tepsie
growing social innovation

MARCH 2014 NEWSLETTER

Welcome to the eighth edition of the TEPSIE newsletter.

This newsletter focusses on social finance. Why investigate social finance in this newsletter? Social finance is an emerging and increasingly important field across Europe. Even though it overlaps with social innovation it remains a distinct field; the two have emerged and developed independently of each other. Responsible investment has emerged in commercial markets and reflects a shift towards social responsibility and sustainability.

Social innovation adds a new dimension to the field of social finance. It enhances the stress that lies on the social aspects, which is connected to the ever more intense discussion of the outcomes or impacts that organizations in the social sphere are producing. On a more practical level, a strong finding is that while acquiring finance for innovation may be reasonably manageable, financing purely social innovation generally is tough, at least at some stages or in certain fields.

This newsletter builds on the findings of our research in work package 4 on "the feasibility and opportunities of using various instruments for capitalising social innovators". The relevant deliverables can be found on our website **www.tepsie.eu** and further thinking can be found on an ongoing basis on Tepsie's research portal **www.siresearch.eu**.

This newsletter further features highlights from our research portal, where team members as well as external experts post their current thinking and we report from events we attended. Finally we lay out important dates not to miss of upcoming deliverables and events.

Happy reading.

Gwendolyn Carpenter
Senior European Policy Advisor, DTI
Director of Dissemination, Tepsie

FINANCING SOCIAL INNOVATION: STAY TUNED!

Written by Gunnar Glänzel, CSI, University of Heidelberg (GER)

As European societies and economies perceive themselves to be innovation-driven, the general orientation towards innovation is very strong and dominant: Innovation is good, we rely heavily on it, and so we need to foster and push its progress. Although this general orientation prevails in the media and on an abstract macro level, individual innovators with their concrete day-to-day problems often struggle to find support. While acquiring finance for innovation may be reasonably manageable, financing purely social innovation generally is tough, at least at some stages or in certain fields. Depending on these and a number of other criteria, innovators usually do not have an extensive number of financing options to choose from. Here we present some of the most popular options and the criteria under which they function well.

Early-stage grants are probably the best and most widely used financing tool to fill this gap for developing an idea into an innovation, not only but especially in the social sphere. Particularly in early stages of their venture, social innovators are very much in favour of low-cost capital, as in this stage they do not yet have a business model – let alone a sustainable one. Instead they must develop an idea into an innovation. As this process requires extensive exchange of ideas and discussion, early-stage grants are 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 low.

Loans, in contrast, only work if there is a functioning and sustainable business model. That is, they are much more suited for later phases of development when the social innovator has reached some established and predictable stage. They offer socially innovative organisations a huge amount of autonomy and flexibility in the use of their funds. This may account for the fact that despite increasingly heard talk about social investment and avant-garde-types of financing in the field of social innovation – according to our own research within Tepsie – loans are still by far the most often used financing instrument among social innovators. However, it may also be that they become increasingly available with the success of social banks such as GLS, Triodos or Charity Bank. Nevertheless, as even social banks seldom make unsecured loans, to get a loan from them social innovators need to have some form of track record, and a certain asset base to serve as collateral.

Social investment funds typically fill the gap where collateral or a track record or both are missing by providing risk capital. They are experts in evaluating business plans in order to assess in how far the plan can 'substitute' for the more traditional forms of security. Like their counterparts in the private business sector, venture capitalists, social investment funds are very active and engaged investors: They are 'on board' as shareholders and therefore directly interested in and responsible for success. In doing so they are compensating to a certain extent for the lack of a track record and collateral. And as such these investors contribute extensively, not only by providing capital on terms which they view as manageable for the investee, but also by providing experience, expertise and access to networks and experts.

Brendan Thompson received a £500 grant from UnLtd.

Venture philanthropy faces the same problems and one more, as this approach goes a step further by 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 social investment funds. By modifying the latter approach so that there are no or fairly low financial return expectations connected to the provision of funds, venture philanthropy has two implications: First, it fill an very large financing gap, namely the demand for funds from organisations active in areas where no repayment – let alone financial returns – are possible. This is often in the case in 'hard core' social problem areas where there is absolutely no money to be made. But second, the availability of such funds rendered ready for venture philanthropy is of course even scarcer than other forms of finance available to social innovators.

