

# Social Innovation as Impact of the Third Sector

Deliverable 1.1 of the project:  
“Impact of the **Third Sector as Social Innovation**” (ITSSOIN),  
European Commission – 7th Framework Programme

29 August 2014

Deliverable of the  
FP-7 project: ITSSOIN (613177)



## Suggested citation

Anheier, H. K.; Krlev, G.; Preuss, S.; Mildenerberger, G.; Bekkers, R.; Mensink, W.; Bauer, A.; Knapp, M.; Wistow, G.; Hernandez, A. & Adelaja, B., (2014). Social Innovation as Impact of the Third Sector. Deliverable 1.1 of the project: “Impact of the Third Sector as Social Innovation” (ITSSOIN), European Commission – 7th Framework Programme, Brussels: European Commission, DG Research.

## Acknowledgements

We would like to thank our partners of the EU-sponsored project “ITSSOIN – Impact of the Third Sector as Social Innovation” for their extensive support in preparing this report. The partner network consists of the *University of Heidelberg* for Germany, *VU University Amsterdam* and the *Netherlands Institute for Social Research* for the Netherlands, *London School of Economics and Political Science* for England, *Università Commerciale Luigi Bocconi* for Italy, *Copenhagen Business School* for Denmark, *ESSEC Business School* for France, *Masaryk University* for the Czech Republic, *Universidade da Coruña* and *Universidad de Oviedo* for Spain, and the *Stockholm School of Economics* for Sweden.

## ITSSOIN

ITSSOIN is a research project funded under the European Commission’s 7th Framework Programme and was initiated in response to a call for research “The impact of the third sector on socio-economic development in Europe”. The project represents a research collaboration between 11 European institutions, is led by the University of Heidelberg, and runs from 2014-2017.

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| Date:                                | 29. August 2014  |
| ITSSOIN deliverable:                 | No. 1.1  |
| Authors:                             | Anheier, H. K.; Krlev, G.; Preuss, S.;<br>Mildenerberger, G.; Bekkers, R.; Mensink, W.;<br>Bauer, A.; Knapp, M.; Wistow, G.;<br>Hernandez, A.; and Bayo, A.  |
| Note on main authorship of chapters: | UHEI (1, 3, 4, 6); VUA (4, 5); NLNA (5.2); LSE (2)   |
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## 1. Introduction

The third sector or non-profit sector (here used as a generic description for the various national and international usages to refer to the set of organisations operating at the intersection of market and the state)<sup>1</sup> and civic engagement (here used as a wider term to encompass volunteering, active citizenship, civic action, and related terms) have increasingly gained, in recent years, policy recognition and attracted academic attention.

Researchers have analysed non-profit organisations from different perspectives, usually emphasising specific roles this set of institutions is assumed to perform (Anheier, 2013). The most prominent among them are:

1. **Service-providing role:** In the wake of government failure, non-profit organisations are seen as complementary or substitutional elements in the public service systems. As governments with limited resources seek to serve the average voter under conditions of demand heterogeneity for public and quasi-public goods and services, non-profit organisations meet a broad range of minority preferences (Ben-Ner & Van Hoomissen, 1991; Weisbrod, 1975, 1998). In response to market failures, non-profits signal trustworthiness in terms of service delivery under conditions of information asymmetries that make profiteering likely and monitoring expensive (Hansmann, 1980, 1987; Young & Steinberg, 1995).

Comparative research has shown that tendencies towards government and market failure depend on the type of welfare regime (Esping-Andersen, 1990), the variant of capitalism involved (Amable, 2005; Hall & Soskice, 2001; Schneider & Paunescu, 2012), and correspond to different nonprofit regimes (Anheier, 2013; Anheier & Salamon, 1997; Salamon & Anheier, 1992b). Such patterns and tendencies also vary over time, especially in terms of state capacity in respect of an effective regulation (Hansmann, 1996; Anheier, 2013; Hertie School, 2013).

2. **Advocates & Value Guardians:** Apart from investigating the non-profit organisations' service-providing role, research has focused on the issue, to which extent non-profits engage in advocacy activities to protect or advance the position in society and welfare of people needing help, e.g., disabled or poor persons, or members of neglected communities. Non-profit organisations are hypothesised to be an important element of social self-organisation, to "give voice" to those otherwise unheard, and to support those who would otherwise find little or no attention.

The research on the topic has explored cross-national differences as to the advocacy and the values-related role of the non-profit sector, and observed that – just as the service-providing role mentioned above – they not only vary by the kind of welfare regime but also by the kind of democratic and administrative system and, more generally, the civic culture and civic-

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<sup>1</sup> Salamon and Anheier made a seminal contribution to framing the third or non-profit sector Salamon and Anheier (1992b), Salamon and Anheier (1992a), which for the most part remains valid and comprehensive. Organisational forms based on three structural archetypes will be considered within the ITSSOIN project: membership-based (associations), liability-based (corporations), and asset-based (foundations) organisations. Mutual societies and cooperatives play an intermediary role combining membership-based and liability-based structural types. More informal structures like those of social movements or activist groups will also be considered. Since in the EU discourse on social enterprises the generation of surplus is not as pronounced as in the US European Commission (2013a), we will also include them as part of the third sector.

mindedness of local populations (see, e. g. Almond & Verba, 1963; Putnam et al., 1993; Putnam, 2000; Halman & Nevitte, 1996).

By implication, third sector service provision and advocacy are often linked in ways that go beyond combining the economic with the social, as it has traditionally been the case in social economy organisations such as cooperatives, mutual and employee-owned enterprises (Borzaga, 2004; Pestoff, 2012). By contrast, non-profits are co-producers and engage in product bundling as they combine service provision and values (Anheier, 2013; James, 1989) which are social values, of course, but frequently also religious, political or humanitarian values in a profound sense. They are “[...] likely to seek out and include the target population for purposes of value formation, and long-term commitment and loyalty” (Anheier, 2005, p.213). Thus, non-profits deliver services with a ‘plus’ (Salamon et al., 2000, p. 23).

While all these efforts have contributed to a better understanding of the sector in its economic and social foundations, a major gap remains: the sector’s impact and the longer-term outcomes achieved or involved.

In this contribution, we seek to explore this issue and to propose a way to approach the capturing of the third sector’s impact. We start with reviewing the tradition of performance measurement in relation to the third sector, specifically from an economic and management perspective. Performance in the wider sense (including, for instance, the reliability or quality of service provision) can thereby be regarded as a proxy for impact. In the more narrow sense (effectuated targeted change as well as externalities for a range of beneficiaries), it can be seen as a synonym for impact. Social impact is denoted in the standard way of the ‘logic model’ as the change caused within a ‘social system’ (outcomes that result from outputs delivered by an intervention) *minus* the change that would have happened anyway (‘deadweight’) (Clark, Rosenzweig, Long, & Olsen, 2004, see also Ebrahim & Rangan, 2014 or Nicholls, 2009 for the underlying connections).

