win the "European Energy Award" twice, and it also helped to facilitate buying back the local grid from one of the large German energy corporations.

Example 2: Charity Bank, UK
Charity Bank was established in 2006 in Tonbridge, Kent, UK. As its name indicates, it is registered and regulated both as a bank and charity, a fact related to its central objective: To collect funds from depositors and investors and act as a bank for community development projects and organizations that are underfinanced due to commercial banks’ reluctance to serve them. Thus its mission is to “attract share capital from social investors, take savings from socially conscious individuals and lend solely to social purpose organisations, and, as a result, be the most admired bank in the UK.”

Today, Charity Bank is active and invests in the following areas: Arts and heritage; community centres and village halls; community regeneration; sustainable development; health and medical services; education and training; faith; housing and accommodation support; social care; sport; support for voluntary organisations; and international development.

Charity Bank provides loans to organisations if they meet certain criteria and has loan applications assessed by two groups of professionals: There are banking professionals evaluating the economic viability of the project to be financed and the so-called assessors, i.e. people providing the necessary experience in and knowledge of the charitable sector to assess a potential project’s social value. Together they form the credit committee, and it is their joint responsibility to balance credit risk with the social benefit of making loans.

The loans provided by Charity Bank most often take the form of senior debt\textsuperscript{36} for charitable organisations. Providing this type of loan can be problematic for the bank: “The (...) challenge, which is an ongoing challenge is that (...) senior debt is not always the most appropriate form of finance and they need perhaps more mezzanine, more patient capital, quasi-equity, call it what you will, which as a banking organization we are not necessarily well placed to deliver.”\textsuperscript{37} As this challenge primarily relates to “if you will ‘question marks’ about the viability of some of these organizations”, the bank actively engages with investees and supports them to overcome or at least limit the effect of that challenge. And it does that to a quite extraordinary extent: some organisations have “said to us they’ve never come across an institution that does so much handholding as we do. (...) They were actually saying that we were doing too much but our view is in this market place if you don’t do that your risk just rises. So, you have two choices: you have to provide for a much larger loss rate or you do the handholding.”

To cope with that challenge this way of course uses up extensive resources. But still the bank has been quite successful. However, this poses a new challenge: “[B]ecause we have been relatively successful we have started to see competition.” So the bank’s competitive position is further threatened, as these new actors concentrate on the best investments: “So the problem you face is that the commercial banks would cherry pick. They will take the deals that give them the best rate of return, probably [be]cause they’re the least bother and offer the best security”.

Despite these difficulties, Charity Bank has remained successful both financially and in terms of social impact: “[A survey] showed that 95% of borrowers found that a Charity Bank loan had made a major or significant contribution to the achievement of their mission; 85% of the Bank’s loans had enabled borrowers to increase the quality of their service provision; and 70% had found the loan process improved their financial management. We achieved this while maintaining our low loan loss rate of less than 0.5% of total lending. We also proved that our unique banking model is sustainable, generating our second successive operating surplus, of £106,000” (Annual Report 2012, p. 2). So providing loans to charitable organisations is viable financially, and it may even support them in being innovative, as the 85% who could increase the quality of their service provision can attest.

\textit{Reflections}

Loans offer socially innovative organisations a huge amount of autonomy and flexibility in the use of their funds. Generally, the borrower has no or very little accountability duties, once the loan has been made (prior to that, s/he has to prove creditworthiness of course). Its second major advantage is that it is a very predictable form of capital: inward and outward cash flows are determined early on, and both parties know what to expect. The benefit that Charity Bank offers to its borrowers, the ‘handholding’, is an exception in the field. Normally (as expressed in the Triodos Bank case) banks will not do that – instead loans are a relatively simple financial product: you “buy”

\textsuperscript{36} Senior debt is a form of loan that is often secured by collateral and that has priority over other classes of debt and over all equity, i.e. if the lender goes bankrupt, senior debt must be repaid first before other creditors and investors are serviced.

\textsuperscript{37} All quotes are from an interview with a Charity Bank senior executive, unless stated otherwise.
money (the price being the interest), you can almost do what you want with it, but that means that you also do not get support in using it. However, as far as a social innovator is in a position to afford them, they are surely among the best financing options generally.

Taking into account that this instrument is a way of buying flexibility at a certain cost, that cost becomes the determining factor of whether or not loans are a useful instrument. Thus, the approach fits best when these costs can be kept low, because there are securities available as collateral. Then the instrument may be a relatively cost-effective way of securing funds. The risk premium may be reduced even further, if a functioning income model can be evidenced. Therefore, the approach is most useful the closer the social innovator is to having a successful business – in this case s/he may even be in a position to afford an unsecured loan.

The primary limitation is the cost of capital, and as the two examples have illustrated, the provision of loans to social innovators is still rather problematic. It needs to be pointed out that both examples refer to banks that make loans to organisations that should not be seen as social innovators. Instead, Triodos Bank lends on a relatively low scale to social businesses that may or may not be innovative. As indicated by the interviewee, innovative approaches are viewed in terms of (high) risk; and innovation, particularly social innovation, tends to be perceived as a risk factor. Within its general scope and strategy as a sustainable bank, Triodos Bank sees itself very much as a traditional bank in the sense that it has an extensive fiduciary responsibility for the funds it manages. As a result, although it invests in sustainable projects and organisations, it does so in a risk-averse way, and that would exclude many forms of innovation, particularly when such an investment would require some form of unsecured loan. To a certain extent, Charity Bank has a different approach in that it is less risk-averse and more willing to engage actively as a supportive investor in order to reduce risks proactively.

For a loan from one of the institutions portrayed here, social innovators need to have at least a proof of concept. However, that will not suffice in most cases, as these banks seldom make unsecured loans. Therefore, innovators will also need a form of collateral. So this form of finance is more suitable for established social innovators with a track record and a certain asset base.
2.1.4 Social Investment Funds

(Authored by Gunnar Glänzel, The University of Heidelberg)

Regionalwert Biomarkt, Breisach, Germany, in which the social investment fund Regionalwert AG holds an equity stake

What are social investment funds?

By definition, a social investment fund is a conventional investment fund with a specific investment focus. That is, like conventional funds, the fund is a base of capital sourced from and belonging to numerous investors who collectively purchase assets and securities. Types of conventional investment funds include mutual funds, exchange traded funds, closed funds, open funds, money market funds, hedge funds, and many more. The fund approach offers investors a broad selection of investments for which they would otherwise probably need far more capital. Also, s/he “buys” the market and investment management expertise of the fund manager. While individual investors do not make investment decisions, they may have a say and collectively take decisions, which is particularly the case when their number is low and when the investment spectrum is very specifically targeted at certain segments, such as social ventures.

Social investment funds are still relatively rare, particularly outside the US and the UK. Conventional investment funds invest in a huge variety of securities: They may invest in securities (traded or untraded), derivatives, other funds, assets such as ships or real estate, or directly in start-ups (venture capital, VC). For social investment funds (excluding socially responsible investment (SRI) funds), this variety is much smaller, as social ventures typically do not issue shares and rarely have them traded publicly. Therefore, social investment funds are still mostly venture
capital funds with an investment focus on certain segments. What differentiates them from social banks is that they typically employ investment instruments (equity or quasi-equity) allowing them to take a much more active role in the companies they invest in (like VC). They do so to help support the investees in achieving their hybrid goals – namely, to reach financial viability and generate some financial return, and to achieve social impact.

Generally, social investment funds help established social entrepreneurs to develop and establish a social business model: For these socially innovative organisations, social investment funds are meant to provide repayable capital at amounts higher than usually offered in the form of grants. Thus, they are meant to support the scaling of approaches that have some proof of concept but are still considered a risky investment. So while this proof has been established, the organisation needs support to go to scale, and social investment funds perform the role of providing risk capital and non-financial support in organisational capacity building.

This type of social investment is frequently termed impact investment for which two general approaches can be distinguished: Impact first (social impact plays the central role, while financial returns are generally low or modest and of secondary importance) and finance first (social returns are generated ‘in addition to’ and beyond financial returns, usually at market rate or above). However, both types have in common that financial viability of the investment is paramount (in contrast to venture philanthropy).

**Example 1: Oikocredit equity investments, Netherlands**

Oikocredit was established in 1975 as a co-operative in the Netherlands with the initial idea of supplying the poor in developing countries with affordable investment finance instead of non-returnable development aid. Today it is one of the world’s largest sources of private funding to the microfinance sector also providing investment to trade co-operatives, fair-trade organizations and SMEs. The organization estimates that some 17.5 million people have benefitted from its services in Africa, Asia, Latin America and Eastern/Southern Europe.

While the majority of Oikocredit’s investments take the form of loans, it is also active as a social investment fund and invests in financial institutions and social enterprises with high development impact. It thereby seeks a dual return: A “reasonable” financial return and a “significant” social return (‘impact first’ investor). Its strategy focuses on financially sustainable companies and earlier-stage companies with potential to be profitable within three years, with the majority of its portfolio being microfinance institutions, followed by fair trade and renewable energy. The instruments employed include equity and quasi-equity with the aim of taking ownership stakes with meaningful influence (between 10% and 25%) and an active role in the governance of investee companies. This is to reduce overall risk which plays a central role in Oikocredit’s self-perception: “And when I talk about risk-taker, it’s mainly a financial risk-taker. The banks take risks maybe here, and then there are maybe some sorts of development banks that go here, but we go still a bit further than those in

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38 The name Oikocredit is derived from the Greek “oikos”, “house”, “the place where the people live together” and the Latin “credere”, “to believe”.

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financial risks. That’s why we exist; otherwise, we wouldn’t have any role, the banks can do it.”

At Cafédirect, a UK fair trade coffee company, Oikocredit has recently bought a £1.2 million equity stake. Besides helping the company through its commitment as a long-term, strategic partner, Oikocredit’s investment will also support Cafédirect to restructure its shareholder base and simplify its governance structure: For this reason, Cafédirect has invited Stefan Harpe from Oikocredit to become a board director. “With regard to the growth of the UK fair trade coffee market and resulting challenges, “Oikocredit’s commitment to Cafédirect provides us with the ability to continue to define new sustainable ways of doing business in the future.”

The second distinct feature is Oikocredit’s governance structure and investor base. The organisation is governed as a co-operative to reflect the democratic and participatory way in which it was established: “[Being] a corporate society with members, one member, one vote (...) is a special feature (...) for an organization involved in the sector where we are, in the financial world.” Today supporter circles (groups of private and locally organised individuals) contribute about 80-85% of the invested capital. These investors are highly loyal, long-term-oriented and devoted to Oikocredit’s mission: “And these investors they understand [the business model], and they understand that we need the money long-term, and that we are financing long-term, and that we are doing not only one project here, but we finish this and we do the next and the next. So, they don’t withdraw the money easily.”

Both distinguishing features also have their respective disadvantages: The particular kind of risk-taking is overly complex for outsiders which makes it hard to attract new investors; and the kind of long-term and loyal investors that Oikocredit needs are often hard to find. Nevertheless, Oikocredit has invested €4.9 million in equity in 2011 and €12.5 million in 2012 (figures for 2013 are not available yet). As a social investment fund, it has made a total of 49 equity investments in minority ownership stakes adding up to €39 million.

Example 2: Regionalwert AG, Germany

Regionalwert AG (RWAG) is a particularly innovative form of social-ecological investment fund with a mission defined both in economic and in community development terms. It was set up as an incorporated company in 2006 in order to collect funds from (mostly local) investors by selling shares. These funds are invested in the local agricultural value chain in the region of Freiburg, Germany.

Its investment strategy is oriented towards a triple bottom line. One distinguishing feature of RWAG is that it has developed a unique set of indicators to measure the social and environmental performance of investees. The rationale behind this is that shareholders can monitor economic and social/environmental indicators and exercise their voting power to have an influence on how these indicator values should be developed in the future, i.e. they have a say in investees’ operations with regard to their economic, social and environmental impacts. So, RWAG’s model is innovative.

39 Tor Gull, Oikocredit CEO
40 Anne MacCaig, Cafédirect CEO
41 Tor Gull, Oikocredit Managing Director
for two reasons: First, they make agriculture transparent and measurable concerning its vast multiplicity of impacts – both positive and negative – on people and the environment and inject social values (the community and socio-ecological sustainability) into the rather economically shaped field of agriculture. And second, in terms of its organizational form: While RWAG is not officially termed a (social) investment fund, it has been designed to harness the advantages of combining a fund model with a particular kind of corporation, a “Bürger-Aktiengesellschaft (“Civil Corporation”) which seeks the long-term involvement of local civil society.

Such Civil Corporations issue registered shares with limited transferability\(^{42}\) - this enables RWAG to engage local citizens through the strong interest people connect with “the power” of financial capital: “That was the trick, not to find some but the most powerful and dynamic organisational form, determining conditions worldwide: Corporations. This I wanted to get hold of. The corporation bears [this power] in its setup, and we employ it for socio-ecologically sustainable developments.”\(^{43}\) So, “the trick” was to attract locals as shareholders, thereby getting the local community involved and engaged in the way their food is produced and doing so by using the strong interest people attach to their financial investments.

The social investment fund model is used to strengthen the ties between the community and its agricultural value chain: “That is very essential to me, and this entire story has this character. So, [an issue] is exposed to the public space or to the semi-public I would say, and then the contents are worked on. And that was special about our discussion meetings: To open that space for people to speak.” So in this example, the social aspect of investing is taken very seriously in a community-building sense. It is not a “typical” (social) investment fund; instead, it is a very specific “theme fund”. However, this model can also be transferred to other fields (such as water or energy supply) and of course geographic areas (which is currently already happening in Germany).

Usually RWAG makes (quasi-)equity investments, but financial instruments employed vary depending on the needs and characteristics of investees. Currently the organisation holds 17 investments in its portfolio with a multitude of impacts on regional agriculture which can be clustered in roughly four categories: Promotion of organic production, raising awareness (particularly on regional and community levels), reduction of “farm closures” (farms being closed down, mainly because of a lack of investment capital), and enhancement of entrepreneurship and start-up activity.

RWAG is an example of how an investment fund model can be used to pursue several overarching long-term objectives:

- To (re-)organize private and institutional investors primarily from the local community in order to discuss, define and pursue common goals; this dialogue helps the community to develop and build social capital.

\(^{42}\) “Vinkulierte Namensaktien”, issued to the name of the holder, can not be sold back to the issuer and only be transferred to a new holder with the consent of the issuer.

\(^{43}\) All quotes are from an interview with RWAG founder Christian Hiss.
To respond to the challenges posed by globalization to community agriculture, regional farming, and the related provision of both healthy and sustainably produced food as well as the conservation of the local environment and its cultural heritage.

To create and promote awareness for agricultural sustainability in the community and for the interdependency between economic and socio-ecological values in agriculture.

To seek the integration of both locals and non-locals with an interest in community conservation and development in an extensively proactive way ensuring extremely high standards of governance, accountability and transparency.

**Reflections**

Social investment funds take a form that is similar to venture capital funds. Where this is the case, their benefits are similar to those of VC funds: First of all, the investor is “on board” as a shareholder and is therefore directly interested in and responsible for success. Such investors contribute extensively: First of all by providing capital on terms which they view as manageable for the investee; second, by providing experience and expertise; and third, by providing access to networks and experts. This tight connection between investor and investee and a common goal is clearly the most obvious benefit of social investment funds making it probably the best way to establish a financially viable social business model. A second, less obvious benefit is that through the equity investment usually employed by VC funds the equity base of the investee is improved substantially enabling him/her to secure additional (loan) finance.

The fund approach is most useful in areas where there are established markets with clearly foreseeable market opportunities. So predominantly the realm of social business is more or less the natural habitat of social investment funds: Green tech, sustainable consumer products, fair trade, health, and possibly some others. The scope is probably larger in the UK where social enterprises are increasingly involved in delivering public services that have been contracted out.

The process to set up deals and to manage investments is one of the limitations of the approach. It is quite resource-intensive to scan potential deals, conduct due diligence and essentially become a part of the investee’s management team. Thus, transaction costs, which are relatively high, have to be reflected in the cost of capital. So overall, even though it is in great demand and an attractive form of finance, it is relatively scarce and costly: “Demand for finance is high, but we act in a way that is similar to a classical venture capital fund that will have to identify two investments eventually out of 300 requests annually. This is not to scare off social entrepreneurs applying for capital from us, but we do have fairly strict criteria which not all applicants meet.”

In the UK and also in Germany where social investment funds have been active for some time now, there is lots of discussion about the number of investible social enterprises. Some social investment funds argue that there is an insufficient pipeline of investible social enterprises, i.e. that so few social enterprises are ready to take on this kind of investment. This is also the major downside of the approach: Many innovative initiatives and ventures are not suitable for this type of finance and will not have access to it. And finally, apart from economic reasons the business of managing social

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44 Interview with a senior executive of the Social Venture Fund, Germany
investment funds is a complex and demanding profession, and thus it is still rather tough to find skilled personnel.

That said, the conditions needed for social investment funds to work well are fairly clear:

- Investors must be willing to take risks (which is the same with classical VC); however, they must also be capable of understanding social investment and the additional complexities involved here.
- The funds themselves as intermediaries must have highly skilled personnel with excellent networks.
- The investees must have a business model and a plan evidencing a business opportunity; and they must be willing to cooperate with partly commercially oriented investors who seek a return and thus have the right “mindset” for an investment approach as well as active investor involvement.
- And finally, working and practicable impact measurement is needed to communicate non-financial results to investors.

Social investment will not be relevant to every organisation that provides socially innovative goods and services. Not all socially innovative organisations will have a sustainable business model – some will remain dependent on grant funding and donations. Only those that do have the possibility of developing a sustainable business model can even start to think about using such a form of finance. However, social investment funds do play a critical role in the social innovation ecosystem – they provide social ventures with capital and a range of professional and other services.

2.1.5 Venture Philanthropy

(Authored by Gunnar Glänzel, The University of Heidelberg)

What is venture philanthropy?
Venture philanthropy is a practice that seeks to combine the benefits of philanthropy, i.e. promotion of social causes by means of grants, donations or low-cost capital, with those of venture
capital, i.e. investment capital accompanied by active support in building up or scaling a business. The latter approach is modified so that there are no or fairly low financial returns connected to the provision of funds. So basically venture philanthropy includes the provision of non-repayable or low-cost capital accompanied with a substantial extent of non-financial support in capacity building, mentoring, PR and marketing, network access, etc. The goal is to promote socially and/or environmentally innovative projects or organisations. Here, the European Venture Philanthropy Association (EVPA) emphasises the holistic character of the approach by employing the term ‘societal impact’: “EVPA purposely uses the word societal because the impact may be social, environmental, medical or cultural.”

Venture philanthropy is a very business-oriented approach which may take a variety of forms: venture philanthropists might provide loans, private equity, quasi-equity, but also grants or hybrid/mixed forms of capital, depending on the capital needs of the investee, organisational phase, legal form, as well as some ‘soft’ investment criteria, and most importantly, the management experience and skills of key personnel. The latter also determines the extent to which non-financial support is provided to develop executives’ business skills. As their development is in most cases the central success factor, venture philanthropists are very often experienced business people who have accumulated some wealth in their career that they want to use now to ‘give something back’ to society. As successful business leaders they often pursue the injection of business methods and approaches into social/environmental ventures and aim to promote professionalization and efficiency. However, venture philanthropists’ primary objective is not to earn a return, but to promote the social cause. Therefore, the venture philanthropy approach overlaps with what is labelled ‘impact first’ impact investment which does not as a rule use repayable forms of funding.

Although venture philanthropy dates back to the days of John D. Rockefeller III, its widespread use only started in the 1990s in the US. In the late 1990s it reached Europe, where the EVPA was founded in 2004 which currently has roughly 140 member organisations in 20 countries across the continent.

**Example 1: Auridis, Germany**

Auridis is a non-profit limited liability company and belongs to the holding group of Aldi Süd (one of the largest German retailers). It was founded primarily to bundle and structure the grant and donation activities of the Albrecht family, the owners of Aldi Süd, and promotes the dissemination of effective approaches to help marginalised and socially disadvantaged families.

Its investment rationale is to address challenges at the very core of social problems, where there are no markets established or even possible, because people affected by these problems are so marginalised that they cannot afford to pay for solutions: “We are active in the area of early-childhood promotion and prevention, and there is no money to earn there. Period.”