Crowdfunding is a relatively new development which has been gaining increasing attention and popularity in the course of the Internet's rapid expansion in the Western world in the last two decades. It may take a variety of forms, but in the most common one, social innovators present their venture on the Web and collect donations. Thus, highly innovative approaches often have good chances to secure funding if innovations are presented well. Although there has been much hype around crowdfunding in the last few years, our research indicates that this trend is not yet fully manifested in the field. Currently, only 15% of our survey respondents are using crowdfunding, while another 16.5% are considering it for the future.

Taken together, these five examples illuminate some of the factors determining the different options available to social innovators. They provide a glimpse of the highly complex and exciting world of social finance, many parts of which are still largely unexplored, and provide ample opportunities for further research. So stay tuned!

HIGHLIGHTS FROM THE SIRESEARCH.EU PORTAL

Rachel Schon, The Young Foundation (UK)

Anna Davies reflected on research she has been doing into the concept of 'scaling social innovation'. She cautioned that while this language may be appropriate to the needs of social enterprises, it is less appropriate for the social innovation field as a whole. This is because the term has connotations of standardisation, and neglects to take into account the disruption that successful social innovations inevitably cause to existing institutions. Language matters because it points to a larger issue, which is a belief that the social innovation movement can be equated with the growing discourse around social enterprises. Anna suggests that we should be thoughtful about the language we use, and consider using words such as adoption, diffusion and implementation when these are more appropriate.

Rachel Schon writes about the rise in fan activism, or activism which is inspired by famous personalities or fictional stories. She highlights the work being done by members of the Harry Potter Alliance, who are inspired by J.K.Rowling's novels to campaign for the rights of those who are marginalised. She also noted the effect that celebrities like Lady Gaga can have on the profile of political campaigns such as the fight for marriage equality in America. Rachel noted the role of internet forums and Twitter in facilitating these developments, and the readiness of charities such as Oxfam to harness the power generated by celebrity by recruiting famous ambassadors to campaign on their behalf.

Gwendolyn Carpenter and Jimmy Pedersen write about strengthening the conditions for local social innovation and entrepreneurship in Denmark. They note that Denmark's 'Strategy for Digital Welfare' is more accurately described as a catalogue of centrally controlled big scale projects than a thoughtful analysis of what support local social innovations might need to be successful. Instead, they argue that emphasis should be placed on the transformation of local municipal and regional processes for innovation, and that procurement processes for large scale pilots must include social enterprises.

Jeremy Millard writes about smart cities and social innovation. He notes that the focus of the smart city movement to date on the improvement of urban systems has only been half the story. Instead, there must also be a focus on the 'smartness' of citizens themselves, and a harnessing of the diversity and innovation that is naturally present in urban environments. Jeremy suggests that smart cities are properly smart when citizens are finding new ways to craft, interlink and make sense of each other's assets, data and resources. He gives the example of the smart neighbourhoods initiative as illustrative of this approach, which aims develop better public services hand in hand with community cohesion. For example, Helsinki in Finland is finding new ways to encourage developers to exploit open data in order to create digital services and useful applications for and with citizens.

EVENTS UPDATE

Earlier this Spring two major EU projects on social innovation held their final conferences and a new project – SI DRIVE – launched. Nesta also facilitated a policy work-shop on Digital Social Innovation. Julie Simon, Anna Davies, Rachel Schon and Gwendolyn Carpenter report back.

WILCO Final Conference

Julie Simon, The Young Foundation (UK)

At the end of January, the WILCO final event took place in Brussels. The project has generated some real insights and for me personally, identified a number of issues which are worth further exploration.

Even though the project only lasted two years, the WILCO team covered huge ground looking at 77 case studies from 20 European cities. The cross national, comparative research project had two main aims: to uncover the models, features and trends in local social innovations that contributed to social cohesion, despite local and national differences, and to examine the conditions that enabled the uptake and diffusion of social innovations.

WILCO identified a number of patterns and trends within the five main areas they examined: service innovations; innovations in regulations and rights; innovations in governance; innovations in modes of working and financing; and innovations regarding welfare mixes. For example, services investing in capabilities rather than deficits, new kinds of conditional welfare payments or 'social contracts', building issue-based coalitions and new forms of flexicurity.

What is particularly interesting is that their work raised broader issues around social innovations - are social innovations always 'good'? And for whom are they good? Since social innovations almost always entail some kind of reallocation of resource (away from the old to the new) – there will always be winners as well as losers. The WILCO team also raised issues around the politics of social innovation – an issue which has remained largely unexplored to date.