In the second step we will outline the challenges that evolve in assessments if the specific properties, mission, values and traits of the third sector are taken seriously. Against these methodological and conceptual challenges and despite the major advances that have been made in advancing performance measures in the third sector, we will propose another, more timely, policy relevant, and feasible way of assessing third sector impact: a focus on social innovations and the question as to how the third sector is likely to play a key role in their emergence, nurturing and spreading.

To establish this link, it will be necessary to review a variety of traditions that exist in innovation research and to posit, how social innovations take a particular position therein, specifically in view of today’s societies’ challenges. The differentiation of several types of innovations will help identify the special character of social innovations. Subsequently, we will establish a tight link to the third sector and provide some key rationales for its socially innovative capacity. A special section will thereby be devoted to the influence of volunteering and how volunteers can contribute to and enhance this capacity.

Finally, we will embed this conceptual reasoning in the ITSSOIN project’s wider research framework, which is designed to develop testable hypotheses on this reasoning and to test them empirically across a diverse set of case studies.

## 2. Performance measurement and the third sector

The growing role of performance measurement and impact assessments in the third sector is linked to both its enhanced position in taking on state-funded service provision and its critical role as an advocate for many causes. The third sector is arguably likely to be able to achieve social welfare benefit in certain areas but also less likely to be able (and sometimes willing) to demonstrate it.

First, the role of performance measurement in a third sector context is examined. Therefore, an introduction is given on some important economic concepts, methods and debates in which performance measurement is embedded and which have influenced policy making over time with the objective of moving towards more equitable, efficient and accountable service delivery systems. Next, the reasons for the debate of performance measurement in the third sector and the particular challenges it poses for this sector is explained. Then, an introduction follows on an adjusted performance measurement framework that was originally developed by Kendall and Knapp (2000), which introduced a new way of thinking about performance indicators in the third sector and which we think remains relevant to the current debate. Presenting the different dimensions and indicators that influence performance of the third sector at a micro, meso, and macro level, and discussing the limitations, the usage of these indicators in the current third sector environment is reflected. Then, a linkage of types of economic evaluations that are or could be used to measure the impact of third sector programmes is described. Some conclusions in the light of the current state of the art for performance measurement in third sector practice will be used to make the transition from the focus of performance to the next chapter that has a focus on innovation, which at present is interpreted as a more suitable variable for assessing the impact of the third sector across countries and fields.

### 2.1. Performance measurement from an economic perspective

In a context of rapidly escalating health and social care demands alongside public expenditure restraint, performance measurement becomes ever more important. There is an extensive literature in economics concerned with valuing the quality of life, the fulfilment of needs and related matters. Economics has contributed to the theoretical and policy debate about the different alternatives for measuring social welfare and also to the discussion of strategies for enhancing social wellbeing. Economists have been providing foundations for normative theorising and developing different methodologies or approaches to meet the challenges of analysis in a complex and continuously changing environment. In addition, its research tradition has been heavily influenced by other disciplines (Kahneman, 2003a, 2003b; Thaler & Sunstein, 2008; Dolan et al., 2012).

#### Social welfare function

Economists have generally conceptualised and represented social welfare by means of well-known 'Social Welfare Functions'.<sup>2</sup> Champernowne and Cowell (1998, p. 88) defined the Social Welfare Function as "[t]he generic term for coherent and consistent ordering of social states in terms of their desirability [...]. We use the term 'social' because it normally refers to the whole

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<sup>2</sup> Some examples of Social Welfare Functions are: Bergson-Samuelson Social Welfare Function, Benthamite Utilitarianism, Egalitarian, Rawlsian.

community under consideration, but it does not imply that the ordering was somehow chosen by the whole community: there can be as many social-welfare functions as there are opinions held". The Social Welfare Function considers the set of persons whose welfare is to be numerically indicated and then aggregated.

### **Production of Welfare Framework**

To get a better understanding of welfare in the context of long-term care needs and services, Davies and Knapp (1981, 2000) pioneered a simple organising framework known as 'The Production of Welfare framework' which "[...] seeks to make explicit the interrelationships between key elements [in the system], and then exploits the parallels with, for example, parts of the economics literature to enter hypotheses, structure empirical investigations and interpret findings" (Davies & Knapp, 1994, p. 264). The framework provides a useful conceptual foundation for performance evaluation which stems from economics but is also influenced by other disciplines (Davies & Knapp, 1981; Knapp, 1984). It seeks to bring form to the relationship that exists between what these researchers termed 'outcomes', 'outputs' and 'inputs' of any social welfare system. The main elements of the framework are (see Kendall & Knapp, 2000, p. 114 for a detailed description):

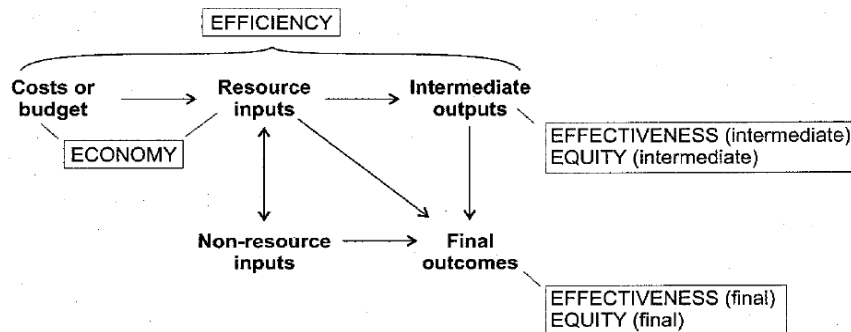
- *Costs*: costs of resource inputs, total budget of the agency, opportunity costs (expressed in monetary terms)
- *Resource inputs*: e.g. staff, volunteers, members and capital
- *Non-resource inputs*: no-identifiable price but influence the achievement of outcomes. E.g. opinions, attitudes, ideologies which shape the contextual environment
- *Intermediate outputs*: volumes of service output (quality dimension)
- *Final outcomes*: changes in welfare, quality of life and field-specific status; externality effects - influenced by the volume and quality of services provided (user and carer satisfaction)<sup>3</sup>

The framework encourages various theoretical concepts, approaches, objectives and stakeholders goals. Its main features rely on the description of elements and relations under an economic approach; the relevance of the purposes and processes within a specific context, and finally on its explanatory and predictive capacity (Kendall & Knapp, 2000). The framework has found to be useful in helping identify relevant evaluative criteria based on economy, effectiveness, efficiency and equity. Figure 1 summarises the Production of Welfare framework.