[45](http://evpa.eu.com/knowledge-centre/what-is-vp)
So while Auridis does not expect repayment in almost all its investments, it nevertheless focuses on approaches that already have a track record of proven effectiveness: “We do not aim at promoting innovation, don’t want to promote model or lighthouse projects, but the dissemination of things that are already functioning, as we had the impression that the financing landscape is already quite well developed in the area of model projects and innovation and research and development.” So the approach of Auridis is to grow and replicate functioning models instead of promoting new ones, as there are many solutions to social problems that are practiced locally or regionally, but not on a broad scale. Therefore Auridis steps in where a solution has been proven to work and provides relatively large sums of money to develop a plan for scaling the project or intervention. The goal is to make the organisation self-sustainable within a timeframe of 5-7 years based on whatever income model: “It doesn’t matter what the sustainable financing model looks like, it can be donation-based, structured fund-raising, built up over a five-year period, is also a reasonable and stable financial basis, it can also be fee-based, hybrid, (…) whatever. (…) And we commit ourselves to support the organisation either until it breaks even (…) or until we all do not believe anymore that this will happen.” Thus, supported organisations receive multi-year operating support to be used for core personnel, organisational development, capacity building, etc.

Since there is little or no money to be made in its areas of activity, the instruments employed by Auridis are almost entirely limited to grants (one or two interest-free loans), even if commercial investors are on board as well: “Everyone involved finances on their own terms, one provides an interest-free loan, like we do, and we put a grant on top of it, and so everyone is involved at different terms, and of course we do subsidise the return of the others, but… we try to view this rationally.” That means Auridis looks at investments from an impact point of view, and if the potential impact to be achieved is large enough, then the investment constellation is secondary, which is still rather uncommon overall, but this highly innovative approach to funding is typical for venture philanthropy.

Funds are provided by Auridis to build capacity and to hire personnel, i.e. they are used for operating costs: “When I buy a children’s home or some real estate to finance these assets instead of paying rent, okay, there I need a loan. But I’ll get that from a bank if the real estate has that value. But for the operating costs, so for the money that the organisation needs to spend every month for personnel, there a loan is no help for me.” Although it has a small number of repayable investments in its portfolio, the organisation is rather critical of these instruments: “The problem is not whether I take two percent or three, not at all. (…) The question is: Does he have to repay the money or not, this is by far the bigger problem that organisations have.”

So, of course the primary strength of the approach of Auridis is that it can provide relatively large sums of money (usually between €200,000 and €500,000) literally for free: Currently, the portfolio includes 17 organisations, for example:

- **Kinderzentren Kunterbunt** builds and runs kindergardens with the aim of providing affordable day-care services tailored specifically for the needs of parents working full-time.
- **Wellcome** provides hands-on support to parents with new-born babies who are overstrained by their new situation. The organization sometimes also intermediates to organise financial support.
• ELTERN-AG has developed and provides a community-based self-help training programme for disadvantaged parents, offering parents mentoring support and connecting them to local networks, including doctors, teachers and childcare organisations.

Example 2: UnLtd’s Big Venture Challenge, UK

UnLtd is a UK foundation which promotes social entrepreneurship at home and abroad. As the organisation aims to support social entrepreneurs through all stages of their venture, it offers all sorts of financial and non-financial support to them, including growth finance with sums exceeding £100,000. Its venture philanthropy programme is called the Big Venture Challenge (BVC) and was launched in 2011, when UnLtd took on the first cohort of 25 social entrepreneurs to take part in the pilot process. Out of these, 13 have raised a total of £1.98 million of external investment, six from institutional investors such as the CAF Venturesome Fund and seven from one or more angel investor(s). That is, they were successful in acquiring an average of more than £150,000 each (between £50,000 and £200,000). 11 of these 13 investments were matched by UnLtd, typically with an equal amount (a total of £700,000).

Seven of these investments were made in equity and six as a loan. Nevertheless, the match funding from UnLtd came in the form of a grant in the original programme from 2011 to 2013, resulting in a still rather untypical but highly innovative constellation: One investment party invests repayable capital, and the other invests non-repayable funds. In the second round (started in 2013), this was slightly modified, since UnLtd now uses repayable grants (‘soft loans’). The rationale for that was that “(…) it was meant to do two things: It was meant to encourage them to grow, so we were giving them soft money. But there were also sort of some ethical concerns about the value of grants passing through to private investors as well. (...) But it’s a long way to go before we know how effective that is.”

The reason for UnLtd to follow that co-investment logic and not just invest alone is to attract new investors to the field, and as we can see, it has been quite successful in doing so: All of the angel investors it co-operates with have been new to the social investment sector. The incentive for them to step in is social ventures’ improved risk profiles resulting from the match funding by UnLtd: “The rationale is to de-risk social ventures’ investment propositions. (...) So [the investors] were more confident that the ventures were going to be a success and that they would get a return on their investment. So that was the basic idea with the match funding.”

46 For more information on UnLtd please see the building block on early-stage grants.
47 Try It, Do It and Build it awards programmes represent a progression reflecting and supporting the start-up process of a social entrepreneur, while Fast Growth and Big Venture Challenge support social entrepreneurs’ scaling process whatever their starting point is.
48 Venturesome Fund, operated in the UK by the Charities Aid Foundation (CAF), is also a venture philanthropy and social investment fund http://www.venturesome.org
49 Repayable grants in the way UnLtd has set them up require the grant recipient to pay 5% of its revenues to UnLtd, but this is capped at half of the original grant amount, for up to two years after the grant has been made, and the repayment is only kicking in if the venture reaches certain benchmarks.
50 All quotes in this section are from an interview with Stephen Miller, a senior researcher at UnLtd, unless stated otherwise.
In the future, UnLtd plans to improve the outreach of its programme, since “recent research shows the sector is still struggling to find social entrepreneurs ready to take on the social investment available.”\(^{51}\) Besides the changes between the first round and the second already mentioned, it has also reduced the length of time from 36 to twelve months, as it was found that ventures did not need that long to go to scale; it has stopped providing an up-front grant of £25,000; and it has changed the way of sourcing applications for the programme (mainly by improving networks and messaging, as well as educating both social entrepreneurs and potential investors about social investment opportunities).

**Reflections**

The major benefit of venture philanthropy lies in its flexibility resulting from the almost unlimited range of instruments as well as terms and conditions it can offer. As we have seen, both example VP organisations use a range of financial products or are at least capable of doing so. Of course, central to this advantage is the option for venture philanthropists to provide capital at very low or no cost to the investee enabling social entrepreneurs to grow without pressure resulting from capital costs. Therefore, venture philanthropy fills a gap between traditional grant making (which doesn’t provide much of the non-financial support that is distinctive to venture philanthropy) and social investment (which expects some kind of financial return). For co-investors the flexibility and openness of venture philanthropists for various financial instruments is also attractive and incentivises them to invest in the social investment field which they may otherwise avoid due to unattractive risk-and-return ratios generally prevailing in the sector. And of course, for social innovators/entrepreneurs, the non-financial support which comes with the VP approach is very valuable, and the opportunities for providing it extend when co-investment/match funding constellations are set up, as is often done by venture philanthropists. So overall, the VP approach is very innovative in that it flexibly reacts to what is needed in every individual situation where investment is needed.

Venture philanthropy is most useful where social innovators have proven three things: That their approach is working; that investment is required to grow it; and that they have (or can develop) a business plan for scaling the approach and which enables them to become financially sustainable within a reasonable timeframe.

Apart from the challenges of actually putting the approach into practice,\(^{52}\) one of the key limitations facing venture philanthropy is the relatively small number of people willing and able to implement this approach. This holds true both for the people who possess the amount of money that would be needed and for financial intermediaries. And there are two problems here: The first is relatively straightforward: VP is new and poorly understood. This problem is worsened by the fact that impact metrics are still not developed well enough to make an argument for many of these people. So attracting new capital for this approach can be challenging. The second problem

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\(^{52}\) Some of them are summed up in a report by UnLtd here: [http://unltd.org.uk/2013/11/07/%EF%BF%BCbuilding-a-social-investment-pipeline/](http://unltd.org.uk/2013/11/07/%EF%BF%BCbuilding-a-social-investment-pipeline/)
is less straightforward, but also a significant barrier for VP to become a more common approach: Still too often, there are “Ego factors” involved in the social sector, particularly in venture philanthropy where active investor engagement is clearly involved and needed on the one hand, but may become too much on the other. According to Auridis, investors must become more “impact-oriented and sustainable and above all more self-effacing, leaving aside all that Ego stuff, like ‘our project’ and ‘I have done’ and ‘we have promoted’. We have a pressing implementation problem, which is 90% an Ego problem of those involved.”

2.1.6 Prizes for social innovation

(Authored by Przemyslaw Leszek, Wroclaw Research Centre EIT+)

“Mama CoWork” is the Polish project that was among the ten finalists of the European Social Innovation Competition. Its aim is to create a place for mothers to enable them to combine professional work/career development and childcare with no need to use childcare providers.53

How do prizes play a role in social innovation?

Prizes and challenges have a long history of being used to spur innovation. Often quoted historical examples include the invention of the marine chronometer in 1714 (following a contest held by the British Parliament to find a solution to figuring out the longitude of a ship at sea) or canning in 1795 (the contest for a new method to preserve food, set up by Napoleon Bonaparte). The theoretical premise of the potential effectiveness of prize competitions is that they open doors to people from outside mainstream institutions and organisations – to their personal knowledge, creativity and ideas – that otherwise might never be accessible. Nowadays a great number of corporations and government agencies run them – IDEO, Google, Microsoft, NASA, many for foundations and social entrepreneurs.

53 http://socialinnovationcompetition.eu/405/.
Although history has proved the value of prizes and contests, especially for generating, disseminating and implementing new technical ideas, their usage in recent times shows that they may also be an effective tool in the social domain. Philanthropists, social entrepreneurs and governments are increasingly using prizes to drive social innovation and create societal benefits. McKinsey’s report on philanthropic prizes (2009) suggests that “this powerful instrument is undergoing a renaissance” and rapidly catching on. According to the report, contributions to philanthropic prizes are growing at a faster rate than charitable giving. The total value of prizes has grown by 18% over the first decade of the 21st century. Over the same period, charitable giving has grown by 2.5% in the US.54

The general purpose of contemporary prize contests is to acquire from competitors new ideas and solutions that are more effective than existing approaches (e.g. traditional grants or R&D activities) and can be transformed into investments much greater than the costs of delivering and awarding prizes. In the context of social challenges this usually means finding more effective way of dealing with societies’ problems, often the most difficult ones; and to create value beyond both the winners and investors.

But the potential impact of well-designed challenge prizes is usually more than producing a new solution. It can result in many other things: changing people’s perceptions about a problem and making them more aware of potential solutions, improving the performance of communities of problem-solvers, building the skills of both groups and individuals. So ultimately it becomes a kind of a megaphone for a cause, contributing to dissemination and diffusion of social innovations.

Example 1: European Social Innovation Competition, EU55

The first edition of the European Social Innovation Competition, subtitled Unlocking today’s potential for tomorrow’s work, was launched on 1 October 2012 by The European Commission in memory of Diogo Vasconcelos. The purpose of the contest was to find new ways to fight unemployment and to reduce its negative impact on the European economy and society. In the situation in which more than 25 million Europeans are unemployed while millions more were stuck in low-paid jobs or suffered from poor working conditions or discrimination, such an aim for the European Social Innovation Competitions was a natural choice. The competition was open to any European who would like to propose innovative solutions to create opportunities for (better) employment. On 29 May 2013 three best proposals were awarded with a prize of 20,000 Euro each. The second edition of the Competition was launched on 11 of October 2013, with three prizes of 30,000 Euro this time. It is also devoted to the problem of unemployment in the European Union.

All applications are examined by an international commission of experts in social innovation and go through a selection process. This procedure consists of six stages: 1) open call for entries, 2)
selection of up to 30 semi-finalists (over 600 proposals were received in the first edition), 3) mentoring for the semi-finalists (two-days mentoring session), 4) re-submission of revised entries by semi-finalists and a selection of 10 finalists, 5) the award ceremony – an announcement of 3 winners among up to 10 finalists, 6) follow-up mentoring session for winners and finalists.  

The judges assess the applications using three criteria: 1) degree of innovation (the jury assess the innovativeness of the proposed ideas or the novelty of their implementation, approaches to economic, social or environment issues and so on), 2) potential impact (the potential of the ideas to improve people’s employment situation), 3) potential for sustainability and scale (the ideas’ capacity to be applied, transferred, adopted to other areas or countries). Each of them is assigned a weight that determines its relative importance. Weights vary depending on the stage of the selection procedure. While in the first phase the innovativeness is the most important (50% compared to 30% and 20% respectively) then, in subsequent rounds, all three criteria have an equal weighting which means that the adoption/diffusion capacity of competing projects becomes as significant as novelty or potential impact.  

The fact that winning proposals must be diffusion-friendly is not the only factor that may contribute to the greater spreading and growing of social innovation. The European Social Innovation Competition is much more than prizes and a gala for the award. Several dozens of the best solutions are made public and supported, becoming a rich source of inspiration for potential followers – individuals, social organizations and governments (e.g. see description of semi-finalists projects).  

It is also a powerful loudspeaker, especially for the EC and the ideals and social policies promoted by it. As a subject of advertisements, press releases, interviews, articles, public discussions, etc., it mobilizes people to think about difficult questions, grabs public attention and raises public awareness of social problems in Europe, influences public perception of social challenges. It also enhances trans-national learning and co-operation. Connecting competitors via social networking, blogs and mentoring sessions leads to the creation of international communities of social problem-solvers and helps them to refine their ideas and identify partners.  

The European Social Innovation Competition also creates greater awareness of the opportunities that social innovation can bring to develop new solutions for problems in Europe towards politicians, media, investors and EU citizens. It materialises in itself an innovative and open policy-making process at EU level, calling for ideas on a given social/societal issue in a crowd-sourcing mode. Since the European Social Innovation Competition is relatively young, a few more years are needed to fully evaluate its real impact on the spread and development of social innovation in Europe. However, as mentioned above, there are reasonable grounds for supposing that it will be an effective tool for supporting the development of the field of social innovation in Europe.

56 For more see the competition official site – http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/competition/.  
58 http://socialinnovationcompetition.eu/.
Example 2: Challenge.gov, USA

Challenge.gov is an online platform administered by the US Federal Government which publishes challenges and prize competitions (a few at the same time, on average six new challenges a month). It was launched in September 2010 as an initiative of Barack Obama’s administration (see the memo on Guidance on the Use of Challenges and Prizes to Promote Open Government addressed to heads of executive departments and agencies as an offshoot of the America Competes Reauthorization Act of 2010 which granted federal agencies broad authority to conduct prize competitions to spur innovation. The competitions are run by federal agencies in order to acquire innovative ideas and solutions from the public: the agencies post pressing national challenges on the site, to which competitors can respond, proposing their solutions. The best of them are awarded prizes. The value of prizes varies depending on the contest: from hundreds of thousands of dollars to certificates, honourable mentions and other non-monetary prizes (as of May 2012, the average cash prize was over $7,300).

The competitions posted on Challenge.gov include contests that are sponsored by a single agency or jointly by two or more agencies. They address a wide range of issues, relevant to the particular sponsoring agencies: from pure technical challenges (e.g. “Sample Return Robot Challenge” or “Green Flight Challenge” run by NASA), through to those concerned with protecting the natural environment (e.g. “Apps for the Environment Challenge”), to those of a more social nature, that potentially produce social innovations (“America’s Home Energy Education Challenge” or “Equal Pay Apps Challenge”). According to the 2012 annual report, More for Mission, released by the Office of Citizen Services and Innovative Technologies (OCSIT) at the US General Service Administration (GSA), the Challenge.gov platform featured 212 challenges from 48 agencies and awarded over 34 million dollars in prizes in its first two years. In 2013, the third year of its activity, Challenge.gov hosted another 80 challenges and it was used by eleven new agencies.

Apart from the sizes of prizes there are also differences in the selection procedures, deadlines, submission guidelines for the public and selection criteria – all of them are developed by different agencies specifically for individual competitions. In a process of setting out a competition an agency is supported by OCSIT. Although these differences may sometimes be significant, most sets of judging criteria usually include: “Vision” (or “Innovativeness”), “Ability to implement”, “Impact”, “Potential for further development and use”, “Sustainability”.

Challenge.gov is a social innovation in itself and – as one of the most prominent approaches to engaging the public and developing a connection between people with innovative ideas and officials who can implement these ideas – it enhances the growth and diffusion of social

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59 This case was consulted with Karen Trebon, Deputy Program Manager, Challenge.gov, the U.S. General Services Administration.
innovations. It was recognized as one of the 25 finalists by the prestigious Harvard Innovations in American Government Awards.

It is a place used to share information about technological and social challenges, connecting agencies with expertise and communities. It efficiently raises public awareness and generates high level of public engagement: according to the More for Mission report, during the first two years the Challenge.gov website was visited over 2.5 million times by people from over 200 countries (with over 2 million visitors from the USA) with at least 2000 people a month signing up as “followers” of the Challenge. After the third year the total number of visitors was 3.5 million (from 220 countries). The report from the Office of Science and Technology Policy, Implementation of Federal Prize Authority: Progress Report concludes: “prizes have a good track record of spurring innovation in the private and philanthropic sectors. Early adopters in the public sector have already begun to reap the rewards of well-designed prizes integrated into a broader innovation strategy”.

The Challenge.gov platform is in itself an excellent example of social innovation in public administration. It is a much larger-scale project than the European SI Competition described above, and as such can serve as an excellent guide for European policy decision-makers.

Reflections

It seems that competitions, particularly in the field of social innovation, are very beneficial from the point of view of spreading innovations and growing the field of social innovation. The above-presented cases further confirm that point. Key benefits of social innovation prizes are their openness, their ability to attract diverse innovators, to engage a large and diverse pool of potential problem-solvers, to find still undiscovered talents from the bottom-up and to harness them to achieve social goals. They also help social entrepreneurs to refine their ideas and launch successful initiatives and mobilize the public to think about social issues. They form networks around them that enable members to share ideas and best practices. Furthermore, they reduce the kinds of risks that investors searching for innovative solutions in more traditional ways might face.

However, the recent discussion about challenge prizes on the Stanford Social Innovation Review blog revealed some potential drawbacks of prize competitions, for example: 1) they usually put emphasis on innovation, not on implementation, 2) the rewards often go to institutions that already have the resources and name recognition, not to the really innovative, unknown start-ups, 3) they may suffer from ineffective selection mechanisms (judging by unqualified people), 4) their real impact is sometimes questionable, etc. Although these are valuable insights, they are not

65 www.gsa.gov/portal/mediaid/156463/fileName/FY2012_OCSIT_ANNUAL_REPORT
competition-specific in the sense that they may also apply to grant funding and many other approaches to stimulating social innovation. So it is potentially a question of good (or bad) design and implementation (or other tools/kinds of approach to generating and disseminating social innovation) rather than a question about the value of competitions per se.

Nevertheless there is an argument, which relates primarily just to competitions, and which we can define as the opportunity cost of a competition – the value of the best alternative forgone due to the allocation of resources for the contest (and not for the alternative). The idea of that cost can be easily explained with a simple example. Let’s say that a competition was organised with a prize of 100,000 Euros for one winner, and that there were 1000 entries. One winner means of course 999 losers. Supposing that an average entrant spent 10 hours to prepare her or his entry it means 9990 working hours wasted. So in that case the real cost of the competition is 100,000 Euros + 9990 working hours which, invested alternatively, could be very valuable for social innovation, maybe much more than the awarded solution (even if the value is increased by previously mentioned positive “side effects” of the competition).69

This means, unsurprisingly, that a social innovation competition is not a magic bullet that will automatically contribute to the growth of social innovation. A lot depends on the quality of the competition, whether it is well designed and implemented, on the qualifications of the jury, etc. In particular, the application process should be very simple, especially in the early stages of selection. It is also worth mentioning that, according to Matthias Ansorg, winner of the first edition of the European Social Innovation Competition, it took 1-5 hours to apply, depending on how much entrants had already worked on their ideas.70

These reservations do not change the fact that SI competitions seem to be a powerful tool to stimulate the growth of social innovation and there is no doubt that they will be used more and more often. As such, they are one valuable element in the social innovation ecosystem.

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69 It also depends on how prizes are awarded: are they awarded for innovations already made and implemented – or are they announced for innovations that are to be made. In the latter case, the opportunity cost argument would gain even more weight.