WILCO have produced an e-book which includes more information about the project and includes all 77 case studies – see here. The team have also produced three videos which provide a great summary of the project. The first looks at social vulnerability in European cities and de-scribes some of the challenges that are faced in these urban contexts. The second looks at social innovations across Europe and the third (which will be available shortly) looks at the governance of innovation across European cities. The first two videos can be accessed here.

Another important contribution made by the WILCO team was to bring together researchers working on a number of European social innovation projects at a workshop in Brussels last year. By doing so, they made the first steps towards truly building a community of researchers. With social innovation high on the European agenda and with so many EU funded social innovation research projects, it is important that we build on these first steps to strengthen and grow the community, to avoid duplication of effort, to make sure that we learn from one another and most importantly, to deepen the knowledge base about social innovation.

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INNOSERV - the future of social innovation

Anna Davies, The Young Foundation (UK)

On January 29, the INNOSERV team hosted its final workshop in Paris, marking the end of this two year project looking at social services innovations across Europe. This was a great opportunity to hear from the consortium and reflect on their work together.

Françoise Waintrop kicked off the meeting with a keynote introducing us to us her work as Secretariat General for Public Action modernisation in the French government. The role of this department is to promote a culture of innovation and to make possible radical innovation in public policies. Françoise explained that the department takes a strongly ethnographic led approach in order to better understand users and their needs.

They have also adopted techniques such as customer journey mapping to work out how current provision of services fails or succeeds. This can reveal some interesting findings about how people relate to social services at significant junctures in life.

By way of example, she explained that their work highlighted that when someone's partner or relative dies, when they go to report this, the deceased's social security card is cut up in front of them. Analysing the citizen experience can help uncover situations such as these, and create consensus for doing things differently.

Following this presentation, members of the INNOSERV consortium introduced us to the Research Agenda they have developed as an output of a project. This identifies key questions for further research, and is structured around seven key themes:

- User centred services and approaches. How do the personalisation of services and the resulting new forms of cooperation lead to new tensions? What new competences will professionals need to develop to respond to this shift?

- Innovations and organisational as well as institutional development. What kinds of resources are needed for institutionalising innovative projects? How can different management approaches enable innovation and make it visible? Is it really true that there is an innovation deficit in the public sector?

- Framing social services in relation to innovation. How does policy talk about innovation affect the identification of needs as well as eventual service provision? Does the EU currently embody and voice multiple understandings of 'innovation'?

- The governance of innovation. What are the governance challenges presented by new kinds of hybrid provider organisation?

- The influence of national, regional and local contexts. How are innovations embedded in cultural contexts? What are the cultural barriers that prevent innovations from travelling?

- New technologies. As these adopt an increasingly important role in social services, how will they change the relationship between professionals and users?

- Measuring outcomes, quality and challenges. How do we measure both improvements and unintended effects from innovative social services? How can/ should users be involved in these evaluations?

One of the most interesting aspects about the INNOSERV project from my perspective has been their approach to dissemination and innovative outputs. A key part of the consortium's proposal was that they would use 'visual sociology' to convey some of the key ideas behind social service innovation.

This led them to develop a set of 20 videos, each showing one of the European case study examples they looked at. The videos have a high production quality and they are recommended viewing if you haven't seen them already.

The team saw the videos not just as an output of their research, but also as an input to it. They were used at workshop to prompt discussion and to get stakeholders to think through what innovation they saw in each of the case study examples. INNOSERV have now developed a free app for iPhone and Android where you can view all 20 videos in English, German and French.

Many thanks to our colleagues at INNOSERV for hosting last week and producing such a rich research agenda for other EU projects to draw on.

Digital social innovation: ground-up policy making, 4th February 2014, Brussels, Belgium

Gwendolyn Carpenter, Danish Technological Institute (DK)

On the 4th of February, Nesta convened the world's first policy workshop for digital social innovation (DSI) with a mix of 70 European policy makers, experts and practitioners in Brussels, Belgium. The day was organised to explore a range of tools which might encourage and ac-celerate digital innovation to benefit society.

Practitioner presentations kicked off the day with live case studies from Arduino, Smart Citizens, Provenance, Confine, Goteo and the e-democracy site "Your Priorities". The speakers highlighted that digital social innovation is often enabled by open data, source code and platforms. For policymakers, these uses of open systems have implications for how R&D might be funded in the future.