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<sup>3</sup> An assessment of impact is possible where the measurement of final outcomes allows for subtracting deadweight, which depends on the assessment design applied.

Figure 1. The Performance of Welfare framework and the 4 E's



Source: Kendall and Knapp (2000)

### Economy

The criterion of economy refers to cost minimisation and saving of resources. It is closely associated with resource inputs, expenditures and average costs. To assess economy, one should consider the economic cost of a resource, including opportunity costs. This becomes relevant even when some activities or services are apparently offered free of charge (e.g. if provided through volunteers or unpaid carers) in which cases methodologies to estimate imputed values for these inputs might be useful. Some stakeholders may pursue the criterion of economy as a goal in its own right but it has limited relevance unless it is linked to outcome effects.

### Effectiveness

Improving effectiveness refers to the relationship between service provision (or prevention and other policy strategies) and enhanced intermediate outputs or final outcomes relevant to the overarching aim of increasing welfare and quality of life. Final outcome measurement can be obtained when comparing a before and after situation when a service has been provided, or when comparing different types of services. Measuring the comparative effect on final outcomes is often difficult. Therefore impact is hard to derive. Measuring intermediate outputs is simpler but more short-sighted and still often challenging to interpret. Despite being insufficient to provide an estimation of their impact on the welfare of individuals and communities, intermediate outputs may offer information about performance in the shape of rough estimation about recipient-related consequences. The indicator sets to measure effectiveness include in the order of information content to judge actual effectiveness: final outcome indicators, output quality combined with output volume, and ratings of satisfaction.

### Efficiency

In a broad sense, efficiency refers to the combination of resource inputs and effectiveness of service provision, aiming to maximise ends from given means or to minimise the means needed to achieve given ends (Knapp, 1984, pp.10-11). It can be improved when reducing the cost of producing a certain level of service or good, or improving the level of effectiveness given a certain cost. Recent literature has applied tools of economic evaluation for assessing techniques in different contexts and policy dimensions. Economic evaluation techniques include: cost-benefit, cost-effectiveness and cost-utility analysis which are explored later in more detail in the context of the third sector performance.



## Equity

Economic research has been quite extensive on studying equity as a concept of fairness or justice, and ways of combining it with efficiency goals. A standard definition of equity is 'the quality of being fair and impartial' (Oxford English Dictionary, 2014). The pursuit of an equitable distribution is thus the pursuit of fairness and justice which is a subjective matter and requires value judgement. Although the terms equity and equality are often used interchangeably, they are not the same: equity is concerned with ensuring that everyone has a fair share whilst equality tries to give everyone the same share. Assessing whether an organisation, community or individual is 'meeting needs' in an equitable manner is to assess how far the agents are (more) capable of living a better or good life (capability approach, Sen, 1980). Influenced by this definition of capability the term equity evolved which more explicitly refers to help people fulfil their 'needs' to enhance their capabilities and wellbeing.

Equity assessments have been focused on two main questions: (1) Do people with equivalent 'needs' have access to, or consume equivalent amounts of a good or service? -Horizontal equity; (2) Do people with greater needs get more services? -Vertical equity. Equity is usually more usefully examined at a societal or community level but it can be measured at an organisational level: for example by looking at how well an organisation's policy is aligned with national policy (if that is the purpose), or how well the organisation targets the groups outlined in its vision. It requires that the stakeholders of an organisation can reach some consensus on equity questions.

Here are two examples of how the aspects of equality and equity have influenced third sector service provision: In England, the *National Institute for Care Excellence (NICE)* has explicitly incorporated social value judgements into the development of recommendations about efficiency of technologies and drugs; for example *NICE's* social value judgment demands that local variations in cost should not result in variations in availability of health care (Rawlins & Culyer, 2004).

Equity or equality measures have played a central role in discussions on the distribution of income and public services in order to promote fairness and justice. The Gini coefficient, for example, was originally used to make inequities in income or wealth distributions more transparent and has been used by the *Organisation for Economic Co-operation and Development (OECD)* to create rankings of countries depending on how well they are doing in addressing inequality over time.<sup>4</sup> Since then the concept of the Gini coefficient has been applied in other areas, for example in health to show disparities in health expenditure or mortality, or in education to demonstrate inequality in education attainment. Different concepts have been developed, such as the socio-economic determinants of health inequalities (Le Grand, 1978, 1986; Wagstaff & van Doorslaer, 1991; van Doorslaer et al., 1997, p. 95). An example is given by Le Grand (1983) in his work about how to achieve social and economic equality through public spending on social services (e.g. health, education). The author (1983, p. 3) explores the effect

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<sup>4</sup> The Gini coefficient relates to the Lorenz curve (Lorenz, 1905) which measures income disparities by plotting the cumulative proportion of wealth by the cumulative proportion of population in increasing order. The Gini coefficient of 0 shows perfect equality (all persons have the same income) and 1 full inequality in the population (one person has all the income).

on subsidising policies on equality and found that “[a]lmost all public expenditure on the social services in Britain benefits the better off to a greater extent than the poor [...]”.

### **Broader performance ratings and incentives**

A number of important barriers to efficient resource allocation are explained by market and system failures in which providers of public welfare goods and services are able to remain unobserved in a position of underperformance and a lack of incentives to encourage providers to improve performance. Many different policies and tools grounded in economic theory have been developed to address such problems through the introduction of performance indicators and incentive systems, including, for example, the ‘star’ ratings in the UK which give providers more freedom (sometimes termed ‘earned autonomy’) when they perform well on such measures (Bevan & Hood, 2006). They have in common that they link resources to measures of effectiveness (Smith et al., 2011). Where performance indicators were chosen too narrowly, they have led to manipulation and misuse such as ‘gaming’ (meeting the performance target formally without actually improving practice) or ‘cherry picking’ (selecting users for whom it is easier to achieve good performance); or they simply led to a neglect of other areas of service provision that were not measured.

Despite development and implementation problems, the introduction of performance measurement under the new Labour government (1997-2010) shifted the focus from a system in which budgets were decided based on previous expenditure to a system in which evidence on outcomes informed public service agreements and contracts and increased transparency; whether there was an overall improvement in social welfare benefit is difficult to determine (Bevan & Hood, 2006). In Italy, the implementation of quasi-market systems (such as voucher systems) improved the efficiency and satisfaction of families and users who can now decide on the service providers they choose (Fosti, 2013). In France, the “Loi organique relative aux lois de finances” of 2001, has altered the allocation of resources, which are since then granted to specific interventions based on their ‘performance’ in achieving pre-defined goals. The financing law has therefore triggered the development of a performance culture in funding and commissioning.