2.2 Non-financial resources

Setting up and managing an organisation is challenging, especially within civil society and the third sector. Founders may need assistance with all sorts of aspects of their work, from generating a viable idea in the first place to establishing the right legal structure. In recent years, a variety of organisations have emerged specifically to assist social innovators and social entrepreneurs. These include consulting services specifically for social purpose organisations, targeted mentoring and coaching, and specially designed business support programmes such as incubators and accelerators. While some of these resources are targeted at specific stages in the entrepreneurial life cycle (labs, accelerators, incubators), others will be useful at any stage (professional services, mentoring and coaching).

In this section we look at a number of key non-financial forms of resources:

- Professional services
- Mentoring and coaching
- Labs
- Accelerators
- Incubators

2.2.1 Professional Services for Social Purpose Organisations

(Authored by Rachel Schon, The Young Foundation)

What do we mean by professional services for social purpose organisations?

Mission driven organisations, like many other organisations, may require professional and specialist support. For example, they may need support related to marketing their products, managing their
staff, complying with legal restrictions of the countries in which they operate or deciding upon a long-term strategy. In addition, social purpose organisations, such as social enterprises and charities, often face distinctive problems, particularly in relation to their legal status or when it comes to communicating their function to clients or beneficiaries.

For this reason there is an increasing awareness amongst professionals of a need to provide targeted support to social purpose organisations, and we have seen the rise of ‘Social Enterprise’ departments at law firms such as Bates, Wells and Braithwaite. This is all very well when a social purpose organisation has the money to pay for such specialised support, but in many cases, particularly in the beginning stages, money may be tight. This can be particularly challenging as it is often at the very beginning stages that such organisations could benefit most from some targeted support which will help them decide (for example) which company structure to choose. There are a large collection of publications and websites which have been written specifically to assist fledgling social enterprises with such matters, and to connect them with professionals who have an awareness of their specific needs.

In addition, recent years have seen the development of networks of professionals who are willing to provide support to social purpose organisations on a pro bono basis, such as TrustLaw Connect.

**Example 1: TrustLaw, Global**

TrustLaw was founded in 2010 and as of December 2013 had already provided $35 million worth of free legal assistance to over 1,000 charities and social enterprises. As of April 2014, its growing membership consists of over 1,300 charities and social enterprises as well as 400 top law firms which have all been vetted to ensure quality. TrustLaw takes a similarly stringent attitude to the social enterprises that they help, working with a network of referral partners to make sure that the organisations have a positive social impact and are in a position to make good use of any assistance that they receive. They then match up social enterprises and charities in need of assistance with law firms who are able to provide it free of charge. Daniel Rostrup, programme manager at TrustLaw, comments that “a lot of lawyers want to do more pro bono work, however they don’t know which organisations to trust, and they want somebody who is able to project manage the beginning of the process. We are able to do that, and I think that is what has made TrustLaw so successful”.

TrustLaw is hosted by the Thomson Reuters Foundation, which is the charitable arm of Thomson Reuters, a media and information firm. It is well known as the publisher of WestLaw, used by lawyers around the world. This connection meant that TrustLaw were able to easily get in touch with top law firms, and were able to use a trusted brand to persuade people to get involved. In

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74 Interview with Daniel Rostrup, 6th March 2014
75 Interview with Daniel Rostrup, 6th March 2014
76 Interview with Daniel Rostrup, 6th March 2014
addition, it has given them a global reach and they now work in 145 countries with hubs in Beijing, Mumbai, Johannesburg, Rio de Janeiro, London and New York City.\textsuperscript{79}

Rostrup commented that part of the goal behind TrustLaw is not merely to assist individual social enterprises but also to encourage the spread of a pro bono culture in the legal field.\textsuperscript{80} In many countries he has witnessed cultural barriers to doing such work for free – for example, there was even a debate about whether it is legal to provide pro bono legal services in Brazil.\textsuperscript{81} In addition, he finds that the barriers faced by individual social enterprises vary significantly between countries.\textsuperscript{82} In America for example there is considerable work that must be done simply to register as a not for profit organisation, however this work does not necessarily require significant legal expertise and for this reason will sometimes be provided free of charge by law students, though not through the TrustLaw programme.\textsuperscript{83} Part of the role of TrustLaw is to ensure that legal firms in the network are given work which is interesting and which they are best placed to take on. This can include issues to do with partnerships, memoranda of understanding, patents or governance. Their partners also assist social enterprises with understanding legislative frameworks, to assist in research which the organisation can then use for their own lobbying work.\textsuperscript{84}

\textit{Example 2: NESsT Consulting, Global}

NESsT is an incubation organisation which develops sustainable social enterprises which help solve critical social problems in emerging market economies. They provide capacity support (mentoring and training to increase entrepreneurial skills and strengthen management capacity), investment (seed capital in the form of loans and grants) and ‘social capital’ (which they identify as access to a network of corporate professionals providing pro-bono support). They offer the three services together to social enterprises that have come to their attention through the competitions that they run in different countries. However they also offer a consulting arm which engages with clients on a fee-paying basis. This consulting arm is itself run as a social enterprise, and helps to subsidise the rest of the operation.\textsuperscript{85}

NESsT consulting was launched in 2003 in a bid to increase the global reach and impact of NESsT’s work.\textsuperscript{86} Headquartered in San Francisco, it is commonly contracted by corporations, foundations and governments to work with a variety of social enterprises in emerging markets, although social enterprises can also hire them directly. NESsT Consulting provides tailored services, from enabling ventures to assess their readiness to set up as a social enterprise, to improving their management.

\textsuperscript{79} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014  
\textsuperscript{80} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014  
\textsuperscript{81} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014  
\textsuperscript{82} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014  
\textsuperscript{83} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014  
\textsuperscript{84} For example The Nonprofit Organizations Clinic at Yale Law School provides legal assistance to non-profits that can’t afford legal support. More information is available here: http://www.law.yale.edu/academics/NonprofitOrganizationsClinic.htm. Accessed on 25\textsuperscript{th} April 2015.  
\textsuperscript{85} Interview with Geoff Schwarten, 17\textsuperscript{th} March 2014  
\textsuperscript{86} http://www.nesst.org/consulting/. Accessed on 25\textsuperscript{th} April 2015.
and effectiveness, and helping them to become investment-ready to attract start-up or growth capital.\textsuperscript{87}

For example, in 2009 NESsT was given financial support from the Ford Foundation to work for an organisation called Moving The Goalposts Kilifi (MTG).\textsuperscript{88} MTG does work in Kenya with teenage girls, providing social support and reproductive health information through its peer education and counselling programme. NESsT was contracted by MTG to provide expert advice, training and mentoring to enable MTG to complete a feasibility study and develop a business plan for Makapads, a social enterprise manufacturing and distributing affordable sanitary pads.\textsuperscript{89}

NESsT understands its work as falling under the three categories of ‘bridging’, ‘sustaining’ and ‘transforming’. That is, they help social enterprises to connect with corporations and funders who might be interested in partnering with them and assist them in developing a sustainable business model.\textsuperscript{90} The "transform" work consists of research, pilots, and the convening of stakeholders around topics that have the potential to advance the social enterprise field, increase investment into enterprises, or promote policy change that is favourable to the sector.

So far, NESsT Consulting has worked in 125 countries on almost fifty different contracts. Going forward, NESsT Consulting would like to ‘continue working towards improving the support environment for social enterprise, specifically in emerging markets’.\textsuperscript{91} The organisation is seeking to involve increased participation from a wide range of stakeholders including investors, corporations, philanthropists and government organisations in order to help the social enterprise industry to grow and scale its impact.

Reflections

Access to professional services support can be extremely important. Social entrepreneurs and social innovators are almost always passionate and dedicated, yet without the correct support their venture can be undermined and unable to attract investment or customers. For example, for many social enterprises the simple act of registering as a charity can be vitally important in unlocking funding that would not otherwise be available to them. Similarly, having a good quality website, or a way to demonstrate impact through social accounting tools such as SROI\textsuperscript{92} (Social Return on Investment), can be invaluable when trying to gain contracts with the public sector.

Although such support can be extremely useful in gaining later funding, many new social enterprises find it difficult to afford the initial cost of these professional services. For this reason they are often provided for free through selective incubator or accelerator programmes, or through

\textsuperscript{87} http://www.nesst.org/consulting/. Accessed on 25\textsuperscript{th} April 2015
\textsuperscript{88} http://www.mtgk.org/. Accessed on 25\textsuperscript{th} April 2015
\textsuperscript{89} http://www.nesst.org/?portfolio=ford-foundation. Accessed on 25\textsuperscript{th} April 2015
\textsuperscript{90} Interview with Geoff Schwarten, 17\textsuperscript{th} March 2014
\textsuperscript{91} In correspondence with Geoff Schwarten, 31\textsuperscript{st} March 2014
\textsuperscript{92} http://www.thesroinetwork.org/what-is-sroi. Accessed on 25\textsuperscript{th} April 2015.
competitions such as those run by UnLtd in the UK\textsuperscript{93}. This provides a way of ensuring the quality of the social enterprise for the professionals who are willing to offer their time to assist; TrustLaw addresses this issue by only accepting ventures which have been referred to them by trusted partners.\textsuperscript{94} However, they recognise too that there will be many deserving social enterprises out there that are too young to have built up a reputation, and for this reason they publish free booklets on common issues faced by start-ups.\textsuperscript{95} This complements a large amount of advice which is available for free online. However, for those without a professional background such toolkits can be confusing and hard to navigate.

For those social enterprises which are more established and do have the money to spend on such services, there are of course any number of organisations on the market which can offer support for a fee. However, there has recently been an increase in the number of professional service organisations which market themselves to paying clients within this sector specifically, and also offer pro bono support where they can. For example, Bates Wells and Braithwaite is a law firm which describes itself as ‘the leading charity and social enterprise law firm in the UK’. Lawyers there have been trained to be specialists in the unique issues faced by not for profit organisations and offer discounted fees to this sector, in addition to pro bono support in exceptional cases. Similarly, Harris & Harris CIC (Community Interest Company) is a UK accountancy and consultancy firm which is itself a social enterprise, and targets itself specifically at not for profit clients.\textsuperscript{96} NESsT consulting operates on a similar model, with all of its profits going to support its core work incubating early stage social enterprises. As the social enterprise sector gains prominence and gains more legal recognition, we can expect to see more of these types of firm, which will attract people who are interested in using their professional skills to support social-purpose organisations.

### 2.2.2 Mentors and coaching

*(Authored by Jeremy Millard, The Danish Technological Institute)*

**What are mentoring and coaching?**

Coaching and mentoring are processes that enable individuals to start to achieve their full potential, and share many similarities, including:\textsuperscript{97}

- Exploring needs, motivations, desires, skills and thought processes to assist the individual in making real, lasting change.
- Using questioning techniques to facilitate the individual’s own thought processes in order to identify solutions and actions rather than adopting a wholly directive approach.
- Supporting the individual in setting appropriate goals and methods.
- Observing, listening and asking questions to understand the individual’s situation.

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\textsuperscript{93} http://unltd.org.uk/path/. Accessed on 25\textsuperscript{th} April 2015

\textsuperscript{94} Interview with Daniel Rostrup, 6\textsuperscript{th} March 2014


\textsuperscript{96} http://www.harrisaccountancy.co.uk/. Accessed on 25\textsuperscript{th} April 2015

\textsuperscript{97} http://www.coachingnetwork.org.uk/information-portal/what-are-coaching-and-mentoring.aspx
• Creatively applying tools and techniques, e.g. one-on-one training, facilitating, counselling and networking.
• Encouraging a commitment to action and developing lasting personal growth and change.
• Maintaining unconditional positive regard for the individual, so that the coach is at all times supportive and non-judgmental of the individual, their views, lifestyle and aspirations.
• Ensuring that the individual develops personal competencies, not unhealthy dependencies, on the coaching or mentoring relationship, and developmental alliances where necessary to achieve their goals.
• Evaluating process outcomes using objective measures wherever possible to ensure the relationship is successful and the individual is achieving their personal goals.

The common thread uniting all types of coaching and mentoring is that they provide a vehicle for analysis, reflection and action that ultimately enables the individual to achieve success in one or more areas of their life or work. In the context of this report, we are interested in coaching and mentoring to the extent that these processes can provide necessary support to social purpose organisations, particularly in their early years of activity. In this respect, mentoring and coaching are another type of support that should be available to leaders of social purpose organisations and social innovators.

There are important differences between these two activities. Mentoring, particularly in its traditional sense, enables the mentee to follow in the path of a mentor knowledgeable in a specific area of value to the mentee, who is able to pass on this knowledge and experience, and to open doors to otherwise out-of-reach opportunities. Coaching, however, is not generally based on any direct experience the coacher has of the individual’s area of interest unless the coaching is specific and skills-focused. Other typical differences include:

• Coaching tends to be more task-oriented, short-term, performance-driven, and does not require a careful design phase.
• Mentoring tends to be more relationship-oriented, longer-term, development-driven, and does require a careful design phase for example through the matching process.
• Some of these differences, but also their overlaps, can be illustrated in the following diagram.98

These differences help to clarify how the different techniques can be used and under which circumstances.

Example 1: Ogunté, UK

Image from http://www.ogunte.com/innovation/about-you/for-private-sector
Ogunté is a social innovations development company focused on women-led social ventures. When Servane Mouazan, the founder and director, started a network in 2002 in the nascent field of social entrepreneurship, she noticed that women much more than men “seemed to have a profound interest in businesses with a mission, perhaps because of their innate quality as caretakers.” Servane decided to focus exclusively on supporting, connecting and promoting women social innovators and social entrepreneurs and their impact on society and the environment. Although there were already networks for women, there were no ecosystems around women social entrepreneurs. Ogunté provides connections, training and executive coaching to women social entrepreneurs and to social innovators who run community projects, charities and campaigns. There is also a business incubator, an angels’ network, and annual awards to promote women’s achievements.

Ogunté works closely with each woman to understand what best suits their needs. Numerous coaching services are available, both off-the-shelf and tailor-made, including “Make a Wave”, the first incubator for women social entrepreneurs who can demonstrate skills and investment readiness. Participants receive over 40 hours personal contact time with professionals and peers, including face-to-face group sessions with VCs, angels, impact investors, philanthropists and providers of accelerator programmes; masterclasses in crowdfunding and finance and social impact measurement. To date, 3,700 women social entrepreneurs and campaigners have been supported; 98% of programme participants made progress thanks to Ogunté’s coaching, mentoring and networks; 95% of programmes and event participants felt inspired and more confident to be actors of change; and over 6,000 women have taken part.

According to Servane Mouazan, success criteria for Ogunté include seeing coaching and mentoring just as communication tools for learning conversation and not ends in themselves. Techniques must be used to enrich and guide, but not control, in both formal and informal settings. They should allow the participants to “think deeply in real time and then to carry and further develop these”. The approach is highly flexible whilst also outcome-oriented. Ogunté prefers to recruit coaches who are prepared to share their own life story with the women, and then to invite the latter to reflect on the extent to which this represents their own story and how useful it is. This is the “missing link” in a coaching and mentoring relationship as it helps to build reciprocal trust.

According to Servane, coaching and mentoring are about continuous and mutual learning with adjustments and respect on both sides. The skill is to know when to ask the right questions, not simply go through a list of questions. Coaching is about providing a platform or container to help people think differently, but this is not an excuse for “fluffy or weak” content or techniques. The process must be serious and clear, “including in relation to money if this is part of the

99 http://thestoryexchange.org/fostering-womens-social-entrepreneurship-uk/
100 http://thestoryexchange.org/servane-mouazan-ogunte/
101 http://www.ogunte.com/innovation/programmes-and-services/make-a-wave-pre-incubator
102 http://www.ogunte.com/innovation/
103 Interview with Servane Mouazan, founder and director of Ogunté, 4 April 2014. Quotes come from this interview.
arrangement”. Many coachees and mentees start by not knowing much about the process or what to expect. Some expect that it is “pure science” and something to be “done to them” with fixed rules and procedures. The coacher’s job is to make it easy for them to participate, make an input, work hard and not just receive information but also know how to use it.

Example 2: Danish Refugee Council mentor-network, Denmark

The Danish Refugee Council (DRC) is a humanitarian, non-governmental, non-profit organisation founded in 1956 that works in more than 30 countries throughout the world by providing direct assistance to conflict-affected populations, including refugees. In Denmark, the DRC assists refugees in all aspects of integration, including acting as an umbrella organisation for a number of independent volunteer mentor networks across Denmark each with a cooperation agreement with DRC about their local role and tasks. The underlying approach is that “everybody is dependent on their networks when coping with work, education as well as daily living, and for refugees living in a new country, this dependency becomes highly challenging.” One purpose of the local mentor networks is to “support refugees and minorities to successfully access the Danish formal education system and enter the labour market, which is key to full integration.” The role of the DRC in this context is to provide advice, support and professional help to the local groups, in addition to funding their activities in certain circumstances.

The local groups themselves recruit, train and support mentors from the established population who are prepared to use their experience, knowledge and networks for the benefit of refugees on a one-on-one personal and trusting basis over at least six months. The DRC sees mentoring as a reciprocal enriching relationship between two people, where the mentor focuses entirely on his or her mentee, but which can be terminated at any time by either side. Mentors themselves get all the support they need from the local groups and in turn the DRC, but are otherwise responsible for

104 http://drc.dk/about-drc/facts-about-drc/
105 Much of this case is based on an Interview with Rie Græsborg, Development Consultant and leader of the GuideProject, Danish Refugee Council, Mentor-Network, 2 April 2014.
managing the relationship as long as it is fruitful for both parties. Since the mentor-networks were launched in 2001, over 1,800 refugees have been mentored and supported. Collective experience across the network and with the DRC has been built up resulting in a tried and tested approach.

According to Rie Græsborg, both the strengths and potential limitations of the mentor relationship derive from its basis in volunteering by both parties. The most important success criteria are making a good match between mentor and mentee, and that both and especially the mentor are generous and open in their approach. Volunteering has great benefits as it means both parties are driven purely by strong motivation, rather than any pecuniary or other factors, which also means that both are strongly inclined to behave well and make a big commitment. In this sense, they come to rely on each other and “hold each other in a positive balance”. The limitations of mentoring are that it relies on this strong motivation and involves two individuals who are not specially trained nor have any professional interests, although both are supported as much as possible by the DRC. Mentoring cannot “save” individuals with substantial problems. Lack of clear motivation and/or serious and complicated social problems, including drug misuse and criminality, are not suitable for such a relationship, and need to be dealt with by professionals and the formal system.

Reflections
Coaching and mentoring both exhibit a huge range of activities from highly professional, vocational and commercially-driven at one end, to volunteering, non-vocational and purely socially-driven at the other, with many combinations and overlaps between. But they both share some basic common techniques and approaches, particularly the one-on-one personal relationship aimed to build trust and motivation, as well as to further the mentee’s personal progress, whether in life, education, employment or business. It is this personal focus which is core, even when coaching and mentoring take place in small groups, and which means that widespread scaling across large numbers of people, organisations or locations is not the direct objective or outcome. However, the network effects engendered by both parties in the coaching and mentoring relationship can be important to the success of initiatives, and can thereby promote scaling, even if at second or third hand.

It is clear that coaching and mentoring can add huge value to an individual’s mindset, capacity, capabilities and achievements. However, outcomes are not the only focus as building the capacity of individuals and organisations is important in bringing about change. This is why looking at “social innovation coaching” is important, as it is a process that moves towards system change by permanently altering perceptions, behaviours and structures. Coaching and mentoring can help the social innovator understand impact from a different perspective, including how they can judge the progress of their personal development. They both seem to work best when grounded in a strength-based and a solution-focused approach, rather than purely focusing on weaknesses and

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106 http://www.frivillignet.dk/mentornet
problems. Both parties get the satisfaction of being intellectually challenged, and the excitement of moving forward, in a positive way. Coaching and mentoring unpick the values of both parties and how they influence the changes they want to make in their life and in other people's lives, and this is already a first step towards system change.