Many present at the workshop asked for public funding of innovation to be used in a more open way so as to unlock technologies on which others can build useful services and networks.

Set up by prompts on how to design policy from Geoff Mulgan and Esteve Almirall of Esade Business School the afternoon of the workshop began to crowd-source policy ideas from participants. This focused not just on particular sectors, and levels of governance (from city to global) but also on the different policy tools that might be used such as digital human rights and data passports. Ideas were clustered together and the image above shows the breadth of thinking.

These areas of policy were further worked on during the day, with European Commission officials providing their responses to the ideas which emerged. The reality of developing good policy is that it can be rather boring, laborious and is often filled with compromises. But inspired by the passion of the people in the room, this workshop did a pretty good job at bringing people together to discuss how Europe might just be the best place in the world to nurture digital social innovation.

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SI DRIVE Kick off

Rachel Schon, The Young Foundation (UK)

On the 17th and 18th of February, twenty-five different partners from around the world gathered together in Dortmund for the kick-off meeting for the SI Drive project, funded under the European Union's FP7 programme.

The project name stands for 'Social Innovation – Driving Force for Change' and will look at the ways in which social innovation is driving social change throughout the world. In particular, partners are going to focus their energies in seven specific areas: education, employment, health and social care, poverty reduction, transport and mobility, energy supply and environment. The project will run until the end of 2017.

The kick-off meeting was a chance for partners to meet each other, a welcome opportunity given the fact that this is a global project and partners come from such diverse locations as China, South Africa, Columbia and Egypt.

The first day of the meeting was focused around activities which made that possible, including a round of 'speed dating' and also some discussion questions which allowed us to share our thoughts on key issues in the field.

In particular, we debated the relationship between social innovations and systemic change, and considered in which area of society there was the most untapped potential to drive social innovation – the economy, civil society, science or policy?

We also received a guided tour around the city of Dortmund, which included the chance to see some home-grown social innovations. I chose to visit a hub for female social entrepreneurs, who were given office space and help with setting up a business. The hub is located in one of the more disadvantaged areas of the city and is aimed to help women who are in particular need. In the evening we were fortunate to attend a reception in the city's famous U-Tower - a former brewery building which has been turned into a centre for the arts - featuring an address from the Mayor of Dortmund.

After the first day of introductions, the second day was focused more on the content of the project. We split into seven groups and had extremely fruitful discussions around the current state of social innovation in each of the seven areas which the project has chosen as a particular focus. We also heard from Flor Avelino about the TRANSIT Project, which will run concurrently with SI Drive but will focus more explicitly on the relationship between social innovation and transformative change.
Jeremy Millard presented to the group regarding the TEPSIE Project, which is now in its final stages but which set out to map the theoretical, empirical and policy foundations of social innovation in Europe.

This is a project that my team at The Young Foundation have been heavily involved with, and I know that we are very glad that we will be able to bring our findings from TEPSIE to the table and make sure that they are integrated within the work being done by SI Drive.

WHAT'S NEXT

Gwendolyn Carpenter and Jeremy Millard, Danish Technological Institute (DK)

Here is an overview of what will be happening in the near future:

Expect some new Tespie deliverables to come your way! Our current work streams are looking into evaluation of Social Innovation projects (WP6) and scaling (WP7). We will be submitting the following reports by End of April, which should then be published once accepted by the European Commission:

- List of approaches and methods for measuring the impact of social innovation projects (D6.1)
- Ecosystem of social innovation (D7.3)

We will hold a policy workshop in Poland focusing on social innovation in Eastern Europe. Date to be announced.

Tepsie will be coming to an end at the end of the year and we are currently looking into options for our final conference. We are in the process of discussing a social innovation festival, where 4 different consortia would work together to streamline our thinking and to pull together brains and resources. This will take place early November, location to be announced. Fingers crossed we will have more concrete announcements to make soon.

Finally, an announcement. Nesta, SFU Public Square and partners have announced a must attend symposium for social innovation researchers and academics - the SOCIAL FRONTIERS CANADA symposium on the 30th May 2014 in Vancouver, Canada. Building on the original Social Frontiers, held in London in November 2013, Social Frontiers Canada is part of a week of events in Vancouver, including the SIX Summer School 2014 Vancouver (May 27-29th) which will bring together a global forum of practitioners to explore social innovation.

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