The situation in other countries looks different. A contrasting case for instance is the situation in the Czech Republic, where there is no public system of transparent and standardised evaluation of performance or quality that would be utilised for grant funding or subsidies. The only frame of reference is the so-called ‘quality standards of social services scheme’ which has to be met by every organisation intending to participate in public social service provision. However, these criteria are mostly formal and procedural, and are related to administrative, technical, and staffing issues, and do not assess performance. As based on this, the following sections, which present new concepts that embrace the performance dimension in a targeted fashion, have to be read in awareness of country-specific variations.

### **New developments: Quality-of-life, wellbeing and happiness measures**

The so-called quality-adjusted-life year (QALY) approach goes back to Fanshel, Torrance, and Weinstein (Fanshel et al., 1970; Torrance et al., 1972; Weinstein & Stason, 1977). It combines the additional number of years granted to a person by a medical treatment with the quality of life that person will enjoy during these years. Different preference-weighted health measurement tools such as the EQ-5D are used to capture health states on the dimensions of mobility, self-care, usual activities, pain or discomfort and anxiety or depression; population-

based preference weights are attached to each score within each dimension.<sup>5</sup> QALYs are then established by multiplying that value by how long the state lasts. The QALY approach has most widely been used in trial-based studies of clinical interventions to establish comparative effectiveness (the comparator usually being routine care or a recognised good practice).

Some of the tools used to measure QALYs have been criticised for their inability to measure all aspects of life that matter to people, and for being insensitive to changes in broader wellbeing (Tsuchiya & Dolan, 2005). Partly in response to this, new measures have been developed to capture different aspects of quality of life: A happiness measure has been developed which encompasses experiences of mood and evaluations of life satisfaction and is now employed in population surveys in Europe (Dolan, 2011). The Adult Social Care Outcomes Tool (ASCOT, PSSRU, 2007) has been developed to capture social care-related quality of life including aspects of dignity, control, cleanliness, safety, occupation, and social support.

### **Unpriced or priceless – how to account for civic engagement**

In addition to remaining limitations in capturing outcomes and impacts holistically even by such new concepts, several factors involved in third sector activities defy simple measurement. Several concepts are used to bridge these gaps. One of the most fundamental concepts in economics is that of ‘opportunity cost’. It is based on the principle that the “[economic cost] of a resource or service cannot, in general, be reckoned merely by reference to its price, but must be gauged in terms of what is given up” (Knapp, 1984, p.51). Its measurement is, however, challenging and complex and requires comprehensive and disaggregated data at different levels and clear guidelines are desirable to strengthen good policy-making (The Green Book, 2003). Taking a so called ‘societal’ (as opposed to ‘government’) perspective in economic evaluation requires that all costs and benefits forgone are incorporated as they are incurred across sectors and individuals. “More restricted perspectives may mask the fact that costs are simply being shifted to another sector rather than being saved” (Palmer & Rafferty, 1999, p.1551).

Evidence of unpaid (informal) giving and volunteering has been the focus of a small but growing field of interest regarding the relevance of measuring the ‘opportunity cost’ in a broader societal context. A small but increasing number of economists are concerned with developing methods that make it possible to place a value on goods that do not have a formal market price, such as volunteering and unpaid care (Salamon et al., 2011; Faria et al., 2012). Most government attention is placed on goods that have a market value and are reflected in the Gross Domestic Product (GDP), whilst much less attention is given to other limited resources which impact on the GDP but in less visible ways. Economists increasingly emphasise the importance of developing methods and collecting data that make it possible to measure the impact and value of volunteering. Important real-world implications are linked to this debate about volunteering, such as important contributions to health care, social support and community development.

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<sup>5</sup> Preference weights for the dimensions (scores range from 0 for death to 1 for perfect health) are usually established using the so called Time Trade Off method, which “requires respondents to consider how many years in full health are equivalent to a longer period of time in a poorer health state” (Dolan, 2011, p.1408).

If volunteer work remains unquantified, then policy makers are more likely to continue to neglect this area and not plan for and fund programmes that encourage and support volunteer efforts. The challenges of putting a value on volunteering are both conceptual and methodological in nature (Drummond et al., 2005, 2008; Bowman, 2009). Very similar in nature is the informal or unpaid care debate which mainly takes place in the context of an ageing society and the challenges that ageing populations pose for welfare systems. As evidenced by many studies, the costs of care increase considerably when the opportunity costs are included (Oldman, 2000; Schneider et al., 2003; Patel et al., 2004; Pickard et al., 2007). The value of informal or unpaid care has a number of dimensions which might require different methodological approaches. The loss of productivity linked to a reduced ability for carers to participate to the same extent in formal employment is typically valued using a so called 'human capital' or 'friction cost' approach whilst a 'replacement cost' approach is used to reflect the value produced by informal carers that would otherwise require some form of formal care provision. Another cost is the burden placed on informal or unpaid carers leading to quality of life and wellbeing losses (Drummond et al., 2005, 2008). Related information that is increasingly collected is starting to be used in political decision making for fairer and better resource allocations (Stiglitz et al., 2009; ONS, 2013).

### **A preliminary conclusion**

It is probably impossible to develop one outcome tool that is able to capture all aspects of life that matter to different people in different situations. The attractiveness of employing the small range of generic measures presented above is that resource allocations decisions can be made within department budgets (such as departments responsible for health and social care). National data collections for these outcome tools can possibly facilitate the identification of inequalities and other differences between localities, together with changes within one locality, thereby allowing earlier government intervention. Data collection of these metrics at a national level gives new opportunities to create more valid models and projections to predict demands and needs and can inform a more reliable baseline by which we can compare outcomes and impacts beyond stationary measures. However, it is argued in particular at a European level that more needs to be done to realise the full potential of related data (Stiglitz et al., 2009, p.3).

In the following we outline how performance measurement is used in third sector practice and which particular challenges are caused by third sector characteristics in such kinds of measurement. This will mark the point of transition from performance measures to other ways of assessing impact, one of which – and the most effective as ITSSOIN argues – is a focus on the third sector's contribution to social innovation.