There are, however, also some limitations on the effects coaching and mentoring can have. Their intensive personal nature makes them highly resource demanding and difficult, in the short term at least, to easily expand or scale. In the context of more commercial and professional situations, other obstacles include the reservations that participants may have concerning competition, branding issues, and intellectual property with some reluctant to collaborate for fear of losing their USP. In situations more related to volunteering and with more purely social goals, important dangers can include lack of adequate coacher/mentor training and rigour. This may result in difficulties knowing or respecting the limits of what can be achieved, as well as failure to recognise serious personal and social problems which need to be tackled by professionals rather than volunteers, which could result in significant damage to individuals. Strong, professional support structures are thus desirable around such relationships, which themselves are resource demanding, in order to mitigate this challenge. Other limitations and challenges are that both coaching and mentoring are relatively new fields, at least in the social innovation context, and thereby sometimes open to poor understanding, mis-application and poor management and support structures, all of which need to be tackled given the highly personal and intensive nature of these approaches.

2.2.3 Labs for social innovation

(Authored by Rachel Schon, The Young Foundation)
What are labs for social innovation?

Social innovation labs provide a neutral space for experimentation, with the aim of generating solutions to some of society’s most pressing challenges. Also known as ‘change’ or ‘design’ labs, they come in all shapes and sizes – some are funded by government, others by non-profits, some have a single area of interest, others have many. However, Frances Westley and colleagues suggest that there are nevertheless key features which are usually present. Labs are often hosted in specialised spaces which have been designed to promote creativity, and it is a hallmark of labs that they like to bring together practitioners from different disciplines, such as design, ethnography and business. Unconventional and risky thinking is encouraged to assist in developing disruptive ideas, yet labs nevertheless tend to stick to a clear process, both in the development of ideas, and to make space for differing contributions from users, beneficiaries and decision makers. There is a significant research element to assist in understanding a problem space, often using ethnographic techniques, and there is an emphasis on rapid prototyping of ideas. Furthermore, as labs are keen to increase awareness of the role of innovation in generating social change, they often show a distinctive openness regarding their methodology and results.

Labs are now appearing all over the world, with notable examples including the European Network of Living Labs, the Social Innovation Generation lab at MaRS in Canada, La 27e Region in France, Participle in London and MindLab in Denmark.

Recent years have also seen the emergence of an even newer phenomenon known as ‘living labs’. These are defined as “innovation environments in real-life settings, in which user driven innovation is fully integrated within the co-creation of new services, products and societal infrastructures.”

Most commonly, living labs are used for new ICT solutions in which the usual distinction between ‘producers’ and ‘users’ of knowledge is blurred. Rlabs is an example of this approach, which is examined in more detail in the second case study below.

Example 1: InWithForward, Netherlands, Canada, Australia

‘InWithForward’ is a relatively new lab which hopes to build momentum for large scale, multi-year movements. It was founded in 2013 by a core team of four – Sarah Schulman, an experienced lab practitioner with a doctorate in social policy, Jonas Piet, a service designer who is also a community mobiliser, Muryani Kasdani, a graphic designer, and Dan Mohr, who has a background in business. They chose to found InWithForward because they were frustrated by having worked previously as part of labs which were able to change people’s behaviour but which were less successful at changing system behaviour.

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InWithForward is shifting focus away from working only on individual projects to creating larger movements. They plan to include multiple feedback loops along the way to ensure they are on the right track. The tools that they employ include ethnography, visualisation techniques, and the Socratic Method. Sarah explains that InWithForward chooses to work in situations “where there is a clear rub between people’s everyday lives and the systems... We like to take on projects that start with outcomes rather than institutions. We don’t want to take on a project that is ‘redesign schools’, because that already assumes what the solution is, and it’s in an institutional headset”. As a starting point, they work with professionals, policymakers and community leaders to identify a specific social challenge – a group of people who are experiencing poor outcomes, and who are left out of current service systems. They then spend time on the ground living with people, observing them in their homes and neighbourhoods and using ethnographic techniques to understand what is most important to their wellbeing. As part of this process, they hone in on disconnects and identify the best places to intervene to prompt change, viewing those who are doing surprisingly well despite challenging circumstances as an ‘untapped resource’. After this initial work, they pull together champions, funders and sceptics to co-design, prototype and embed sets of interventions. Over many months, they build local teams to experiment with a range of interventions inside, outside and between systems. Solutions are trialled initially with those who are experiencing the most hardship, and then replicated. Sarah believes “if it will work with the extreme folks, it will probably work with the people in the middle”.

InWithForward is currently partnering with Kennisland, a think/do tank in Amsterdam, to set-up a Testbed for Social R&D. They are in the process of collecting stories from people and professionals experiencing different sides of the same social challenges. This has included working with elderly people, and women in domestic violence shelters. They hope to make alternatives visible by creating visual maps, scenarios, role plays, field trips and immersive experiences to enable people, professionals and policymakers to see and feel potential interventions for change.

Example 2: Reconstructed Living Lab, South Africa
Reconstructed Living Lab, known collectively as ‘RLabs’, is a movement and registered social enterprise with a vision to impact, empower and reconstruct local and global communities through innovation. RLabs began in 2008 in South Africa as an exercise to see how technology could be used to impact upon local communities. The founder, Marlon Parker, wanted to experiment to see whether technology could be used to generate and share stories of hope to inspire communities of young people.

Parker was able to recruit the son of a prominent gang leader to write a story to share his life experience, and what he had learned since leaving that lifestyle behind. This young man learned how to use a PC during the process of sharing his experiences. Marlon comments “from there, a number of his friends came along and said, ‘Hey, but what about us? We also have stories to

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110 The Socratic Method is a form of inquiry and discussion between individuals, based on asking questions to stimulate critical thinking and to illuminate ideas.
111 Interview with Sarah Schulman, 11 December 2013
The project snowballed, and the people who had initially been trained began to offer training to others. In particular, women with children started to come in, which proved the basis for a successful initiative called ‘Geeky Mums’, empowering housewives to learn new digital skills. Marlon felt that his initial experiment had proved that the community could be empowered to use the tools that they already had access to, and that from this point community members themselves could be trusted to generate ideas and initiatives. He says, “what we realised is that when people become empowered with understanding the power of technology, they have hope…. We then see that people come up with interesting ideas, because who best to understand the problems of a community than the community themselves?” This philosophy was validated when the young people who had initially been involved came up with the idea of starting a mobile support service to help others who were struggling with drug addiction and gang membership. This idea was first prototyped by working with people in the community who were battling the most entrenched drug addictions, and this is in keeping with the methodology used by InWithForward of starting with those with the most severe problems. Once the mobile support service became successful, those involved began to develop a cloud based technology termed JamiiX in order to manage the different instant message platforms. Parker comments that these were “ex-drug addicts, housewives… very unlikely innovators”.

A similar philosophy of co-creation saw the development of another successful R-Labs initiative. This idea was born when Parker was speaking with a young man who had been unemployed for a number of years, and suggested to him that this experience could be used to help generate ideas which could assist other unemployed people. Out of this conversation came an idea which matched people in the community using cell phones so that they could meet one another and find jobs - a ‘Linkedln for the Poor’.

Today, R-Labs offers a space where community members can access training and development programmes, mobile and internet solutions and social enterprise incubation. In addition, R-Labs offers consultancy services to the public and private sector. The R-Labs main hub is in Athlone, Cape Town, but they also have off-shoots in the United Kingdom, Europe, Asia, South America and Africa.

Reflections

Labs provide a safe environment, in which different perspectives are welcomed and where ideas can be trialled with little cost or commitment. In addition, their close connection with the insights and experience of people on the ground is a real strength. However, they remain very new, and there have been challenges associated with their successful implementation. Currently, many labs operate on a hand to mouth basis regarding funding and this invariably affects decisions about which interventions are possible, and how long certain interventions should be trialled. Alysson Hewitt, head of Social Innovation at Canada’s MaRS, comments, “we’ve found that some like MindLab exist inside government, some like Participle are more like consultancies, but the best

112 Interview with Marlon Parker, 16 January 2012.
113 Interview with Marlon Parker, 16 January 2012.
programmes are adjacent to government. The Social Innovation Generation Lab at MaRS was founded on this basis, and is able to “bring new stakeholders to the table that you can’t do within government” while also avoiding issues faced by consultancies who must stop work once the funding dries up.

There is a concern too that the current buzz around the term ‘lab’ could devalue the concept if used too broadly. A report from Canada’s Public Policy Forum notes that “very different lab applications are often being lumped together by key stakeholders... A lack of clarity will likely lead to a misapplication of labs and/or a missed opportunity to benefit from them.” Sarah Schulman agrees that “labs have a huge diversity in their theories of change. There are different assumptions about why change happens, and I think we need to be explicit about them, and what their evidence to support that is.” She feels that this lack of clarity is symptomatic of a field where “everything is awesome, great and cool” but there is a “lack of rigour” when it comes to debate about which interventions work and what their political or ethical implications might be. Furthermore, she feels that “there’s often a scary disconnect between how organisations run internally, and what we preach externally.” She is not the only person to have raised questions about the ability of labs to be as truly participatory and user-driven as they claim to be. In a recent paper, Schachter and Tams argue that social dynamics and power issues have been largely overlooked in the literature around living labs, and the lack of focus on this issue may present a barrier to truly participatory innovation.

Finally, there is an enduring question regarding how best to translate solutions which have worked well within one lab into alternative environments, and the level of risk invariably involved when attempting to scale solutions. It is likely that how easy this process will be depends vastly on the intervention in question. Marlon Parker from RLabs comments that when he is looking to take a solution to another country, he “brings it into that community to re-look at it, and then we tweak it for the local market. For example, when we went to launch [JamiiX] in Finland, instead of using the mobile chat... we basically had to do it full into Facebook.... Because most of the young kids are chatting on Facebook via their PCs.” While this example proved fairly simple to tweak, others will be more complex. Although a strength of labs is their ability to rapidly prototype and alter interventions which are targeted to specific problems and communities, it becomes much harder to manage risk when trying to replicate an intervention at scale. This is an issue that labs will have to combat if they are to effect large scale change or systemic change, a space in which InWithForward hopes to operate. The lab method, then, still has some prototyping of its own to do, yet these

114 Interview with Alysson Hewitt, 18th December 2013
116 Interview with Sarah Schulman, 11th December 2013.
117 Interview with Sarah Schulman, 11th December 2013.
119 Interview with Marlon Parker, 16 January 2012.
spaces remain critical for experimenting with new ways of addressing social challenges, and as such, are a very promising addition to the social innovation ecosystem.

2.2.4 Accelerator Programmes

(Authored by Rachel Schon, The Young Foundation)

What are accelerators?
In recent years an increasing number of business support ‘accelerator’ programmes have emerged, with a specific focus on social innovation. These programmes provide training and mentoring especially for social entrepreneurs, who provide market based solutions to social problems. Accelerators usually offer assistance to entrepreneurs who are already providing a service of some kind, aiming to help the entrepreneur scale their business and become ready for investment, while earlier stage programmes which support those who are in the process of turning an idea into a business plan are known as incubators. The accelerator model is based on business programmes such as Y-Combinator, which began working with technology start-ups in Silicon Valley in 2005.120

There are several characteristics which are hallmarks of an accelerator model, and different accelerators will include different elements. Common features include:

- An application process that is open to all, yet highly competitive.
- A focus on small teams, not individual founders.
- Programmed events and intensive mentoring for a fixed period of time (often 2-3 months)
- Cohorts or ‘classes’ of start-ups rather than individual companies.\textsuperscript{121}
- Provision of a dedicated space where participants can meet and work.\textsuperscript{122}

In this respect, there are overlaps between accelerators, labs, incubators and early stage support. All provide wrap around support to social purpose organisations at some point in the innovation life-cycle. While Labs, incubators and other forms of early stage support focus on the early stages of an organisation’s development, accelerators focus specifically on taking established ventures to scale.

In the words of Alysson Hewitt, head of social innovation at the Canadian innovation centre MaRS, “the role of the intermediary is critical in building a social finance capacity within any ecosystem”.\textsuperscript{123} That is, it is important for entrepreneurs that dedicated organisations exist to connect them with funding. In the traditional business world, mentoring and early stage funding are often provided in exchange for equity, however in the social sphere the focus is more heavily on social return for the community as opposed to a financial return for the organisations that run the accelerator programmes.

\textit{Example 1: The Young Foundation Accelerator, UK}

The Young Foundation, a centre for social innovation based in London, has been running an accelerator programme since 2012. Their accelerator is described as an intensive three month social design and business support programme, delivered by Young Foundation experts supported by a network of coaches. It focusses on identifying eight to ten high potential ventures, in the fields of health, education and housing, looking to spread their reach and their ability to change people’s lives for the better. Sessions currently take place in both London and Cardiff, and entry is highly competitive.

Stuart Thomason, who leads the programme, explained that the concept was born following the completion of a detailed research report into the state of existing support mechanisms for social enterprises – ‘Growing Social Ventures’.\textsuperscript{124} This report identified a missing ‘middle growth’ stage of support, comprising advice on human resources, marketing and sales, policy networks, growing market share and developing systems. This is what the Young Foundation Accelerator programme aims to provide. Additionally, as the Young Foundation staff includes specialists in the three fields from which ventures are recruited, this gives entrepreneurs on the programme the advantage of being able to benefit from the latest research in these areas.

\textsuperscript{122} Interview with Stuart Thomason, 6 December 2013.
\textsuperscript{123} Interview with Alysson Hewitt, 18th December 2013.
One venture which participated in the 2013 programme is ‘The U’, an organisation which strengthens neighbourliness through short, highly-engaging learning sessions in key areas like first aid, conflict resolution, and networking for career development. The U’s Director, Radhika Bynon, commented that ‘it was a really useful process, it helped us to talk about our brand, our website, our governance structure in a much more strategic way, with the help of experts in the field.’ In addition, she found that ‘it unearthed a number of key areas that were problematic’ and that it provided a ‘good moment to pause and have an opportunity to reflect and think strategically’. In addition, Radhika found that ‘the other really interesting thing was to meet the cohort – there was a lot of sharing of knowledge’.125

The Young Foundation differs from some other accelerators in that it does not itself have funds with which to support social ventures financially, however they work closely with other funders who are invited to hear entrepreneurs pitch at a ‘demo day’ which marks the close of the programme. As the programme has only been running for a year, it is early days to evaluate its impact, however the first cohort of ten ventures have since collectively received over £700,000 in funding.

Example 2: MaRS Impact8, Canada

Impact8 is a Canadian accelerator run by MaRS Discovery District, an innovation centre based in Toronto. Impact8 was built using a similar model to Jolt, an accelerator that MaRS was already running, but which catered for the specific needs of technology companies. They decided to start an accelerator focusing on social impact ventures, as they were aware of a number of ventures in this category which were very close to being investment ready, and just needed some final support in the form of mentorship and specific training. In this regard they were influenced by The Young Foundation’s ‘Growing Social Ventures’ report, and visited their accelerator in London for inspiration.126 In addition to the work that MaRS does specifically with social ventures as part of Impact8, MaRS also works with the Jolt cohort to make sure they are recognising and seeking to develop their social impact, and this fits with their wider philosophy that social impact should not be relegated to its own corner but instead embedded throughout their business support activities.

In order to participate in Impact8, ventures must have been in operation for at least a year, and have existing customers or revenues. A portion of each cohort is reserved for entrepreneurs under the age of thirty, and ventures are encouraged to send up to two staff members to participate in the programme. Entrepreneurs are then given deep training on subjects such as product pricing and pitch preparation, and topics discussed include blended value business models, corporate structures, intellectual property, market intelligence, impact measurement, communicating for impact and financial fitness.127 Eight workshops are held over eight weeks, which leverage the existing professional service organisations at MaRS to engage with these social ventures on a pro bono basis. In addition, Impact8 has partnered with Royal Bank of Canada, Miller Thomson

125 Interview with Radhika Bynon, 8 January 2014.
126 Interview with Stuart Thomason, 6 December 2013.
127 ‘Impact8’s First Peer-Selected Winner – SunFarmer! The competition was stiff! Read more about them’, https://www.sunfarmer.org/impact8/. Accessed on 15th January 2014
Lawyers, Matter & Co (a UK-based communications firm that works with values-driven organizations) and KPMG to deliver expert advice and mentoring.\textsuperscript{128} At the end of the eight weeks an event is held at the Toronto Stock Exchange, where investors, foundations and other funders are invited to hear the ventures pitch, and one peer selected winner is chosen to receive a grant prize to help fund venture operations.\textsuperscript{129}

The first Impact8 programme was launched in the summer of 2013, and just under 150 ventures applied to be among the eight that were chosen to receive support over a period of eight weeks.\textsuperscript{130} These included the Lucky Iron Fish Project, a health innovation which targets the problem of iron deficiency by distributing pieces of solid iron in the shape of a fish which can be added to pots while cooking and thereby improve the iron content of meals in the developing world. Gavin Armstrong, President of the Project, commented that prior to his participation in the Impact8 programme, his venture was ‘haemorrhaging money’. He comments, ‘one of the biggest roadblocks to getting my venture off the ground was trying to really narrow down the business plan – hone in on the value proposition, who your customers are, and how you’re going to deliver.’ Armstrong noted that ‘the most critical thing [about Impact8] was mentorship’. As a new entrepreneur the program ‘helped lay some of the first-time learning tools: financial fitness, marketing communications, intellectual property, trademarking’ and Armstrong got one-on-one time with experts who were able to walk him through the practical elements of running a business and expanding into new markets.\textsuperscript{131}

**Reflections**

Accelerator programmes undoubtedly add a great deal of value to promising social enterprises, allowing them access to training, mentorship and contacts that they would have difficulty accessing otherwise. In addition, completing an accelerator programme functions as an indicator of quality which can be very useful for social enterprises hoping to win public sector contracts at a later stage. However, the novelty and rate of expansion of social enterprise accelerators raises a number of questions. Firstly, is there truly a need for sector-specific ‘social enterprise’ accelerators, as opposed to accelerators which cater to every type of start-up? Some argue that it might make more sense to classify accelerators by field of interest, as opposed to how the participating ventures choose to spend their profit.

With regard to this, Alysson Hewitt commented that increasingly she finds that all entrepreneurs, especially younger people, are seeking to maximise their social impact. As such, the distinction between social ventures and other types of business may be unhelpful. She would prefer to see

\textsuperscript{128} T Liu, ‘MaRS Impact8 to hold Dem Day at TSX today’, 5\textsuperscript{th} December 2013, Canadian Private Equity, \url{http://canadianprivateequity.com/mars-impact8-held-dem-day-tsx-today/2013/12/05/}. Accessed on 15\textsuperscript{th} January 2014

\textsuperscript{129} T Nixon, ‘Introducing the Impact8 Venture Bootcamp’, SocialFinance.ca, 4\textsuperscript{th} June 2013, \url{http://socialfinance.ca/2013/06/04/introducing-the-impact-8-venture-bootcamp/}. Accessed on 16\textsuperscript{th} January 2014

\textsuperscript{130} T Nixon, ‘Introducing Impact8: The Inaugural Cohort’, SocialFinance.ca, 21\textsuperscript{st} August, 2013, \url{http://socialfinance.ca/2013/08/21/introducing-impact8-the-inaugural-cohort/}. Accessed on 15\textsuperscript{th} January 2014

\textsuperscript{131} H Dotan, ‘Eight Entrepreneurs Who Want to Make A Difference’, Yonge Street, 18\textsuperscript{th} December 2013, \url{http://www.yongestreetmedia.ca/innovationnews/impact820131218.aspx}. Accessed on 15th January 2014
support for all businesses focussed on maximising social impact, as opposed to relegating social enterprise to separate programmes which may be side-lined.  

Another problem facing social enterprise accelerator programmes in particular is that they are invariably dependent on outside financial support, which is time consuming to obtain and manage, and may come with strings attached. Alysson Hewitt finds that “the role of impact investors is completely critical for us, especially in such a nascent marketplace”.

Recruiting mentors and experts willing to offer their services at low cost is also key to the success of accelerator programmes, however there are questions about what mentors may hope to gain from offering their services, and how to incentivise more to participate. At the moment many accelerator programmes incorporate some kind of ‘peer mentorship’ element, but the value of this kind of support can very much depend on the individuals in question being well matched and there is little evidence so far on which scenarios are most effective. There is furthermore a lack of clarity about where accelerators fit in terms of the existing landscape of business education, which has hitherto been mainly focussed on individuals (e.g. MBA programmes) as opposed to ventures.

Finally, there is a question of how the performance and impact of accelerator programmes should best be measured. While it is relatively simple to follow individual ventures and track the funding they received after taking part in the accelerator programme, it is important that other more indirect impacts are not overlooked. For example, it might be possible that the existence of social enterprise accelerators and the success stories that they generate may assist in the development of a more ‘entrepreneurial culture’ within the social sphere. It is still too early to know if this will be the case but it will be interesting to see the development of the field over the next few years.

2.2.5 Incubators

(Authored by Rachel Schon, The Young Foundation)

What are Incubators?
In recent years an increasing number of organisations have emerged which describe themselves as ‘social incubators’. The term incubator is one which has been borrowed from the for-profit world, and describes programs which assist start-up enterprises with business support, and sometimes seed capital or space. Business incubators are often sector-specific, meaning that the start-ups concerned are able to benefit from specialised knowledge or contacts. We distinguish incubators from accelerator programmes, as incubators focus on ventures when they are at the very earliest stages of development. Beyond this it is very difficult to generalise, as many variations on incubators have emerged and it is a term used differently across countries and cultural backgrounds.

132 Interview with Alysson Hewitt, 18th December 2013.
133 Interview with Alysson Hewitt, 18th December 2013.
Most self-described social incubators provide some kind of wrap around support for social ventures in their earliest stages, such as help with formulating a business plan, access to networks of contacts or early-stage investment. An incubator will usually work with an organisation for a set period of months or years. They will often also provide a co-working space for selected entrepreneurs. For this reason there is some cross-over between incubators and social enterprise ‘hubs’, which often describe themselves as incubators but may only provide a co-working space.

The most prestigious programmes, which provide the highest amount of support, are often competitive to enter and provide a key role in the social economy by nurturing social enterprises and other mission driven organisations so that they are investment-ready.

It is important to remember too that there is a distinction between incubation as a process which social enterprises go through en route to becoming a successful venture, and incubators as a space where support of this kind can be provided. We have also in recent years seen a rise in ‘virtual incubators’ such as the one hosted by The Australian Centre for Social Innovation. It is likely that these will proliferate further now that so much support can be provided virtually over programmes such as Skype, and they represent a cost efficient way of offering support to fledgling social enterprises.

Example 1: Villgro, India

Villgro is a social impact incubator based in Chennai, India. It seeks out promising social ventures which are so early on in their journey that other organisations will not take the risk of investing in them. Villgro has an emphasis on technology and product innovation, and key sectors of focus are healthcare, agriculture, education and energy.135 They are interested to recruit enterprises which

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have a good chance of becoming sustainable and scaling up, and entrepreneurs must go through a rigorous application and interview process, involving a visit by Villgro to the enterprise in question, in order to be considered.\footnote{http://www.villgro.org/selection-process. Accessed on 28\textsuperscript{th} April 2014.}

If successful, the entrepreneur and Villgro sign an agreement and prepare an incubation plan.\footnote{http://www.villgro.org/selection-process. Accessed on 28\textsuperscript{th} April 2014.} Services offered include mentoring, funding, access to networks, and the placement of talented mid-career professionals within each venture.\footnote{http://www.villgro.org/incubation-services. Accessed on 28\textsuperscript{th} April 2014.} The mentoring is provided by experienced professionals with sector-specific competence, who have either led businesses themselves, or led distinct units within much larger businesses.\footnote{http://www.villgro.org/index.php/mentoring. Accessed on 28\textsuperscript{th} April 2014.} Funding is up to 5 million Rupees (approx. £50,000) and is invested as equity or quasi-equity – Villgro also have a limited amount of grants available that are not repayable\footnote{http://www.villgro.org/index.php/fundings. Accessed on 28\textsuperscript{th} April 2014.} in terms of networks, they are able to provide a connection to local platforms and global networks that link entrepreneurs to different stakeholders in the ecosystem.\footnote{Villgro, ‘Annual Report 2012-2013’, Available online at http://www.villgro.org/report/villgro%202012-2013.pdf.} They are an example of a self-defined ‘incubator’ which does not provide co-working space, illustrating the difference between incubation as a process and an incubator as a place.

One social enterprise that has been helped by Villgro is Sustaintech. It provides environmentally friendly, fuel efficient, smokeless commercial cook stoves to roadside food and beverage vendors, which are healthier for all concerned. Villgro assigned a Senior Advisor to Sustaintech, who helped them to refine their sales and marketing strategies. Villgro has also been involved with key decisions including the hiring of a new CEO and the inclusion of a new financial partner to enable consumer financing for the product portfolio.\footnote{Villgro, ‘Annual Report 2012-2013’, Available online at http://www.villgro.org/report/villgro%202012-2013.pdf.} Since working with Villgro, Sustaintech’s revenues have increased by 77% from the previous year\footnote{http://www.villgro.org/current-portfolio. Accessed on 28\textsuperscript{th} April 2014.}

Over the past twelve years, Villgro has helped 94 innovators and provided 40 million Rupees (approx. £400,000) of seed funding.\footnote{Melissa Ip, ‘India’s Villgro to double number of investments this year’, Social Enterprise Buzz, 17\textsuperscript{th} March 2014, http://www.socialenterprisebuzz.com/2014/03/17/indias-villgro-to-double-number-of-investments-this-year/. Accessed on 28\textsuperscript{th} April 2014.} They hope to double the amount of social enterprises that they invest in this coming year, thanks to support that they have received from the UK’s Department for International Development.\footnote{http://www.villgro.org/. Accessed on 28\textsuperscript{th} April 2014.}

In addition to their Incubation programme, Villgro runs an accelerator for more established businesses, a fellowship programme for professionals who wish to advise social enterprises, an entrepreneur-in-residence programme to help those with exciting ideas to take these to the next level, events around India which spread the word about social enterprise, and an online network to connect those in the field.\footnote{http://www.villgro.org/. Accessed on 28\textsuperscript{th} April 2014.} Villgro’s founder, Paul Basil, hopes that in the future Villgro will be
able to help ‘incubate incubators’ and share their experience with others who are hoping to replicate their model.\footnote{147}

\textit{Example 2: Socialab, South America}

Socialab is a ‘disruptive innovation centre’ headquartered in Santiago de Chile, Chile, and with additional offices in Argentina and Uruguay. It seeks to generate solutions to problems associated with poverty and inequality, and is a product of the Innovation Center, TECHO-Chile. Socialab receives funding from the Multilateral Investment Fund (MIF) of the Inter-American Development Bank, and Movistar Chile. It also makes money by providing consulting services for already established companies who are seeking to generate new ventures based on populations at the bottom of the pyramid. In addition to hosting an incubator, Socialab initiates innovation competitions and proposes challenges through their online platform.

Enterprises which are successful in applying for incubation through Socialab have access to a portfolio of support which includes training in design thinking, marketing advice, mentoring, access to a co-working space, crowdfunding and the opportunity to attract investment through presenting at a demo day. In addition, entrepreneurs are supported to apply to outside competitions and funders. There are four opportunities per year for enterprises to be considered for incubation, and Socialab will accept ventures both at the idea stage and when they are more established. One example of a venture that has been helped by Socialab is Papinotas.\footnote{148} This service connects parents and teachers through text message, and has helped to improve both students’ attendance at school, and their grades.\footnote{149}

Incubated enterprises are supported for an initial four month period, after which a panel of Socialab members and external judges decide whether they will benefit from graduating to become a ‘Socialab Portfolio Project’. If so, they continue to receive ongoing support for a period of two years. Enterprises who are affiliated with Socialab are encouraged to offer peer to peer support, as it is often the case that a problem experienced by one venture will have been previously solved by another. Marcias Rojas credits Socialab’s success to the strength of their team. He comments that “We are all very committed to the cause, and we have an organisational culture which promotes failure, rewards creativity and does not value only following orders.” He described how all aspects of their incubation programme are constantly up for re-evaluation, meaning that they change their methods frequently to make sure they are offering the most value to their enterprises. They see themselves as being more than a typical incubator and instead as instigating a ‘disruptive innovation’ movement throughout Latin America.\footnote{150}

\footnote{147} Interview with Paul Basil, 13\textsuperscript{th} March 2014.
\footnote{148} \url{http://www.papinotas.com/}. Accessed on 28\textsuperscript{th} April 2014.
\footnote{149} Interview with Matías Rojas, 24\textsuperscript{th} March 2013.
\footnote{150} Interview with Matías Rojas, 24\textsuperscript{th} March 2013.
Reflections

Due to their crucial role in supporting initial stage social ventures to get up and running, there has been considerable interest in supporting incubators in the hope of generating greater social impact. For example, the European Commission is currently supporting the ‘Transitions’ project, which is supporting a network of incubators across Europe to share best practice and learn from each other while providing funding to reach an even greater number of social ventures.\(^{151}\) Similarly, the British government recently launched a Social Incubator Fund which will support social incubators in the UK.\(^{152}\) Despite this, there is currently no central platform that conglomerates all available programmes and other key information for the European market, making it difficult for entrepreneurs to know where to begin.\(^{153}\)

Social incubators themselves face a number of tensions. The tendency for many to take equity in the enterprises that they support can prejudice the impartiality of the selection process, so it is important to have other sources of funding. Some incubators, like those in Sweden, receive funding from the government, and others are attached to universities so receive support from their host organisations. Other incubators receive support from corporate partners or, like Socialab or NESsT, sell consulting services in order to finance the rest of the operation.

It can be difficult too for incubators to select the most promising ventures when they are working with entrepreneurs at such an early stage in the development of their business, often when they have little to show for themselves beyond an idea. There is a need to find a balance between leaving room for experimentation within the early stage ventures they work with, while also focusing on social impact. It can sometimes be difficult to assess the impact of a social enterprise incubator precisely because they work with such early-stage ventures. This can mean that in the short term there is no easy way to assess either the effect that they have had on the venture they have supported, or the social impact generated by the venture itself. For this reason it is important that incubators maintain good relationships with their graduates in order to follow their trajectory and understand where they are adding value. Socialab have recently entered into a partnership with The Abdul Latif Jameel Poverty Action Lab (JPAL), in order to evaluate their business model and their social impact.\(^{154}\) In order to increase their impact, Villgro is now looking at incubating other incubators and sharing their expertise in how to grow successful ventures.

There are many definitional issues which occur in the analysis of this sector, and incubators are often confused with hubs, labs and accelerators. While hubs are primarily co-working spaces, as more of them begin to provide business support services there is less to differentiate them from incubators as defined above. However, Geoff Mulgan from NESTA notes that the most successful

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\(^{154}\) Interview with Matías Rojas, 24\(^{th}\) March 2013.
incubators are those like Villgro, which “are animated by a clear purpose” and focus on a “small number of individuals who have a sense of what they are trying to achieve”.\textsuperscript{155}

### 2.3 Skills for innovation

A broad range of skills are associated with innovation, from problem solving to technical skills to management and entrepreneurial skills. Skills requirements also vary across the innovation life-cycle. The INNO-GRIPS project identified that at the sourcing and selection stage, skills requirements relate to the identification, collection and filtering of ideas for innovation.\textsuperscript{156} Also important are the ability to scan the horizon, interpret data, and evaluate the viability of new ideas. At the development stage, INNO-GRIPS highlighted assembling teams, budgeting, generating conditions for experimentation and establishing the right external links. During testing, stabilisation and commercialisation the focus is on evaluation, technical, design and marketing skills. And then during implementation and diffusion, core skills are associated with project management and technology transfer, managing and co-ordinating value and supply chains.

What about specific skills for innovation in the social field? There is on-going debate about the nature of skills for social innovation, around the extent to which they are distinctive and how far they can be taught. In recent years a number of dedicated courses and programmes have emerged which attempt to prepare people for innovation in the social field. In this section we look specifically at tailored courses for innovators and entrepreneurs.

#### 2.3.1 Courses for innovators and entrepreneurs

*(Authored by Gwendolyn Carpenter - The Danish Technological Institute)*

**What are tailored courses for social innovators and social entrepreneurs?**

Social Innovation spans a myriad of sectors, institutions, the public, private and third sectors and it can be undertaken by individuals of all ages. It does not only involve many types of institutions but also encompasses many different roles and tasks. Given the potential associated with social innovation, one can argue that developing the skills of social innovators is crucial to effecting social change. There is however an ongoing debate on what qualifications and competencies are required, what pedagogical methods work, whether formal or informal education is more effective, what learning environments work and what elements are needed to teach social mission and business outcomes.

What cannot be denied is that in recent years there has been an exponential increase in the amount of social entrepreneurship classes globally at universities, training opportunities in the

\textsuperscript{155} Quoted in ‘Incubators, Hubs or Co-Working Spaces?’, available at https://www.youtube.com/watch?v=mkiG2mOU1-s

\textsuperscript{156} INNO-GRIPS, Skills for Innovation, Mini Study 02, PRO-INNO Europe, November, 2007
formal and informal sector and the certificates available as well as skills building schemes and initiatives. These are both targeted at the professionals in the social innovation world as well as volunteers, who are an important part of this sector.

Whilst it’s hard to say whether the special training courses are in fact better than specialised training courses related to concrete tasks: be it service redesign, accounting for not-for profit organisations, change agency or leadership, entrepreneurship or impact assessment, we can in fact identify general types of training courses geared at social innovators. Examples fall into the following categories:

- Tailored courses for social entrepreneurs/ other actors / volunteers by independent centres, mostly non-profits
- University programmes for social innovators
- Teaching of innovation leadership courses
- Certificates for volunteers
- Learning networks
- Subsidised secondments
- Mobility schemes

This building block addresses the development of skills for social innovation and its role in building an ecosystem that is supportive to social innovation. The examples covered in this building block are examples of different approaches within formal education: The Austrian Centre for Social Innovation, ZSI (Zentrum für Soziale Innovationen) is an independent scientific institution in the field of social sciences and a European leader in applied, inter-disciplinary and transformative

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[157] See for instance the special issue of “Academy Management Learning and Education” (AMLE) edited by Thomas Lawrence, Nelson Phillips, & Paul Trace, http://amle.aom.org/content/11/3.toc
research into social innovation. The Danish Kaospilots is the first programme that grew out of the grassroots/entrepreneurial environment and is aimed at the practitioner/leader. This programme was never intended to be aimed at social innovation as such but focuses on the core competence of change making in complex environments.

Example 1: Zentrum für Soziale Innovation (ZSI) - Centre for Social Innovation, Austria

The Center for Social Innovation (ZSI) researches and supports innovation processes including social dimensions. Since 1990, the Center has conducted more than 400 research and stimulus projects. The founding idea behind ZSI was to extend the existing paradigms of research and application of innovation, which in the 1980s was focusing on the “Gründerszene” – start-ups, entrepreneurs; the incubation of new ideas and business models as well as structural support of industrial innovation.

Univ. Prof. Mag. Dr. Josef Hochgerner, Founder (1990) and scientific director of the Centre for Social Innovation (ZSI) explained. The ZSI is an independent institute, which is entirely project-financed.

The systemic process of social innovation has been described in many ways. The Dell Innovation Challenge for instance applies the formula: define, pilot, scale. Each process stage requires concrete tools, methods and skills. The ZSI operates with a 4i process model:

Source: Keynote given by Josef Hochgerner at the European Social Innovation Research Conference and Colloquium, October 1-2, 2013 in Heidelberg, Germany

As the mission of the ZSI is to teach, train and offer further education, the 4i process has been translated into teaching and training modules, blending relevant tools from different disciplines such as project management, design, product & process innovation, technology, policy with a strong focus on the tools of social sciences.

Since its beginnings, ZSI has had a strong European network. In the meantime, the Centre has established excellent co-operation with clients and partner institutions in science and praxis in all continents. The Centre’s global network of clients and cooperation partners now comprises more than 300 organisations in the field of science and its practical application. In the past decade, the coordination of research policies has become an extremely successful field of work, with ZSI extending its expertise from Southeast and Eastern Europe to Asia, the Americas and Africa. Among
its institutional partners and clients are international organisations like OECD, ILO, UNESCO and the World Bank. Repeatedly, ZSI was rated among the most successful Austrian research organisations participating in the 7th European Framework Programme for Research (PROVISO reports). For example, the ZSI ran the “Challenge Social Innovation”, the hitherto largest and most influential scientific conference on social innovation in Vienna, Austria. The output of this conference is the “Vienna Declaration: The Most Relevant Topics in Social Innovation Research”.158

In 2012 ZSI was a founding member of the European School of Social Innovation (ESSI). The Danube University Krems, Austria was the first university to become a member of the European School of Social Innovation (ESSI), followed by the University of the Basque Country, University of Technology Dortmund and the European Business School, Wiesbaden.

ZSI in collaboration with the Danube University Krems, Austria has recently initiated the university course “Master of Arts in Social Innovation”. This course offers a professional master’s programme for individuals who want to develop sustainable and peer-to-peer media based social innovations in politics, economy and society. Graduates of this study programme will be able to work in the development, planning and realisation of social transformation processes in organisations as well as in consulting. The “MA in Social Innovation” puts special emphasis on the potential of social determined innovations in digital and interactive media, in which the latter not only serve as a by-product but as a major driver for social change processes. The programme will be delivered in a blended learning mode, involving online distance learning and face-to-face sessions at both institutions.

Example 2: Kaospilots, Denmark

Source: http://www.kaospilot.dk/

Kaospilots is a hybrid business and design school, a multi-sided education in leadership and entrepreneurship. Kaospilots was conceived as an arena into which people could bring their ambitions, strengths and weaknesses, and find unique support for their professional and personal development. In its early years it focused on project management and the cultural sector. Today it has evolved to focus more broadly on leadership and entrepreneurship including social

entrepreneurship. Of the more than 600 Kaospilots graduates, one third have gone on to start companies, NGOs and other similar initiatives. Around half hold some sort of management position.

Kaospilots was founded in 1991 by Uffe Elbæk, who wrote about his vision and experience in his book “Leadership on the edge”, which is available as an ebook. It grew out of the cultural and social youth organization the Frontrunners in response to the emerging need for a new type of education that could better help young people navigate the changing reality of the late 20th century. Its roots are in activism culture and its inspirations come from the Bauhaus, the cooperative movement, beatnik culture and the folk high school tradition.

The teaching programmes are not designed simply to shape students to fit the future, but to help them create it. They centre on students’ potential to do good and to do well – tapping into their creativity, giving it a direction, creating a setting that will get them there and navigate the uncertainties that will follow.

The main areas of focus on the Kaospilots course are:

- Education: to educate and to support educational development. Focus is fostering enterprising leaders, change-makers, creators and responsible entrepreneurs.
- Consulting: help companies and organisations use business and organisational innovation to achieve their objectives.
- Culture: promote art and artists by hosting shows, happenings, exhibitions, etc.
- Social: build communities by using their space for everything from parties to meetings to just hanging out.

In other words, The Kaospilots School provides a space and a place where creatives and potential change-makers can develop the knowledge, skills, attitudes and competencies they need to fulfil their values and visions. The course provides a framework within which creative minds can become creative leaders.

The philosophy behind Kaospilots is based on the realization that the future requires 4th sector leadership – neither markets, the public sector nor the third sector will be able to solve the challenges societies are facing alone. The approach applied at Kaospilots is to teach students skills in relationship to four core competencies: communicate meaning, relationship building, change-making, taking action. Associated skills are seen as complementary to qualifications depending on students’ interests or prior education.

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160 www.frontloberne.dk
The reason for this approach? Uffe Elbæk, founder and former principal of the Kaospilots International School of New Business Design and Social Innovation is a Danish politician who served as Minister of Culture 2011-2012 and who has been a Member of the Danish Parliament or Folketing since 2011. He explains: “Normally what you get hired on are your qualifications, but what you get fired for are lack of impact in the four competence areas.” To teach these core competencies Kaospilots developed a pedagogic compass to ensure a balance between theory and practice. The project-based learning approach is further based on the principle that there is no teaching without a client. This has two additional consequences: 1) It allows students to develop a network and 2) allows individual and team learning. The latter is particularly relevant according to Uffe Elbæk as “most people work in teams these days”.

Kaospilots gained international attention early on, and soon after starting up was attracting students and collaborators from across Scandinavia and beyond. BusinessWeek has recognized Kaospilots as one of the best design schools in the world, and Fast Company has named it in its Startup Leagues Big 10, preparing you for the fast moving start-up economy. Over the years Kaospilots has worked with hundreds of organisations from South Korea to Chile, South Africa to Canada.

Reflections
There is very little systematic research into social innovation courses to provide skills development. It’s a young field and as yet unstructured and – as already mentioned in the introduction – the formats and institutions offering skills development, as well as the structure of such courses and initiatives are vast. Also particularly in Europe with different educational systems and ecosystems for social innovation different emphases on skills development can be observed. For example, both
in the UK and Germany there are a significant and rising number of universities and Fachhochschulen offering relevant courses.