## **2.2. Applying performance measurement methods to the third sector**

### **Economic (e)valuation practices**

Economic evaluation is a comparative analysis of costs and outcomes associated with the goals of increasing social welfare and making best use of limited resources. Although the method could be too resource-intensive to be repeated frequently as part of regular performance management processes, economic evaluations present a theoretical foundation of performance measurement and set the context in which performance measurement takes place. The contribution of involved analysts refers to "all stages of the evaluation process including: helping to clarify objectives and convert these into outcomes that are measurable; drawing a clear distinction between processes, inputs, outputs and outcomes; encouraging a more

systematic and rigorous assessment of costs and outcomes, with a particular emphasis on generating statistically valid results; highlighting the need to consider what would have happened in the absence of the intervention being evaluated; adopting a societal perspective or multiple perspectives, thus ensuring a more comprehensive assessment of a programme's impact [...]" (Byford et al., 2003). Whilst these authors refer in their report to the application of economic evaluation in social welfare – and to social care in particular – these principles apply to all sectors, including those where the third sector may play an important role.

There are different methods to value costs and outcomes depending on the nature research question asked. *Cost-minimisation analysis* is used where outcomes are certain and similar across the alternatives to be evaluated, which is rare. All other approaches to economic evaluation incorporate outcomes explicitly in the analysis, but they do it in different ways. In areas where there is an accepted generic measure that is thought to capture all relevant effects, one can employ *cost-effectiveness analysis*. If this measure is a preference-weighted measure of utility (such as the QALY), the evaluation is often called (in healthcare contexts, at least) a *cost-utility* analysis. Recommendations about investments are then based on lowest cost per unit of outcome gained. If multiple outcomes need to be considered in the analysis, then a so called *cost-consequences* analysis is likely to be needed; this presents a range of outcomes alongside costs, leaving the final judgement to the decision maker based on their weighting of the different outcomes. Finally, the so called *cost-benefit analysis* requires both costs and benefits to be measured in monetary units, and findings are presented in form of a net benefit or return on investment; it is particularly useful when making an economic case to donors or commissioners.

There are methodological challenges, however, when trying to assign a monetary value to some outcomes, and although there are methodological innovations, in practice most cost-benefit analyses have focussed on those consequences that translate directly into savings (e.g. reductions in hospital admissions). A particular form of cost-benefit analyses has evolved from third sector practice and received much political attention, namely the Social Return on Investment (SROI) analysis, which has an explicit focus on involving stakeholders and using monetary proxy-indicator with the specific aims to value all benefits, including intangible ones. However, the SROI method lacks sufficiently rigorous theoretical foundations so that the way values are derived can appear rather arbitrary and subject to (unwanted and not disinterested) manipulation. Besides, the study of more genuine social effects (which are hardest or impossible to monetise) is found to be unsatisfactory to date (Krlev, Münscher, & Mülbart, 2013). Partly, these deficits and the challenges lying behind are of methodological nature, partly they are grounded in the nature of third sector activity.

### **Third sector properties and performance**

Economic theory can be used to explain third sector activity through the existence of market failure. Although based on many assumptions, it contributes to a useful understanding of many challenges of performance measurement in the third sector, four of which are cardinal:

First, externality characteristics leave many third sector activities unpriced or with market-generated prices that do not reflect true social value (for example volunteering or unpaid care as discussed earlier); information asymmetries and some transaction costs would usually be high for these goods or services which are often provided remotely from the donor over long time periods and which are difficult to assess or monitor, mainly due to the limited ability of the user or donor to assess their quality in advance or sometimes even afterwards ('experience

goods'). They explain why users and donors may rely more on non-profit organisations in whom they have greater trust. It is argued that for these reasons third sector organisations find it easier to enter the market and even develop monopoly power over time. For example, Kendall et al. (2006, pp. 423-425) argue that the proportionately large role of the third sector in social care (compared with many other areas of public investment/activity) is explained by relatively low start-up and entry costs (help with shopping, advice, befriending can be provided by individuals without formal qualification), lack of economies of scale (because services are highly individualised), lack of opportunities to sustain large profits and a greater ability to recruit a greater supply of volunteer labour. All of these conditions have made it less likely for the public or private sectors to enter these fields.

Second, at the same time governments rely (arguably increasingly) heavily on third sector provision and in most countries the third sector receives large amounts of public money through a number of different channels, including service contracts and grants. One could argue that with that also comes accountability, the need for transparency of third sector activities and a responsibility to demonstrate that money is well spent. Third sector organisations are different from the public sector in that they are constitutionally independent from the state and are different from private sector in that they do not distribute profits. Their governance arrangements are much more complicated and their accountability is towards multiple stakeholders, including funding bodies. The latter may change frequently and incorporate different forms of accountability through for example contracts, service level agreements and grant agreements as well as less formalised forms of accountability to donors and regulators. Perhaps unsurprisingly, performance measurement in the third sector organisations has been patchy, inconsistent, with different third sector organisations employing different tools (Harlock, 2013).

Insecure, short-term funding often also means short-term reporting and many individuals employed or volunteering in third sector programmes have lacked enthusiasm for performance measurement, which is perceived as a time consuming burden imposed by governments (or donors): "In terms of measuring voluntary sector performance, there is a belief that there is still a great deal of paternalism, with the UK Government believing it can demand information from the voluntary sector and have control over how money is spent" (Little, 2005, p. 833). Data collection capacity of most of the small projects is very limited and the informal nature of their activities also means that it is more difficult to get reliable data for users; for example Moxham and Boaden (2007, p.837) reported that "all case organisations offered confidential activities [...] where the beneficiaries are not known".

Third, any narrow interpretation of performance measurement – in the sense of the imperative of only 'what gets measured gets managed' coined by Peter Drucker – is likely to be unhelpful and could even have adverse effects on the sector if it changes the way that third sector organisations operate and disincentivises organisations to innovate. Also the ability of third sector organisations to advocate and criticise could be influenced by the role that is placed on them and may be reduced if government bodies have too much control over the activities of third sector organisations. Knapp (2013) writes, "professional rivalry, narrowly framed performance measures and simply the slow churn of bureaucracy" (p.5) can constrain an organisation's freedom to innovate and thereby remove one of the earliest and strongest arguments for a third sector, and for individuals involved – the benefits of organising one's own cause. This has been recognised by some government departments and donors, who in turn have developed broad frameworks and simple tools such as the so called 'logic model

approach' that give a stronger priority to learning and development of third sector organisations rather than on monitoring them (Whitman, 2008; Harlock, 2013). The aim of those approaches is to support the organisation in reflecting on their own purpose, what they set out to achieve and identify mechanisms to bring the organisation back in line where it deviates from its original purpose and vision.