Trying to bring some insight into the whole field is the Ashoka U Census\textsuperscript{161}, a global campaign to aggregate data concerning social innovation and social entrepreneurship programs around the world, was launched in July of 2013.

Key findings are:

- College and university-based social innovation programs of all kinds have at least doubled over the last 5 years. Interestingly, larger institutions don’t necessarily have more to offer, especially not once one adjusts for enrolment size. Small institutions – often liberal arts colleges – currently have the greatest number of social innovation offerings per student, be it curricular or extra-curricular.

- Taking a closer look at social innovation teaching in classroom, dramatic growth extends beyond just the number of social innovation courses offered at colleges and universities globally, to an equally impressive increase in the number of disciplines and thematic focus areas represented by those social innovation courses. Gone are the days where all social entrepreneurship courses were narrowly focused on venture creation.

- While the overall growth in the number of social innovation degree programs is still strong, master’s and certificate programs are growing faster than majors and minors. On a similar note, surprisingly, significantly more graduate social innovation courses were reported than undergraduate courses.

As Uffe Elbæk put it: “The fact that courses and initiatives are emerging everywhere is simply a symptom of what is going on. In the bigger picture the way the economy is functioning is questioned and we are seeing an increase in jobs that require strong core competencies and new professionalism, for instance in the NGO sector.” Josef Hochgerner reflected that it is not only necessary to look at the emerging new course but also how systemic change processes are reflected in the traditional sciences and course landscape. He saw a real risk in that social innovation courses and initiatives in fact will remain marginalized and will not be able to deliver the necessary missing elements in the infrastructure for social innovation at the local, regional, national and global levels.

Both interviewees cautioned that a real risk with emerging social innovation courses is that they are often born out of old systems, without necessarily the size, weight or purpose to innovate the existing models and approaches. For instance, business courses aimed at social entrepreneurs are

\textsuperscript{161} The Ashoka U Census, administered via Qualtrics, consisted of 30 questions in various formats, including: text write-in, multiple choice, multiple selection, and rank ordering. Located in Arlington, Virginia, Ashoka U shared the Census through targeted emails sent to 1,211 faculty, staff, administrators, and students. In addition to emails, Ashoka U engaged about two dozen Ashoka country offices to reach out to the colleges and universities in their country. Of the total network reached out to, which amounted to approximately 1,500 individuals, 250 responses were received, or a response rate of 16.7%. Of the 250 responses, 221 were non-duplicate, representative, and complete (self-reported) and these 221 answers were used in our data analysis. For comparison, 78 colleges and universities were featured in the 2011 Handbook. For more information see: http://ashokau.org/trends/trend-calls/curricular-teaching/census-methods/
often criticised for “developing social entrepreneurs who focus on opportunities and traditional business entry strategies”. This just crowds the field, decreasing the ability of global change to occur. Strong social entrepreneurship education, must prepare social entrepreneurs to focus on strategic impacts, develop a theory of change, understanding and building on the need for collaboration, and understanding root causes.” Further there is a risk of deskill the labour force, if the core skills aimed at social innovation professionals and volunteers compete with qualifications in the social sectors.

The bigger picture further includes a discussion on whether the education system as a whole is still providing pupils of all ages with the right kind of skills for the 21st century. Charlie Leadbeater for instance lays out 21 ideas for 21st century learning. This includes the idea whether the learning environments, methods, curricula and tools are adequate to teach change making in all forms of education. Both interviewees pointed towards a shift of expectations for employees towards wanting jobs with purpose and meaning, which suggests the need for value driven education. If social innovation is to become a core solution for the future, then skills development requires a more structured approach than pop-up courses.

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3. Part two: Enhancing demand for innovative goods and services

While it is vitally important to have the right set of conditions in place to generate a supply of social innovations and enterprises, these are unlikely to succeed if there is not a sufficient demand for new services and products in the social sphere. Demand for innovation in the social field is complex since in many cases it is not expressed directly but is often mediated (for example, vulnerable populations are usually unable to express demand through paying for an innovation). Given that the state is such a significant purchaser of social services, we have in this section looked at the specific role played by the state in influencing demand in terms of procurement and commissioning and also in the provision of personalised budgets.

This section includes discussion of:
- Campaigning and advocacy
- Commissioning and procurement
- Personalised budgets

3.1.1 Campaigning and advocacy

(Authored by Jeremy Millard, The Danish Technological Institute)

What are campaigning and advocacy?

In a large number of areas, including politics, the green movement, safe food, fair trade, debt reduction, basic rights, etc., a range of techniques can be used to initiate and promote change, such as advocacy, lobbying and campaigning. Examples include the disability rights movement which prompted innovations in technologies, buildings and public policy, whilst Greenpeace’s ‘Green My Apple’ campaign persuaded Apple Computers to change its policy and stop using hazardous materials. In health, the speed of adoption of new drugs can often be correlated with the strength of patient groups. User groups create a demand for services, as well as highlight bad practice and showcase alternatives and act as an important generator and diffuser of social innovation. More generally, campaigning and advocacy are important elements of building demand for new approaches, new forms of services or organisations which then might be met by philanthropists, businesses or government policy.

The terms advocacy and campaigning are often used interchangeably or in very different ways by different people and organisations. Advocacy means to “give a voice to people” through a system of actions aimed at changing attitudes, policies and practices through four types of activity: awareness-raising; capacity development (both within and outside an organisation); networking with relevant partners; and lobbying key decision-makers. Advocacy can be directed at different

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audiences: the general public, NGOs, politicians, governments, other decision-makers, and even internally within the advocate’s own organisation. Lobbying more strictly refers to attempts to influence legislation and sometimes to further the interests of one group at the expense of others.

Campaigning is the sum of activities that an organisation executes to change attitudes, influence policy and to raise awareness on a specific issue, where a prime aim is often to raise public support. A successful campaign should have a simple and strong message that appeals to people’s emotions. Typical campaigning activities include public events such as marches or vigils, the setting up of an exhibition, or the distribution of pamphlets and posters.\textsuperscript{165}

The primary purposes of advocacy and campaigning can be summarised as influencing public or corporate policy and practice, decision making processes and public attitudes and behaviour; and empowering affected communities to influence the decisions that affect them. In all cases, advocacy and campaigning are about promoting and trying to achieve some positive change, not just raising awareness of problems. This can happen at every level, from the most local situation to the global arena.

\textit{Example 1: The Ghana Friendship Groups in Denmark, Denmark and Ghana}

The Ghana Friendship Groups in Denmark (GV) is an independent apolitical civil society organisation with the objective of developing friendship and cooperation between groups in Denmark and Northern Ghana. This is achieved through self-help projects, knowledge and cultural exchange contributing to raising the population’s standard of living through the development of a strong and vibrant civil society. The first projects started in 1984 and were soon financially supported by the Danish International Aid Agency (Danida). Results are numerous and varied across local radio/TV, water provision, hygiene and sanitation, food security, adaption to climate change and youth services.\textsuperscript{166}

One of GV’s key projects is School For Life (SFL) which since 1995 has used mother tongue teaching and modern pedagogy to develop a model for basic education through functional literacy and numeracy programmes. SFL, as a civil society organisation in Ghana partnered and supported by GV in Denmark, has employed both campaigning and advocacy as tools to successfully bring this education to children between 8 and 14 years of age, many of whom would not otherwise receive any schooling at all. This is despite a legal obligation on the Ghanaian authorities to provide such education but where it often fails due to lack of funds, competence or political will. For a given child, SFL runs over nine months to prepare them for entry into the formal education system. Because of the acute shortage of teachers in Ghana, and their reluctance to move to rural and remote areas where their career prospects are low, SFL provides basic training courses for so-called “barefoot teachers” often recruited locally.\textsuperscript{167}


\textsuperscript{166} http://www.ghanavenskabsgrupperne.dk/index.php?id=37

\textsuperscript{167} Much of the content of this case provided in interviews with Inger Marie Vig Millard, Programme Officer of Ghana Friendship Groups in Denmark, in March 2014
Campaigning and advocacy take place at three levels. First at the national level, SFL reminds the Ghanaian authorities about their legal responsibilities, for example, through meetings, collecting data on the number and location of children not receiving education, by staging stakeholder meetings and events, and campaigning through both local and national media. Second at the local level, the local authority, the “traditional authorities” (i.e. village chiefs) and parents are targeted as “duty bearers” with a duty to either deliver or advocate for children’s education. The children are seen as “rights holders” with a right to education. SFL committees are formed with local communities for raising awareness and campaigning directed at the “duty bearers”, and to develop their advocacy and campaigning skills. For example, the committee monitors the authorities’ education plans and budgets to track implementation, and monitors the teachers regarding their daily attendance in the classroom. The third level of advocacy and campaigning is in Denmark itself where GV raises money to supplement aid grants from Danida, and develops its own competencies through professional education and development aid networks. This helps GV build advocacy for greater support for Danish development aid in general.

SFL’s success is measured through its effective model of “complementary education” now formally accepted as providing a “bridge” into the formal system. More than 170,000 children have been educated in SFL schools, over 80% of whom successfully continued into the formal system, which would not otherwise have been possible. Most “barefoot teachers” have since gone on to obtain full teacher training and have joined the formal system. This success is due directly to local communities understanding and advocating for their rights. The SFL model has also been scaled by attracting new donors based on favourable independent impact assessments, including DFID (the UK development agency), USAID and UNICEF.

Challenges have also arisen because of SFL’s success, as some see it as competing with and even out-performing the formal system, which causes resentment and political difficulties. This is exacerbated by the formal system often having fewer resources, competences and capacities than SFL with its radical approach which goes against traditional hierarchies and customs. The basic challenge remains lack of teachers both nationally and locally in Ghana, and that despite SFL’s successful scaling it remains in many ways a drop in the ocean unable to keep up against the country’s fast population growth. Many donors are increasingly shifting their aid from direct service provision to supporting advocacy for incumbent services. This relatively new advocacy role is sometimes seen as “political”, especially when it involves techniques like budget tracking and pushing for accountability and transparency.

Example 2: Social Enterprise, UK

Social Enterprise UK (SEUK) is the UK’s “national body for social enterprise” with objectives to:168

- run effective campaigns for its members and to lobby on behalf of the social enterprise sector

168 http://www.socialenterprise.org.uk/about/about-us
• carry out robust and respected research to help paint a picture of the UK’s social enterprise movement
• build networks between social enterprises
• raise the profile of people and social enterprises in the sector.

SEUK’s members include not just social enterprises but also private businesses, charities and public sector organisations which “support SEUK’s vision of a world where social enterprise is the usual way of doing business”. SEUK organises national and international meetings and visits; runs events from large conferences to practical workshops often in collaboration with other organisations; provides speakers for conferences, talks to local authorities, community groups, students at schools, colleges and universities, and to private sector businesses wanting to understand how to enter and engage the social enterprise market; and provides consultancy services to organisations including Local Authorities, social enterprises, charities looking to become more entrepreneurial and companies seeking to include social enterprise in their CSR programmes. Overall, SEUK aims to advocate for social enterprise at the highest level, working with Government partners and mainstream businesses to strengthen its work and make sure social enterprise is at the top of the business and political agendas.169

“Influencing”, “getting the word out” and “campaigning” are some of the key methods used by SEUK.170 SEUK attempts to influence politics and politicians by getting access to civil servants and ministers in order to promote the interests of social enterprises. For example, in 2012, SEUK’s Chief Executive met the UK Prime Minister to talk about social investment on the day of the launch of the ‘Big Society Capital’ initiative. Getting the word out focuses on boosting visits to the website and the number of Twitter followers, as well as working to raise the profile of social enterprise and SEUK members in the national media through articles and interviews. Media campaigns on important issues are also used, for example in 2012 the Social Value Act and the battle with Salesforce.com,171 where coverage ran in press outlets including The Guardian, The Times, Daily Express, New Statesman, Channel 4 Dispatches and on BBC Radio 4. Campaigning included “opening doors in public service markets”, a two-year campaign led by a Member of Parliament supported by SEUK’s policy and communications team which led to the Public Services (Social Value) Bill becoming law in early 2012. This piece of legislation has the potential to open up public sector markets to social enterprises and charities because it encourages commissioners to favour bids from organisations that can demonstrate social value. 172

169 http://www.socialenterprise.org.uk/about/about-us
170 Interview by email with Celia Richardson, Director of Communications and Policy, Social Enterprise UK, April 2014.
171 SEUK’s prominent role in forcing the tech company Salesforce.com to withdraw its attempt to trademark the term “social enterprise” following a five-week campaign by the worldwide social enterprise movement: http://www.theguardian.com/social-enterprise-network/2012/sep/05/battle-salesforce-won-social-enterprise
Reflections

Advocacy and campaigning are seen to be increasingly important approaches to raising awareness, changing attitudes and stimulating demand for new approaches, services and investments by identifying new and emerging needs or articulating the needs of specific communities or populations. They can also be used to scale from small beginnings, as exemplified by the Danish-Ghanaian case, if the basic model around which advocacy and campaigning take place is demonstrably successful. Globalization makes it possible to extend advocacy beyond countries’ borders, through, for example networks like the Advocacy Institute. Advocacy groups develop networks to exchange ideas and are increasingly using ICT and the internet, as exemplified by the avaaz.com “the world in action” campaigning website. The internet helps to increase the speed, reach and effectiveness of advocacy-related communication as well as mobilization efforts.

However, if badly planned and executed, advocacy and campaigning impacts can be minimal and may even be counter-productive. Not only does this waste the limited resources of the advocate-campaigner that could have been used for better things, it also potentially blocks more effective action by occupying the limited political space and crowding out more effective initiatives. For example, many see global warming campaigns as largely having failed, despite all the scientific evidence that climate change is probably the biggest challenge the global society faces, dwarfing other issues. Today, fewer Americans than ever care about climate change, not even believing it’s happening. This may be partly due to the more effective campaigns by interests opposed to climate change action and the greater financial and lobbying resources at their disposal. Another example of mixed success is Romania’s experience since the collapse of communism in 1989 and the subsequent development of a new legal framework largely arising from the efforts of civil society, but which then failed to adequately follow up and embed these benefits in society because of “accidental, unsystematic, and unprogrammed strategies” by civil groups, “leading often to only partial results or failed experiments.”

“Seven deadly sins” of advocacy and campaigning have been recognised, including unclear aims and objectives, lack of coordination and innovation, messages that do not get noticed, poor monitoring and evaluation, and failing to focus. Possibly a useful way of ensuring that advocacy and campaigning is successful is to focus on who does it. Three archetypal approaches have been recognized depending on the specific context.

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173 http://www.advocacyinstitute.org/
177 Ibid.
Advocacy by the people: advocacy and campaigning led and undertaken by the people who are directly affected by the issue as the ones with the most legitimate voice and in the best position to make judgments on any compromise positions that may be required.

Advocacy for the people: at the other extreme, people and organisations not directly affected by the issue, for example in situations where human rights are not well respected, staff and supporters of NGOs in the global North may be in a safer position to speak out than those affected.

Advocacy with the people: in some situations may be the most effective as this combines grass-roots local action with wider perhaps global resources and influence.

3.1.2 Personalised budgets

(Authored by Jeremy Millard, The Danish Technological Institute)

What are personalised budgets?
Personalised budget initiatives involve users of social services being given an individual financial allocation, either directly or held by the local authority or intermediary, to be spent in line with the person’s own wishes once these and their care plan are approved. For example, this can be spent on their own choice of care assistants, to join clubs rather than day centres, or go to hotels or on package breaks rather than to residential homes for respite care. For our purposes, personalised budgets are an important part of an ecosystem for social purpose organisations because they...
represent one of the ways that governments may help to stimulate direct demand for new kinds of services, by giving purchasing power to users themselves.

The move towards personalised budgets arises from the desire to devolve aspects of decision-making about how social services are operated down to the front-line, including to the beneficiary, rather than being retained by often remote professionals. It also reflects the recognition that ultimately only users themselves possess the fine-grained knowledge about their daily lives and what they need. Personalised budgets can also assist the joining-up of services around the individual, such as health, social care, housing and child support, seen through the eyes of the beneficiary actually using these services, rather than each service remaining in departmental silos, seeing only one dimension of an individual’s needs.

Personalised budgets have been implemented in many countries, including the UK, the US, Sweden, Finland, Australia, the Netherlands and Belgium. They range, for example, from promoting independent living and personalised care for older people, to supporting care in the family home or in residential institutions, or assisting young adults with learning difficulties. Although most examples are in the public sector using social service budgets, many also involve social innovators and entrepreneurs, as well as in some instances SMEs, which act as intermediaries or even prime movers.

The experience of a service co-design project in the Helsinki suburb of Lauttasaari\(^\text{178}\) showed that the personal budgeting approach enables citizens to decide for themselves about their service provision, compared with the earlier model where they were told what they were entitled to have. Now they can decide what kind of services they want and how their share of tax-paid allocation can be used. The user and the local authority service manager together define what kind of services are likely to make the user’s life better, after which a service plan is agreed and the service manager then allocates the money needed. On-going monitoring and adjustment also takes place in consultation with the user and sometimes initiated by them. This is a radical change from top-down to user-centric thinking.

\textbf{Example 1: In Control, UK}

In Control is a social enterprise registered as a national charity in the UK with the mission to “create a fairer society where everyone needing additional support has the right, responsibility and freedom to control that support.”\(^\text{179}\) In Control was founded in 2003 by a small group of people who wanted to make life better for local families with disabled members. The concept of self-directed support was developed alongside personalised budgets as a way for people to take charge of their own support. Since then, In Control has supported more than 400 organisations across the UK, including local authorities, user-led organisations, government and civil servants, elected members and paid staff, commercial companies, charitable and not-for-profit organisations, as well

\(^\text{178}\) Interview Mikko Martikainen, Ministry of Employment and the Economy, Finland, November 2012.

\(^\text{179}\) \url{http://www.in-control.org.uk/about-us.aspx}. Also based on an interview with Julie Stansfield, Chief Executive of In Control, in January 2013.
as working directly with people and families who need support. In Control is currently funded by central government grants, fees from local authorities, health bodies and other organisations that enlist the charity’s help in implementing personalisation, as well as through other grants and/or raised income for specific project work.

The work of In Control includes:

- **Focused action** - to develop, test, motivate and support new practice and cultural change for self-directed support - and to make self-directed support happen in communities and in local authorities.
- **Critical reflection** - evaluating the success of self-directed support based on how it’s really working for people who need support.
- **Learning together** - helping to build communities and networks for shared learning and partnership, by working across agencies, with local and central government, within communities and other organisations, and directly with families.

In Control has been instrumental in the UK for the development of personal budgets which are judged to have given the “system a shake”. Since 2007, thousands more people now receive direct payments and many provider organisations have been working hard to personalise their care offer to people, both because this is “the right thing to do” but also knowing that people will have the ability to choose to go elsewhere incentivises providers to improve their performance. Innovations are starting to appear such as individual service funds, which offer a way for people who do not want to, or can’t, control the money for their care, to still get increased choice and control via a chosen provider. One example quoted by Julie Stansfield relates how Sally used a personal budget to enable her mother with dementia to live at home rather than in a care home where she had been put to bed every day at 3.30pm. “We used this budget to bring Mum back to her own home. She now has her independence back and has her own staff so can choose what time she wants to go to bed. Mum feels safe in her home and is in control of her finances. She just needs a little help to make sure things run smoothly,” says Sally.

**Example 2: The VieDome Total Community Platform, the Netherlands**

The Netherlands was the first country in 1968 to introduce universal mandatory social health insurance covering a broad range of long-term care services provided in a variety of care settings. In 1996, personal care budgets were introduced rather than care in kind, and later extended based on a classification of ‘care service packages’. The personal budget can either be used by health insurers to purchase and arrange care on behalf of the care recipient, or can be used by the latter.

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180 http://www.in-control.org.uk/about-us.aspx
181 Julie Stansfield, Chief Executive of In Control quoted in: http://www.theguardian.com/society/2013/feb/12/are-social-care-personal-budgets-working
to directly purchase care. This helps keep care recipients in their home as long as possible, often supported by ICT, leading to a dramatic increase in home care for the elderly.  

The introduction of personalised budgets enabled a small commercial company to develop the VieDome Total Community Platform concept as a flexible approach to personalised support to older persons in their own homes and communities using ICT alongside more traditional support mechanisms. With about 30 employees, Mextal provides a toolbox for older persons themselves and/or their families, local authorities or other actors to personalise their home care using their personal budgets to select appropriate infrastructure, hardware and software components. The platform enables any element to be integrated as one easy-to-use system uniquely tailored to the individual. The concept illustrates a social business case, developed by Mextal to provide significant social benefits difficult to measure in monetary terms, as well as providing traditional financial returns. The model is also based upon both collaboration and competition between providers, the transition from services at a distance to user generated content embedded in the local community, and from supply- to demand-driven solutions – all enabled by personalised budgets.

Mextal realised that more than just care and technology are needed to enable elderly people to live independently. From its experiments with remote care it saw that this required meeting the total support needs of the elderly and involving them in the process. An eight pillar model of service types was developed for the user to configure: care, comfort, safety, information, advice and support, communication, entertainment, and commerce. Integrated services across different pillars are more effective in terms of results achieved and how a user incorporates the services in daily life and in their social context. This means that it is not only about communication and services from service providers, but that mutual communication and service between users is just as important. Community thinking is essential, given that users are not alone but function in a social context. Problems of loneliness and social isolation are the result of the absence of a community in which the user is embedded, not the absence of technology. The philosophy of Mextal is that support can be generated from within the community and the recognition of the various roles that people can fulfill based not on the premise of which problems a person has but what they can contribute to society. The different roles that a citizen can fulfill in the community are used to develop new local shaped services. For example, creating common content and activities, sharing experiences or providing mutual care and support based on the individual skills, resources and time a person has.

In this way, Viedome focuses on identifying and accessing the assets of the wider community which can be deployed to assist the target group and develop the community. These are especially the time, energies and diverse capacities of volunteers, family members and neighbours, as well as from local authorities and civil groups. ICT facilitates some of the basic services at individual level, whilst access to a personal budget coupled with appropriate advice and support provides the

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means for this to happen. Mextal has been very successful and expanded rapidly in the Netherlands and is now working in several other European countries including Germany, Belgium and Switzerland, with plans to market in the UK and the Nordic countries.\textsuperscript{184}

\textbf{Reflections}

Experiences of personalised budgets have been varied, but generally positive depending on the particular context, the objectives and the deployment modalities, as exemplified above. According to Julie Stansfield of In Control “for decades, people in public services talked of shifting control and sharing power. Disabled people and their allies invented ways of making this happen – the social model, independent living, inclusion movement, direct payments – but the pace of actual change remained painfully slow. Service systems and cultures restricted progressive change.” A recent randomised control trial study on personalised health budgets in the UK found:\textsuperscript{185}

- significant improvement in the care-related quality of life and psychological well-being of patients, but no impact on health status per se.
- cost-effectiveness if the main ethos of the policy (i.e. greater choice and control) is followed.
- a positive effect on outcome indicators if the personal budgets configuration was explicit in informing the patients about the budget amount; provided a degree of flexibility as to what services could be purchased; and provided greater choice as to how the budget could be managed. Some negative impacts were found for sites using configurations with less flexibility and choice.

Notwithstanding strong evidence like this, there are also many concerns and criticisms. For example things can go wrong when providers focus more on systematic change than on looking at how the role and contribution of the service user needs to change. This "means that a lot of the ethics of people being in control and getting that level of flexibility and creativity is being lost"\textsuperscript{186}. When personalisation fails to live up to expectations it brings frustration and disappointment. A big problem is silos between different agencies, for example between health and social care agencies, each of which often wish to make their own independent assessments, adding to bureaucracy and disagreements about both whether and what to offer as a personal budget and how it should be implemented. There is also the mis-belief held by many professionals that personal budgets are about 'individualism' and 'selfishness', but others recognise that personalisation is about making use of links in the community – families and friends – and making use of the community opportunities.\textsuperscript{187}

Clearly, there are issues here related to, first, can individuals and their families know what is needed and what they want, and, second, can they be relied upon to be truthful, or at least not

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{184} Interviews with Frans Stravers, Commercial Director and CTO, Mextal BV, November 2012 and March 2014.
\item \textsuperscript{186} \url{http://disabilitymessageboard.blogspot.dk/2010/03/real-choice-and-control-independence.html}
\item \textsuperscript{187} \url{http://disabilitymessageboard.blogspot.dk/2010/03/real-choice-and-control-independence.html}
\end{enumerate}
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exploit the system? Individual control and choice does not always work, of course. When it doesn’t, it may be better to see whether power could be better exercised at neighbourhood level, and then community, council, city or region, so that national ministries would be left with the responsibilities only it can manage.

According to Julie Stansfield “the problem is not personal budgets but rather their poor delivery in too many places.....improved outcomes are not simply the result of higher spend. To achieve the best results, personal budgets must be delivered according to the principles of self-directed support – that is, people need to know the budget they have to plan their care with, be able to choose the mechanism for managing the budget and have maximum flexibility in use of budgets.”

3.1.3 Commissioning and procurement

(Authored by Rachel Schon, The Young Foundation)

What are procurement and commissioning?
Commissioning is a process that begins with finding out about public needs, and then designing and putting in place services that address those needs. The use of the term commissioning is most often used in the context of public services, and frequently involves the procurement (purchasing) of services using government money, by either grant funding, or competitive tendering for contracts. On the face of it, it seems there is a natural role for procurement in fostering and financially supporting the most innovative social-purpose organisations. Furthermore, public procurement accounts for some 19% of GDP within the EU, and therefore the commissioning and procurement process represents a substantial market for social innovators looking to provide services at scale. The commissioning and procurement process also represents an opportunity for governments who wish to support the development of social innovation and stimulate the creation of new markets.

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188 Julie Stansfield, Chief Executive of In Control quoted in: http://www.theguardian.com/society/2013/feb/12/are-social-care-personal-budgets-working
Edler et al. describe how procurement can support innovation at every phase of the innovation lifecycle: at the initiation stage (by acting as an early adopter of a good or service and demonstrating its value to the wider market), at the escalation stage (when the market has not yet been sufficiently developed, and the procurement process can lead to the further diffusion of the innovation) and at the consolidation stage (when the market for the innovation is relatively mature, and governments can introduce standards which create ‘critical mass’ behind the implementation of a particular innovation). This typology can also apply to innovations in the social field.

Historically, however, commissioning and procurement structures have been poorly set up to support social innovation. Instead, commissioners have tended to favour the purchasing of goods and services which already enjoy established positions within a given market place, and have suffered from a lack of knowledge regarding more innovative providers. Contracts are often designed in such a way to dissuade applications from anybody other than large and established businesses. They may be too short-term, place excessive risk on providers, set unrealistically low prices, or require a substantive burden in terms of monitoring and evaluation. This has led to criticism that with regard to social innovation, process is being allowed to trump outcomes.

Example 1: Young Foundation in Residence, UK

In order to overcome the barriers that social enterprises often face when seeking to obtain UK public sector contracts, The Young Foundation launched its ‘Young Foundation in Residence’ (YFIR) programme in 2009. This is an embedded innovation brokerage service, which involves placing a nominated person within a local commissioning authority, such as a Housing Association or an NHS Foundation trust. This person is then tasked with seeking out innovative local enterprises which could feasibly be turned into sustainable ventures, able to bid for contracts. Once these have been found, the person works with the entrepreneurs in order to guide them through the bidding process and make sure they are in the best possible position to obtain a contract. Crucially, the YFIR project is able to link local social innovators with commissioners, in addition to acting as a source of accurate information for any questions that either side might have.

Margaret Ogebule is currently acting as YFIR at Metropolitan Housing Association. In particular she has been involved in a project supporting migrant social entrepreneurs, known as CLIMB (Community Level Investment for Migrant Businesses). As well as facing difficulties that are common to all entrepreneurs, migrant entrepreneurs can also face additional barriers related to class, race and language. Margaret believes that her role has been key to encouraging the Housing Association to engage more deeply with what migrant social entrepreneurs have to offer. She comments that “heads of procurement don’t have time to meet 50 or 60 organisations, but [YFIR provides] a filtering role.” Furthermore, she finds it particularly useful to be based at the offices of the Housing Association, as this “makes it easy to have conversations with people next to you”.

One example of a social enterprise that was helped by the programme is Tutors United. They work to provide tutoring to primary school children, yet had previously struggled to make the link between their work and the needs of housing associations. However, by working with the CLIMB programme, Tutors United were able to hone their message so that it focussed on Metropolitan’s residents and was designed to complement existing youth programmes. As a consequence, Tutors United now have a contract to deliver group tutoring to Metropolitan’s key stage four and five primary school tenants.

The YFIR programme has had a significant impact on Metropolitan as a housing association. This can be seen in changes to the internal culture, specifically around perceptions of social enterprise and what they have to offer. In addition, Metropolitan have updated procurement procedures and practices to be friendlier to social enterprises, for example producing a shorter tender form which excluded irrelevant questions aimed at private companies. The concept of social enterprise is better understood and as a result is no longer seen as automatically high risk.

Example 2: Social Procurement Framework, Toronto City Council

Toronto City Council recently launched a pilot ‘Social Procurement Framework’ in order to examine how procurement can promote the city’s long-term goals, and better utilise the city’s procurement processes to advance economic, workforce and social development outcomes. In doing this they are part of an international trend which has seen ‘social value’ increasingly being inserted into procurement processes; the ultimate aim of the process is to develop a piece of evidence based
policy. At the moment, Toronto spends some $1.5 billion dollars every year on public services, and they would like to make sure that this money is being put to its best possible use in terms of generating wider societal benefits for the city. This is covered in their definition of social procurement as ‘expanding traditional understanding of best-value for public spending to include the generation of positive societal benefits, alongside high quality and competitive dollar amounts.’

Toronto chose to implement the new Framework following commissioned research which found that ‘having a comprehensive implementation plan is critical to the success of all social procurement models’. In particular, they identified consultation, clear timelines, adequate resources, accountability mechanisms and tracking and evaluating processes as particularly important for successful social procurement. All of these have been included in their resulting ‘Social Procurement Framework’, which will aid them in experimenting with different methods to better inform the development of policy which will make a real difference.

The pilot framework includes mechanisms for engaging stakeholders, pilots to test various social procurement approaches, and a process to monitor and evaluate impacts. In particular, the framework will focus on increasing access to economic opportunities for under and unemployed Toronto residents from disadvantaged communities, increase diversity in the supply chain by supporting all businesses including social enterprises to compete for city contracts, and increase the number of employers who work with the city to promote local workforce development.

The framework is structured around two main goals, firstly to ‘maximise economic, workforce development and social benefits for residents and businesses that result from city contracts’ and secondly to ‘equalize opportunities for all businesses to compete for city contracts’. This second clause is aimed specifically at social enterprises and small and medium enterprises which are often overlooked when it comes to procurement.

Not only does the framework encourage city officials to consider social outcomes when awarding contracts, it also includes provision for city staff to ‘work with vendors to determine how they will best advance economic, workforce development and/or social development goals when bidding on city contracts’. This provides some potential for the development of the kind of intermediary role which is outlined above in the study of the YFIR, and which has proved successful elsewhere.

An Interdivisional Working Group on Social Procurement has been appointed in order to work on this across departmental silos, and will report back in 2015 with clear guidelines for how the social procurement goals that have been set might best be achieved, using evidence gathered from the implementation of the framework.

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193 Ibid.
194 Ibid.
195 Ibid.
Reflections

Governments can play a huge role in social innovation by procuring socially innovative goods and services. This has been recognised by both governments and civil society groups. However, there are many challenges in successfully implementing procurement policies which support social innovation. One of the problems most frequently encountered is that the most innovative organisations are often small and do not have the resources to compete with privately run businesses when bidding for public sector contracts. This is made even more challenging by the fact that many governments have implemented policies and laws which aim to foster competition and make it very difficult for authorities to award contracts on any basis other than price. This is slowly changing however with the advent of approaches such as Toronto’s ‘Social Procurement Framework’, or the legally binding Social Value Act which was recently implemented within the UK.196

Another problem facing social enterprises is the fact that governments are often risk averse, seeking to use public money only to pay for services which are very similar to existing services - only cheaper. As the most innovative ideas often come from fringe voices, entrepreneurs can face barriers related to minority status, as well as problems as simple as not knowing the right language to use to unlock key funding. Chris Wright from the social enterprise Catch-22 commented that: “commissioners look from the perspective of the commissioner, [and] look through a lens that says this is what we want. They are risk averse, and reluctant to engage with innovation – they look for things that they can measure easily. This means we end up bidding for work that looks exactly like the local government service.”197 Innovation brokerage services such as the Young Foundation in Residence programme aim to mitigate risk aversion by increasing knowledge of the social enterprise sector, however such programmes are expensive and will only be supported by authorities such as Toronto City Council, which are already sympathetic to commissioning for social outcomes.

Even for those innovative enterprises which are fortunate enough to be awarded a government contract, there are further problems to tackle. Contracts often require that vendors outline in minute detail their plans for services over a period of several years, and this can have the effect of stifling innovation. Charlie Alcock, founder of the Social Enterprise MAC-UK, commented that the one thing which she has found to be the biggest barrier to growth is “commissioning that commissions outputs rather than outcomes”.198 For example, she has come across commissioning that placed a large number of requirements on the organisation which delivered the contract in terms of how many people they should get through the door, but few requirements in terms of which outcomes they should achieve. In the UK, problems with this approach are slowly beginning

197 Charlie Alcock speaking at ‘Are Service Users the Key to Systems Change?’ an event held by The RSA in London on 7th October 2013. Audio file can be accessed at http://www.thersa.org/__data/assets/file/0007/1532518/20131007DrCharlieAlcock.mp3
198 Ibid.
to be recognised with the advent of contracts which ‘pay by results’ but give the vendor freedom to innovate and design the service in the way that they think is best.199

4. Part three: Intermediaries: transferring knowledge about social innovation

In innovation studies, the National Innovation System approach has spurred renewed interest in intermediaries which facilitate the transfer of knowledge between various parts of the system. Howells defines an innovation intermediary as “an organisation or body that acts as an agent or broker in any aspect of the innovation process between two or more parties.”

Intermediaries that support social purpose organisations are individuals, bodies, networks or spaces which connect people, ideas and resources. They can take a variety of forms – some connecting entrepreneurs with the supports they need to grow their innovations, others helping to spread innovations by developing networks and collaborations. Another key function can be to help establish the evidence base which can support both the supply and demand of innovation.

In this section we look at:
- Social innovation networks
- Centres for information and evidence

4.1.1 Social innovation networks

(Authored by Przemyslaw Leszek, Wroclaw Research Centre EIT+)

What is the role of networks in social innovation?
Complex challenges are rarely solved with simple solutions. Social challenges are undoubtedly complex by their very nature (complex adaptive systems, interconnections, unintended consequences etc.) and the social innovation field, which is broad and diverse, covers varied examples of social innovation (from fair-trade to sophisticated IT platforms) and remains fragmented.

The possibility of successfully creating and growing social innovation is greater when it is not dependent on the ability of one individual organization. Many of the examples discussed in TEPSIE research show that social innovation often emerges at the local level from sharing and collaborating between a wide range of diverse actors. That being the case, in order to be stimulated, social innovation needs special tools and intermediaries to bring together fragmented knowledge and experiences, to gather the segmented parts of the social innovation field, to disseminate approaches that have already been proven to work and to more generally, make effective use of collective wisdom and intellectual energy dispersed among people and institutions.

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A network fulfils most of these functions. It enables or facilities mutual learning, sharing information, exploring and testing new ideas, building a shared understanding of them, reviewing and validating results and achievements, collecting cases of good practice and sharing them. That’s why a network – as a way of organising and coordinating innovation activities – is often seen as a precondition for the successful creation and dissemination of social innovation. Examples of networks which promote social innovation include Ashoka, the Social Innovation Exchange (SIX) and Euclid Network.

SIX Summer School 2013 Seoul: one of the Social Innovation Exchange network’s annual gatherings to connect social innovators face to face, support their relationships and inspire to create new solutions to social issues. For more details please visit –http://socialinnovationexchange.org/

Networks can be formal (usually with intentionally designed structure/ties, often top-down, hierarchical and managed) or informal (having emerged, spontaneously from the bottom-up, and sometimes even unnamed). Taking into consideration a range of impacts, social innovation networks can be local (they can operate in particular regions or countries) or global (with an international reach). Here we will present an overview of both kinds: Ashoka (global-formal) and ngo.pl (local-informal).

Example 1: Ashoka, Global201

Ashoka is an international non-profit organisation which identifies and brings together leading social entrepreneurs that introduce innovative system solutions for the most pressing social problems. By working with these entrepreneurs Ashoka “builds communities of innovators who work collectively to transform society, and to design new ways for the social sector to become more productive, entrepreneurial and globally integrated”. 202

201 This case was written with consultation from Dr Ryszard Praszkier, Change Leader emeritus, who has worked with Ashoka for over 16 years in various positions. Notably, he launched Ashoka’s Poland program, chaired over 26 Ashoka selection panels and since 2000 has acted as international staff training director.
202 https://www.ashoka.org/files/innovations8.5x11FINAL_0.pdf.
Ashoka was established in 1980 in the United States and is currently present in 73 countries with over 3000 members (among business, academia and social organisations) all over the world. Ashoka operates on three levels (see image below):

- Identifying and investing in social entrepreneurs and helping them to achieve maximum social impact (mostly in the “venture and fellowship” project).
- Creating a platform for social innovators and connecting them to enable cooperation, so they can inspire each other, share knowledge and experience, and above all effectively implement and disseminate their ideas.
- Providing institutional support by opening access to social financing and by building bridges to business and academic sectors.

The realization of these aims is possible thanks to financial support from individual donors and foundations. Ashoka emphasizes that it does not use any public funds in order to preserve its full independence and it is a relatively small organization in terms of its governance structures and the number of people it employs (it’s their fellows and partners who are the heart of the organization).

Although anyone can become a member of the Ashoka network (there are no requirements relating to age, education, nationality etc.), all candidates are subject to Ashoka’s rigorous process of verification which checks whether they meet the acceptance criteria (“A New Idea”, “Creativity”, “Entrepreneurial Quality”, “Social Impact of the Idea”, “Ethical Fibre”). The fellows are categorized into one of six fields of work: Civic Engagement, Economic Development, Environment, Health, Human Rights, and Learning/Education. Fellows are visionaries but at the same time they are firmly grounded in local action, focusing primarily on the practical aspects of the implementation of innovative ideas. The fellows are the essential ‘building blocks’ of the Ashoka network: they themselves with their interconnections form the basic structure of the network which is coherently organized in a way that achieves social goals. They also engage with other types of partners – “changemakers” – who increase SI impact and undertake to adapt innovations elsewhere.

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204 Source: https://www.ashoka.org/approach.
Working with networked innovators, Ashoka can pick out the best solutions. However effective and successful they are, some (or even most) of these approaches may be just partial answers – very practical ones, often built around one insight, addressed to a specific target group etc. Building on these approaches, Ashoka has started to organise ‘mosaic’ initiatives where fellows come together, analyse existing trends and initiatives, identify, develop and collaboration on initiatives that will deliver more systemic impact. These events bring “all these powerful elements together, draws out the few universal principles that open major new strategic opportunities for the key decision makers in a field (...) and then markets these principles”.  

Conclusions drawn from mosaics are used to work out new initiatives and to adapt the working solutions to the nature of certain other cases/environments. An example of such close collaboration is the “(Dis)Ability Initiative” in which social innovators from several countries (such as Poland, India, Mexico, Canada and Ireland) were engaged. Their joint action allowed Ashoka to collect, in one “mosaic”, different strategies by which they can change the world and improve the everyday lives of those living with disabilities.

According to Dr. Ryszard Praszkier, Professional Development and Training Director for International Staff in Ashoka, “the networking starts on the local level as most of the Ashoka Fellows weave networks which are vibrant and resilient. When scaling up they boost their local networks to a national and regional scope. The next layer of Ashoka networking is global, connecting all Ashoka Fellows through a global platform, with various value-added initiatives popping up and expanding; usually imitated by a few Ashoka Fellows from various regions / continents they expand to global initiatives (mosaics). Finally, there is a global network of Ashoka friends, supporters, fans, Fellows’ collaborators, donors, etc. An example: ASN, Ashoka Support Network”.

Each Ashoka member and friends “holds” an important part of the puzzle. Ashoka helps to bring together those pieces. The international network enables the exchange of ideas and provides a platform for collaboration to ensure greater social impact.