Fourth, as in the case of volunteering and informal or unpaid care, there may be a risk that some third sector activities remain invisible and at risk of not being well supported because their value is not measured or appreciated. Even for organisations which themselves do not have the capacity to apply their own performance measures, evaluations may be carried out by researchers who would understand the potential value of small third sector organisations (Knapp et al., 2013). Larger organisations which are contracted to provide publicly funded services are likely to have the capacity and obligation for more extensive performance measurement, and which might – by virtue of the contracts underpinning their work – need to evidence costs and outcomes.

### **2.3. More comprehensive frameworks for performance in the third sector**

The above challenges seem to be better catered by broader performance concepts for third sector activities. A performance measurement framework was developed by Kendall and Knapp (2000). It represents an extended version of the production of welfare framework introduced earlier and specifically addresses some of the third sector particularities. Kendall and Knapp incorporate meso-level (stakeholder networks) and macro-level (policy processes at an institutional level) perspectives. Performance is no longer limited to the organisation (and no longer assumes everything else being constant) but embedded in the environment of the organisation with interdependent relationships with its context. In addition to efficiency, effectiveness and equity, Kendall and Knapp introduce three domains of third sector activity: advocacy, participation and innovation. These concepts are arguably both, a means to an end and ends themselves, and should each be measured. For example, an increase in participation or volunteering has immediate benefits to the altruistically motivated individual (Le Grand, 2003), a direct impact on resources and can be linked (as shown in longitudinal studies) to intermediate and final outcomes for the volunteer such as self-confidence, skills and employability, health and wellbeing.

The amount of volunteering resources available also strongly depends on contextual factors such as labour market conditions, welfare entitlements and the ways in which government encourages and supports volunteering, which is only one example of relevant advocacy. The impact of advocacy is particularly difficult to measure because of the strong interdependencies with contextual factors: some advocacy (such as campaigning or lobbying) might have as their primary goal changes to the contextual factors themselves, and so proxy indicators or subjective assessments may be appropriate. Also, although citizen advocacy is more likely to achieve shorter-term final outcomes which can be measured directly, they may also be approximated through intermediate outputs. Practices in both cases deviate from standard ways of assessing performance, but represent workable ways.

In *Table 1* we present a summary of different performance indicators, the domains they are able to capture and some of their limitations.

**Table 1. Performance indicators in the third sector, based on Kendall and Knapp (2000)**

| Performance indicator   | Dimension (s) being measured   | Challenges and limitations  |
|---|--|---|
| Resource inputs, expenditure, average costs   | Economy, efficiency  | Essential, but just on its own represents a narrow view of performance; method needs to be developed of assigning values to resource inputs that do not have market price |
| Resource inputs for specific activities   | Advocacy, innovation   | Activity only as an indicator of impact   |
| Number of volunteers and hours volunteered  | Participation  | Quality of relationship is not captured, relationship to final outcomes needs to be verified  |
| Comparative impact on final outcomes (welfare, quality of life) for individuals or groups | Effectiveness, efficiency (indirect participation, innovation, advocacy) | Generic measure often not sensitive to measure changes; difficult to create a counterfactual  |
| Satisfaction ratings (of different stakeholder groups)                                    | Effectiveness  | Subjective, some stakeholders may be difficult to reach, or they may find it difficult to express satisfaction; time consuming  |
| Subjective measures of impact   | Effectiveness, innovation, advocacy                                      | Can be manipulated, might be difficult to conceptualise   |
| Subjective measures of opportunity of impact  | Effectiveness, innovation, advocacy                                      | Can be manipulated and might be difficult to conceptualise; time consuming  |
| Barriers of impact (contextual factors)   | Innovation, advocacy   | Does not provide information about impact   |
| Volume (for example events, users seen)   | Effectiveness, efficiency, advocacy, volunteering                        | Can together with input provide some indication whether more or less of a service is better than less of it   |
| Quality   | Effectiveness, efficiency  | Needs to be defined, consensus agreed between stakeholders; requires that relationship with final outcomes is known   |
| Market concentration index  | Equity   | Requires that market boundaries can be defined  |
| Service targeting   | Equity   | Subject to manipulation   |
| Redistributive policy consistency   | Equity   | Organisational purpose might be to divert from national policy in which case this is not an appropriate measure   |
| Accessibility (user charges, clients served, location)                                    | Equity   | Subject to manipulation   |
| Benefit-burden ratio (groups of funders versus beneficiaries)                             | Equity   | Subject to manipulation   |
| Procedural equity (e.g. user charges, location)   | Equity   | Subject to manipulation   |



In addition to the choice of type of evaluation and indicators, other methodological decisions need to be made about the perspective of the analysis, the time horizon, and choosing the counterfactual. The particular characteristics of the third sector suggest certain requirements for evaluation (many of which are similar to the ones for complex interventions in the statutory sector social welfare and prevention field). Typically in third sector programmes there are different groups of beneficiaries including volunteers, users, their family members (including unpaid carers), and other participants.

It is also likely that a third sector programme will achieve multiple and diverse outcomes for some of these groups and one single tool is unlikely to capture all of them. In addition, outcomes will not always be known in advance (because of the complex and personalised pathways often leading from resource inputs to outputs, intermediate and final outcomes) so that a process needs to be incorporated into the evaluation design which first establishes the objectives of the third sector programme and then leads to selecting some important outcomes and choosing tools how those can be best measured. The perspective on costs has to be broad, capturing not only costs to the third sector organisation, donors and the government but also to individuals involved in the programme including the costs (but also the benefits) that occur to users and their families, volunteers and carers.

Finally, following the principle of opportunity costs, economic evaluations are comparative in nature and costs and outcomes are compared against what is likely to have happened in the absence of the programme ('the counterfactual'). As argued before, third sector activity is more likely to occur in areas where there is no alternative public or private sector provision and the alternative might be to 'do nothing', so leaving it to individuals and the community to provide this kind of support or simply not to have this type of support available. Having a comparison group could in some situations be seen as unethical and there are many other reasons why it might be difficult to recruit individuals into a study. Techniques are available to make up for this deficiency, one of which is called decision modelling. It helps "tracing pathways through care for individuals with particular characteristics or needs" (Knapp, 2013, p. 6). The method can also be used to extrapolate outcomes beyond the time horizon of the study. This benefits interpreting the long-term impact and helps meeting the problem that "the time horizon constraint on government contrasts with the ability of some voluntary bodies to specialise in activities which confer benefits only over many years" (Knapp et al., 1990).

Additional evaluative research might subsequently be able to establish the expected relationship between intermediate and final outcomes (Knapp et al., 2013; Bauer et al., 2014). But there is still a considerable way ahead.