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205 https://www.ashoka.org/files/innovations8.5x11FINAL_0.pdf.
**Example 2: Ngo.pl, Poland**

Ngo.pl is a large Polish web portal, administrated by Klon/Jawor Association, devoted to issues of civil society. It is also a primary source of information about (and for) civil society professionals, social organizations and activists in Poland. The portal was launched in December 2000 as the result of a joint initiative of the Klon/Jawor Association and the Polish-American Freedom Foundation.

It provides users with (among other things):

- news services, invitations to conferences and courses, information about grants, papers and articles on social issues and the third sector;
- regional news services for all 16 Polish provinces and, separately, for the cities of Warsaw and Wroclaw;
- numerous linked sites which focus on particular themes e.g. “Civipedia” (the centre of knowledge and social research), “Technology” (new methods, solutions, technologies used in NGOs), “Social security”, “Equality”, “Structural funds”, “Volunteering” etc.;
- a rich collection of practical advice and information useful for an organization’s everyday life (legal, financial, organizational, fiscal, etc., typically provided by umbrella organizations).
- the biggest free access database of Polish NGOs (social entrepreneurs, foundations, associations, etc.);
- easy to operate and free-access database on Poland and its individual regions, consisting of data collected from many public institutions on topics such as demography, education, economy, culture, health, etc.;
- a forum for exchange of information and ideas.

Ngo.pl is definitely the biggest and the most comprehensive Polish medium of this kind, both in terms of content and popularity.

Ngo.pl is targeted particularly at Polish NGOs, being at the same time created by Polish NGOs themselves – the various organizations take care of their thematic sites. There are dozens of collaborating organizations and institutions involved in the portal’s everyday life. It is natural that around such a massive project – with dozens of institutions across the country directly involved in its long-term implementation – has grown a big community of social entrepreneurs, activists, foundations and social innovators (it is worth mentioning here that the portal has about 6 million visitors a year and more than 30 thousand visits a day).

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207 This case was written in consultation with Izabela Dembicka-Starska, member of the management board of the Klon/Jawor Association which administrates ngo.pl.
208 Klon/Jawor Association collects and provides knowledge on non-governmental organizations, social engagement of Polish citizens, civic movements, philanthropy and volunteerism. The Association also offers NGOs and people interested in social activity a consulting services in various forms in order to support their in an efficient and effective civic action and self-organization. For more details please visit http://klon.org.pl/.
209 Indeed, the main source information presented in this section is also the ngo.pl platform - http://www.ngo.pl/.
210 For information on Polish-American Freedom Foundation please visit its homepage – http://www.en.pafw.pl/.
Izabela Dembicka-Starska, member of the management board of the Klon/Jawor Association, explains that “ngo.pl focuses on collection and dissemination of information on a variety of social issues. On the one hand, we do this so that people who are engaged in social activities have access to knowledge and information, on the other hand to promote effects of their actions. We strive not only to describe things, but also to inspire people with searching for new solutions, cooperating, and networking”.

Although formally ngo.pl is a “portal dealing with issues of civil society”, it doesn’t have an intentionally, top-down designed and managed network structure (as is the case, for example, with Ashoka, the Social Innovation Exchange or Euclid Network). The community has emerged spontaneously around the portal, bound by common goals, problems, an exchange of views and new ideas, and cooperation. The platform has created a number of opportunities for NGOs in Poland by providing: 1) the largest database of contacts, 2) any social organization the ability to add its own information and announcements, 3) a large database of good practices and interesting initiatives, 4) the possibility for direct exchange of experiences and ideas through the forum divided into thematic areas or 5) a platform for organising face-to-face meetings, workshops and conferences.

Izabela Dembicka-Starska remarks that “ngo.pl brings together different people and organizations but does it informally: whether on the forum or by gathering their comment or encouraging action, we try to use our potential and recognisability to encourage people and groups to action and work together (for example by creating thematic tabs devoted to important problems)”.

Thus, although it is not a network in the same way as SIX or Ashoka, it fulfils in fact a similar function (but on a Polish rather than global scale): it creates a space for cooperation and exchange of information between Polish members of the community. It advances civil society and the field of social innovation in particular by bringing together dispersed knowledge and experiences of its members, and by creating less or more formal structures for supporting and scaling innovation.

Reflections
The network perspective on the social innovation process is gaining importance. Theoretical studies on the role of social networks suggest that the process of growing an innovation strongly depends on cooperation and coordination between diverse actors. A social innovation is often the result of complex interactions between social entrepreneurs, NGOs and the public sector. In today’s complex world the success and sustainability of the development of social entrepreneurs and social innovations requires an appropriate framework for action. The examples of ngo.pl and Ashoka suggest that the network is one such tool – to achieve social goals by disseminating social innovation and connecting social innovators.

Members of a network can use their resources more effectively since they are able to learn from others, thereby reducing the risk of making old mistakes and ‘reinventing the wheel’. It increases the rate of information transfer so it helps to spread good practices more rapidly. However, for the same reason it might result in the rapid spread of suboptimal ideas. It seems, however, that the risk
of the latter is quite low, because a network also accelerates the evaluation of proposed solutions. A network enables innovators to create something new – often new combinations of old and existing practices – by bringing together dispersed pieces of knowledge and disparate actors. Together these pieces of information or this group of actors become more than just the sum of their parts.

Therefore there is a need for more developed networks, especially as the field of social innovation remains highly fragmented. However the above-examined cases, as well as other successful networks like SIX, by no means suggest that the mere presence of a network is enough to ensure social innovation. All efficiently operating networks, regardless of whether they are formal or not, must be based on an ecosystem composed of strong organizations and creative individuals who are not indifferent to the social problems being addressed. The example of Ngo.pl also demonstrates that effective networks, at least local ones, can emerge in such an ecosystem spontaneously. This means that one of the most universal tools to strengthen and reinforce social innovation networks, and thus social innovation, can be support for the creation and development of NGOs and civil society initiatives.

4.1.2 Centres for information and evidence

(Authored by Rachel Schon, The Young Foundation)

What are centres for evidence and policy?

Surveyor interviewing a local farmer in Tamale, Ghana about his plans for his maize crop in the coming year. Courtesy of Rob Fuller.
In recent years there has been a move toward basing policy and practice decisions on the soundest possible evidence. As part of this movement, organisations and networks have appeared which exist to collate and spread information to practitioners and policy makers about which social interventions work most effectively. These intermediary organisations can also play a critical role in the dissemination and replication of social innovations – first by collating information about the effectiveness of various interventions or innovations and secondly by disseminating that information to key stakeholders with the aim that the most effective interventions are taken up by stakeholders.

Critical appraisal and synthesis of research findings in a systematic manner first appeared formally in 1975 under the term ‘meta-analysis’. In the late 1970s and early 1980s a group of researchers based in Oxford began to produce a series of systematic reviews on the effectiveness of health care interventions. The Cochrane Collaboration was founded there in 1992 and is now an international network of researchers and practitioners committed to the principles of managing healthcare knowledge in such a way that it is quality assured, accessible and cumulative. In 1999, the National Institute for Clinical Evidence was founded to produce evidence based guidelines to assist the National Health Service in the UK.

It was soon recognised that facilities in reviews beyond health were needed. In 1993, the president of the UK Royal Statistical Society, Adrian Smith, wrote the following in his presidential address: “But what’s so special about medicine? We are, through the media, as ordinary citizens, confronted daily with controversy and debate across a whole spectrum of public policy issues. But typically, we have no access to any form of systematic “evidence base”—and therefore no means of participating in the debate in a mature and informed manner. Obvious topical examples include education — what does work in the classroom? — and penal policy — what is effective in preventing re-offending?”

In 2000, a sibling organisation to Cochrane, The Campbell Collaboration, was established (profiled below). In addition, many other organisations have emerged which aim to provide policy makers with the information they need to make decisions which are based on the most reliable evidence regarding what works. In particular, there has been an emphasis on randomised controlled trials (RCTs) as a particularly reliable method of assessing the effectiveness of any given intervention; this is the approach advocated by the network of researchers who form the Abdul Latif Jameel Poverty Action Lab.

Example 1: The Campbell Collaboration, Global

The Campbell Collaboration is an international research network based in Oslo, Norway, and hosted by the Norwegian Knowledge Centre for Health Services. The voluntary network is composed of researchers, policymakers, practitioners and consumers. It was founded in 2000 as a


Sibling initiative to The Cochrane Collaboration (and is known in some contexts as C2), and states that its mission is ‘to promote positive social change, by contributing to better-informed decisions and better-quality public and private services around the world’. The organisation is named after Donald T. Campbell, the American social scientist and champion of public and professional decision making based on evidence.\(^{213}\)

In order to fulfil its mission, The Campbell Collaboration prepares and disseminates systematic reviews of social science evidence in four interlinked fields: education, criminal justice, social welfare and international development. Systematic reviews summarise the best available research on a specific question by synthesising the results of several studies and using a clear and transparent process which aims to minimise bias. For example, the Campbell Collaboration ensures as a matter of course that its reviews include a search for unpublished reports, and a project plan for each review is developed in advance and itself undergoes peer review. Reviews are then produced by collaborative effort, bringing together experts in both methodology and content, and involving input from users such as policy makers and practitioners. Approved reviews are then published as part of the series ‘Campbell Systematic Reviews’, and are made available freely online. Policy makers are able to initiate a review process themselves by suggesting important topics and questions.\(^{214}\)

So far, about one hundred reviews have been published, and a similar number are in progress. Eamonn Noonan, executive director of the Collaboration, commented that “while Cochrane publishes many more reviews in medicine, this is a respectable number given the fields that we work in – fifty reviews on policing will capture many of the big issues in policing”. Recent review topics have included: ‘Restorative Justice Conferencing (RJC) Using Face-to-Face Meetings of Offenders and Victims: Effects on Offender Recidivism and Victim Satisfaction’\(^{215}\) and ‘Educational and Skills-Based Interventions for Preventing Relationship and Dating Violence in Adolescents and Young Adults’.\(^{216}\)

Every year, the Collaboration holds a colloquium which attracts researchers and policy makers from around the world, and this assists in promoting the practice of systematic reviews to aid in policy development. Researchers present their findings and there is also an opportunity for attendees to benefit from training sessions in methodology and other issues. Noonan comments, however, that they face challenges in persuading a significant number of policy makers to engage in this way, as most civil servants are too busy to take a week out to attend a conference of this time. He sees the major challenge going forward for Campbell as being outreach and dissemination, with a greater emphasis on communicating findings in order to encourage adoption of the more successful approaches to social problems.

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Example 2: The Abdul Latif Jameel Poverty Action Lab (J-PAL), Global

The Abdul Latif Jameel Poverty Action Lab was established in 2003 as a research centre based at the Massachusetts Institute of Technology in Cambridge, USA. Their mission is ‘to reduce poverty by ensuring that policy is based on scientific evidence, and research is translated into action’.

Today, “92 affiliated professors conduct rigorous evaluations of anti-poverty policies around the world in developed and developing countries” using randomised control trials. In addition to this J-PAL have a team who liaise with policy makers to ensure that their research is reaching the right people, and another team who work on capacity building to spread the skills needed to conduct and understand randomised controlled trials. J-PAL also works with a wider range of partner organisations, such as NGOs, governments, foundations and other actors to bring the most cost-effective and evidence-based interventions identified by their affiliated professors’ research to scale.

Randomised evaluations are types of impact evaluations that use random assignment to allocate resources, run programs or apply policies as part of the study design. The main purpose of randomised evaluations is to determine whether a program has an impact, and more specifically, to quantify how large that impact is. Program effectiveness is measured by comparing outcomes of those who received the programme against those who did not. Randomised evaluations are usually considered to be the most rigorous way of evaluating impact and of producing the most accurate results, and were introduced to government sponsored social experiments between 1960 and 1990.

Professor Michael Kremer, a Harvard economist and J-PAL affiliate, helped to pioneer randomized trials in anti-poverty work. In the 1990s, he began studying how to improve outcomes in African schools, trying different approaches in randomly selected groups of schools. One intervention he tried was a primary school based deworming program, and in an experiment he conducted with Edward Miguel of UC Berkeley, it resulted in 25% less student absenteeism. Even years later, those who had received 2-3 more years of deworming treatment as children were earning more as adults. Since then, further research into de-worming conducted by J-PAL affiliated professors has been leveraged to create the ‘Deworm the World’ initiative, which has worked in 27 countries to improve access to deworming medication.

J-PAL’s research themes include: Agriculture, Education, Environment and Energy, Finance and Microfinance, Health, Labour Markets, and Political Economy and Governance. In addition to their main base in MIT, J-PAL has regional offices in Africa, Europe, Latin America, North America, South Asia and Southeast Asia that are hosted by local universities.

217 Interview with Claire Walsh, 7th March 2014.
J-PAL Europe was established in May 2007 to expand J-PAL’s advocacy work in Europe, and include European researchers in the J-PAL network.\footnote{http://www.povertyactionlab.org/europe. Accessed on 28\textsuperscript{th} April 2014} It is based at the Paris School of Economics and has just launched the SPARK network, or ‘Social Policy Analysis for Robust Knowledge’ in partnership with LSE Enterprise and Nesta. As part of SPARK, information and training sessions will be held for policy makers, support will be given in undertaking social policy research, and a network of stakeholders will be created. Claire Walsh comments, “policy change doesn’t just come when results come in, you have to offer long-term support if you actually want policy to be changed in the end”\footnote{Interview with Claire Walsh, 7\textsuperscript{th} March 2014.}. The SPARK network is part of a larger initiative from the EU Directorate General for Employment, Social Affairs and Inclusion to promote the benefits of social policy experimentation throughout the EU as a tool for social innovation.\footnote{http://www.alliance4usefulevidence.org/spark/. Accessed on 28\textsuperscript{th} April 2014}

Reflections

The British Government is currently setting up the world’s first network of independent ‘What Works’ centres in order to collate evidence on best practice in social policy.\footnote{https://www.gov.uk/what-works-network. Accessed on 28\textsuperscript{th} April 2014} These will be in the fields of crime reduction, active and independent aging, early intervention, educational attainment and local economic growth. This is a significant step since one of the barriers to evidence based policy until now has been an unwillingness on the behalf of policy makers to engage with research. Reasons for this have included shortage of time, information overload and a difficulty in understanding academic jargon and analysis.\footnote{http://www.povertyactionlab.org/europe. Accessed on 28\textsuperscript{th} April 2014}

It is for this reason that organisations such as J-PAL have dedicated resources to building the capacity of NGOs and policy makers to understand the methodology behind the work. They have also developed a policy team who spend their time building relationships and translating research into formats that can be most easily understood.\footnote{Interview with Claire Walsh, 7\textsuperscript{th} March 2014.} In addition they have “offered custom courses for individual government departments that are interested in getting their entire workforce to think about ways to incorporate evidence into policy design”.\footnote{Interview with Claire Walsh, 7\textsuperscript{th} March 2014.} The team also exists to make sure that policy makers themselves have a say into which questions are answered by their researchers, and in many cases researchers and policy makers have worked directly together on study design. This ensures maximum buy-in and makes sure that research results are most likely to be relevant and useful.

However, there is ongoing debate about what ‘good evidence’ looks like. It is a common critique of randomised control trials that while they are able to tell researchers whether a given intervention was effective, they are unable to answer the question of why or how this effectiveness occurred. For this reason, J-PAL affiliated professors try to conduct RCTs that do not simply measure final outcomes, but also collect additional qualitative data and intermediate indicators that may speak
to the ‘theory of change’ of why and how a given program may or may not be effective. In the case of the Campbell Systematic Reviews, stringent criteria are applied to make sure that each review is based on a wide selection of research, including unpublished work.

Although progress has been made in engaging policy makers, barriers remain in making sure that the practitioners who will ultimately deliver interventions are involved in research and have a good understanding of the evidence behind what they are being asked to do. While medicine is unusual in having a high degree of overlap between researchers and practitioners, this is not currently the case in other disciplines such as social care or education. Arguably, in order for academic results to be well integrated into both policy and practice, there will need to be a way of bridging this gap. In their 2013 report, ‘Evidence For The Frontline’, the Alliance For Useful Evidence cautioned that ‘evidence-based practice is not cook book teaching or policing, nor should it be about prescribing what goes from a position of unchallenged authority... It is important to remember that there is a huge amount of experiential knowledge that is not captured by research.’ It is promising that the UK’s ‘What Works’ Centres are being hosted where possible by practitioner organisations in the areas concerned, e.g. the crime reduction centre is being hosted by the College of Policing. It will be interesting to see what influence these centres have on the replication of recognized social innovations, and their ability to improve social policy outcomes.

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228 M May, ‘RCTs: Not all that glitters is gold. A look at the limitations of randomized control trials,’ Stanford Social Innovation Review, 28th August 2012. Available online at: http://www.ssireview.org/blog/entry/rcts_not_all_that_glitters_is_gold
229 Interview with Eammon Noonan, 7th March 2014.
5. Conclusion

This report is a first attempt to outline an ecosystem that describes the kinds of tools, approaches, resources and institutions that need to be in place to support social innovation across Europe. It focuses particularly on the conditions and supports that are necessary for what we have termed social purpose organisations – those organisations emerging from civil society and the third sector which include associations, charities, social enterprises, co-operatives and mutuals. Although this narrowing means the ecosystem here does not speak specifically to important forms of social innovation that emerge from the public sector and large corporations, we felt a narrower approach was necessary to give this task more specificity. Indeed, we suggest that a separate exercise be carried out to better understand which building blocks or approaches, tools and measures, can be used to support social innovation in the public sector and to promote corporate social innovation.

The ecosystem we have described here is an ‘ideal type’; in reality, many of the various building blocks we have identified overlap with one another and play multiple roles within the framework of supply/demand/intermediaries. For example, while incubators can be seen as part of supply in providing key non-financial resources such as space and business support, they also often play an intermediary function, linking organisations to others in their field and to relevant funders.

Categorising different forms of support in the way we have is less about describing reality neatly than finding a way to clearly represent and make sense of disparate forms of support that we think are important.

In addition, it is worth noting that the most effective types of support we have encountered tend to combine various and multiple forms of support. For example, the most effective funders also provide non-financial resources such as access to expertise and specialist advice, or access to free or affordable offices, or contacts with peers and mentors. Even though we have split the paper into separate building blocks, we would not suggest that funders or policymakers focus on providing one type of support; indeed we would suggest that wrap around support, combining a range of approaches and measures, is the most effective in supporting social innovators and socially innovative organisations and therefore to growing the field of social innovation across Europe.

Although we have given the different building blocks equal weighting in presenting them here (each is illustrated with two examples), current levels of activity and investment in these different forms of support are hugely varied. Some of the areas we have described have seen significant growth in recent years. For example, we have seen a great deal of interest in and support for various forms of social finance. Similarly, there is increasing enthusiasm and investment in the idea of developing centres for evidence to support social policy. Other areas are much more nascent and our examples are taken from a limited pool of potential cases worldwide e.g. tailored courses for social entrepreneurs. And for other forms of support, there are high levels of activity, but skewed towards certain sectors or issue areas. A good example here is incubators – while there are many of these emerging to support social projects, they are often designed to support technology focused social innovations in particular.
During the course of our research we found a clear bias in favour of supply side policies; the majority of measures and approaches we identified aimed to enhance the supply of socially innovative goods and services. There was a particular shortage of measures and approaches on the demand side and those we did identify (such as commissioning and procurement of socially innovative goods and services and personal budgets) are relatively new and not particularly widespread across Europe. We feel that there is huge scope for developing measures to enhance the demand for socially innovative goods and services. We will explore this issue in greater detail in the policy paper we are due to publish in September 2014.

While there are growing numbers of intermediaries (from incubators to networks to dedicated institutions) there is little evidence of their effectiveness – in part because the field is so young. However, another recommendation we would like to make is for more rigorous research of the effectiveness and value of various social innovation intermediaries.

In responding to this ecosystem therefore, we hope policymakers and funders will be able to use it to reflect on the status of the existing social innovation ecosystem in their own context. Some key questions for these individuals to consider might be:

- Which of these areas most needs bolstering: measures to address supply, demand, or the role of intermediaries?
- What are the most important framework conditions that may currently be hindering the prospects for innovation arising from the third sector and civil society?
- Are there important building blocks that are missing from this ecosystem, given your own context?

In this way, we hope that our case studies of individual building blocks will prove helpful to those seeking to replicate these models, and that this document may in itself play a useful function in fostering a climate more conducive to social innovation.