### **3. Focus on innovation as a way out**

The previous chapter, which represents an extensive review of theory and practice, has illustrated the leaps performance measurement has made forward in a third sector context. We have learnt that a number of promising approaches – addressing neglected dimensions more or less comprehensively – exist that pay tribute to the complexity of impacts involved and the inherent particularities of the sector. This has resulted in a significantly improved capability of assessing third sector outcomes and impacts, at least in specific fields or for certain stakeholders.

Despite this advancement, it has also become evident that a thorough capturing of third sector impact is just about to emerge and that methodological challenges impede an encompassing assessment of third sector impact. But there is a way of meeting this ambition, and this is what we turn to against a critique of the approaches and a condensation of the insights presented above.

Some of the discussed tools for capturing impact (at least partly) conflict with the very essence of third sector organisations. Although being subject to limited resources and thus to a cost savings rationale, the organisations' inherent value consists in providing services and exerting advocacy where simple input-output models under the rationale of output maximisation per unit of input are not easily applied. In principle, one of the central concerns of third sector organisations is optimal effectiveness as defined above, which is yet usually superordinated by the efficiency principle (also described above) that determines public economics and is thereby transformed into a policy directive. The resulting inherent tension between the organisations' purpose and mission on the one hand, and policy principles of economical provision on the other, is partly mediated by the emergent focus on equity and related concepts.

A case at hand illustrating the extension of the measurement perspective is the study of service provision under the angle of its 'transformative power', including the effects on the well-being of recipients and their wider surroundings (Rosenbaum et al., 2013). Generally, a significant extension of the range of approaches that are available to third sector organisations with respect to performance and impact assessments can be observed. We can thereby detect a tendency moving from standard performance tools such as the Balanced Scorecard (Kaplan, 2001) to (quasi-experimental) outcome and impact assessments that include a focus on mission-related impact, which is central to the existence of third sector organisations (Liket et al., 2014; see also Rey-Garcia et al., 2013).

Yet, even if measurement frameworks incorporate a broader perspective on impacts, they remain more suitable for service-providing organisations, rather than for 'advocates and value guardians'. In addition to welfare and quality of life as final outcomes, it is characteristic of third sector organisations that they strive for symbolic outcomes or abstract ideals such as equality, freedom of speech and expression, or preservation of nature and culture. These final outcomes do not translate directly into welfare units.

There is another issue concerning economic approaches to impact, specifically where they involve 'pricing'. For instance, there is a critical counter-argument against the assessing of the monetary value of volunteering: the negative consequence for volunteer motivation arising from attaching a monetary value to volunteer work. There is a lot of research on crowding-out of intrinsic motivation. Volunteer work is often performed out of intrinsic motivation, which is likely to be crowded out by putting a price tag on it. Volunteers providing unpaid labour can feel offended and exploited when they become aware of the fact that they are providing services for free which are worth a lot of money when provided by paid labourers. Why does society not want to pay for their efforts? As a result, we face a difficult challenge to find a balance between economic perspectives of volunteer labour that serve for making it more visible in accounts of productivity, on the one hand, and the provision of esteem without reducing it to price tags, which would otherwise threaten to crowd out volunteer motivation, on the other.

Finally, in existing attempts aiming at assessing impact we can detect a risk of missing the point, which can happen when predominantly aspects relevant to the financing of projects and to establishing a fair account of costs and monetised benefits are focused on, but aspects which can serve as a 'proof of concept' and verify whether predefined goals are being met or how the activities performed effect on individuals are neglected. In a systematic review of the research on community development programmes – a field characterised by many involved actors and thus layers of impact – Bamber et al. (2009, p. 5) note that “credible evidence of what works in terms of programme design and content, and programme implementation and delivery, that is evidence obtained through rigorous application of accepted scientific methodologies for establishing causal relationships between programme activities and specific outcomes for communities or individuals, is largely absent”. These issues affect insights into impact generated by specific interventions or organisations – they become exponential when we try to understand the contribution of the third sector at the regional or national level more broadly.

Thus, classical economic rationales can serve as a point of departure but have to be complemented so as to include the contextual environment comprising opinions, attitudes and ideologies as well as (field) specifics and outcomes pinpointed at beneficiaries.

In summary, we have seen that to date efforts to gauge the impact of the sector as a whole or in particular fields have led and would continue to lead to rather inconclusive results. Of the various reasons for this inconclusive research record we can distil two which are particularly relevant to the topic at hand:

1. The causality or attribution problem, i.e. the challenge to establish cause and effect relations under conditions of social complexity (Department for Communities and Local Government, 2014; Milton et al., 2012) with many confounding factors and processes involved (Sefton, Shupp, & Walker, 2007; Byford & Sefton, 2003; Munford & Walsh-Tapiata, 2006; Oakley et al., 2006; Maclellan-Wright, 2007);
2. The measurement problem, i.e. the difficulty in identifying, operationalising and measuring impact and outcome in valid and reliable ways (Paton, 2003, p.1 ff; Rosenzweig, 2004, p.3 ff; Rotheroe & Richards, 2007, p.32; Nicholls, 2009, p.758; Zappalà & Lyons, 2009, p.3; Smith, 2010, p.135 ff.) under conditions of coproduction, where the various service and advocacy components of what the organisations offer, are on different time lines, etc.

As Kendall and Knapp conclude in relation to their extended third sector performance framework “performance measurement may have to rely on indirect measures of actual effects, or subjective impressions of impact, or even simply (but uninformatively) measures of resources allocated to this activity” (Kendall & Knapp, 2000, p.112). There is “no single criterion of performance upon which to rely, particularly in the view of the multiple-stakeholder context”, and no “simple or uncontroversial way to aggregate indicators across domains” (Mook et al., 2003, p.129).

We suggest that both problems combined, i.e. attribution and measurement, indicate a critical degree of intractability: the existence of non-profits is linked to conditions where it is easier to monitor cost behaviour and distributional aspects as determinants of performance than outcomes and impact. We regard the non-profit status as an indicator of trustworthiness because measured and accounted performance is extremely difficult to establish. And if it were possible to measure the performance of non-profits, similar to market performance, their very 'raison d'être' would be challenged: Non-profits simply exist because performance in the field

they operate is inherently difficult to assess. Yet, does the inconclusive record of previous research on empirical non-profit performance suggest that questions about impact are impossible to answer, even irrelevant?

We suggest to the contrary that research may have emphasised the conventional, steady-state or standard performance compared to other forms of performance, which are conceptually and policy relevant, and more feasible – in particular at this very point in time. One such aspect is innovation, understood as the capacity of non-profits to generate novel ideas as well as new ways and methods of acting or of implementing objectives, and of addressing diverse public and social problems.

*The basic underlying idea is that non-profits are “better” at social innovations than governments and markets – a claim that will be explored below, and further developed and then tested empirically within the ITSSOIN project.*

### **3.1. What is social innovation? – Characteristics of an emergent concept**

We can see the potential role of the third sector not only in the cases of revolutions and radical social movements, but also in less contentious and less disruptive civil society activities and grassroots associations that advocate and realise actions in the interests of various social groups. For instance, we can discern the social impact of the third sector when observing non-governmental organisations that significantly influence multinational corporations to be more environmentally or socially responsible, thus contributing to the evolvement of new standards and practices. All these phenomena can be described as social innovation. We can also observe social innovation in connection with social entrepreneurs’ activities, foundations supporting medical research, and charities seeking to improve the standards of living of the poor. ITSSOIN regards third sector activities as highly driven by the objective to establish social innovation. Therefore social innovation is seen as an impact that can be attributed to a great extent to the third sector.

This, however, does not mean that we disregard the role of contentious politics in advancing social innovations. There is, for instance, a global movement (promoted by the World Bank and the International Monetary Fund) focussing on justice and ‘good governance’ and aiming at changing the way multinationals and international institutions around the world act. Another example is the ‘global compact’ initiated by the United Nations and driven by the commitment of ‘responsible-minded’ businesses. The investigation within the ITSSOIN project aims exactly at analysing all actors involved in relevant social innovation processes (yet with a focus on the EU level).

The initial examples only serve to showcase why the project’s underlying idea of a pronounced role of third sector activities in social innovation has emerged. In relation to the examples given, one might even argue that pressure from civil society to promote the ‘good governance’ agenda or social responsibility was the element to spark innovation and businesses’ engagement and that the political agenda was just the result – another prompt for the underlying claim that this report intends to discuss and challenge.

The concept of social innovation can be traced back to Max Weber, who reflected on the impact of ‘abnormalities’ in social behaviour that lead to social change, affecting the general social order (compare to (Bureau of European Policy Advisers (BEPA), 2011)). It can also be related to the discussion about bottom-up and foundation- initiated “social engineering” in the 1920s.

First targeted research on the topic, however, only emerged in the late 1980s and early 1990s (see, for instance, Zapf, 1989). Since 2000 it has attracted attention of institutional and organisational research and contributed to a growing body of literature. It has also gained attention of policy makers, since social innovations are seen as an option to find solutions for problems emerging in the wake of the financial crisis, especially societal problems concerning the welfare state (Borzaga & Bodini, 2012, p. 3).

In view of this broad interest in and the extensive hopes that are connected with social innovations, clear definitions that grasp the essence of this concept are difficult to find. Most definitions include a multitude of aspects that are relevant for social innovations. The European Commission describes social innovation in its “Guide to Social Innovation” for instance as follows:

“Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act” (European Commission, 2013a, p. 6).

Scientists proposed to treat social innovation as a ‘quasi-concept’, just as is the case with ‘social cohesion’ for example. A quasi-concept is characterised by its approximating character and inherent definitional looseness, which is beneficial for a phenomenon’s use in a research and a policy context (Hollanders & Es-Sadki, 2014b; Jenson, 2010), as referred to in (European Commission, 2013b). We are generally supportive of the idea, since it tries to remove ambiguity while taking seriously the complexity of the subject and rejecting a too narrow focus. However, a quasi-concept of social innovation is not useful, if it is not built on empirical and conceptual accounts of what constitutes and differentiates distinct kinds of innovations so as to derive a more detailed understanding.

Only by doing so can we move on to assess social innovation as proposed, namely as one of the third sector’s primary contributions to social impact. This covers both sides of the reasoning: (1) one of the main social impacts of the third sector is the creation of social innovation (although another important social impact is represented by being a major employer); (2) the third sector’s social impact arises from social innovation, i.e. social innovation is one of the primary mechanisms that generate social impact (although it, of course, also creates social impacts via other more standard routes, such as providing services with a ‘plus’, as was previously mentioned). A word of caution in advance: since the expectations connected with innovation are generally high (not only those connected to social innovation) there is no consensus as to what innovation is, as to how it can be directed or best studied, or as to what its consequences are (Borzaga & Bodini, 2012, p. 4). However, in looking at the subject from the perspective of various disciplines and research traditions, we can distil both distinct unifying and separating categories.

In the following, a multitude of conceptual approaches and empirical insights on innovation will be presented. The review starts with relating innovation to impact more closely, as established in the preceding chapter. Then, we will present how innovation is studied at different levels (individuals, organisations or wider systems). Particularly the system

perspective (at the *macro level*) will prove useful for the study of social innovation and its wider impact, which represents the essential aspect of the ITSSOIN project's research. Next, and against this background, different types of innovation can be identified that social innovation can be related to and contrasted with. From both of the previous steps we can derive a set of key rationales as to which properties 'innovation actors' have to possess. These will be used in the subsequent chapters to establish a link to third sector entities (at the *meso level* of organisations but also more informal groups) and the involvement of actors within these entities, with a special interest in volunteers (at the *micro level* of individuals).

A note of caution should be sounded before proceeding with the following discussion. As expressed in the critique of performance frameworks, the aspect of advocacy in relation to impact and innovation is particularly difficult to assess. This is not least due to the associated measurement and attribution problem, but also due to the relative neglect of this aspect in mainstream innovation – i.e. technological innovation which is mainly preoccupied with services, products, or structural and procedural transformations within organisations, as will be seen in the following section. Social innovation is typically much more open and embraces the service and the advocacy dimension in a similar way. Therefore, references to advocacy will become more pronounced as we move towards the social innovation subject. However, based on these circumstances, in this document advocacy (despite its central position in the ITSSOIN research) will receive relatively less attention than the service dimension.

### **3.2. Innovation and impact**

The effects of innovation are usually multi-sectoral and trespass theoretically constituted borders between spheres and fields, which explains why there are multi-disciplinary approaches to innovation (Anheier & Fliegau, 2013, p. 137; Borzaga & Bodini, 2012; Crepaldi, Rosa, & Pesce, 2012, p. 15; The Young Foundation, 2012, p. 4). Literature on innovation can be found in research on economics, public administration, management studies, political science, law, sociology and technology studies. Various conceptual perspectives on innovation are one of the results.

The most common differentiation of innovation was coined by Schumpeter, who distinguishes between product, process (e.g., such that improves the production process), and organisational innovation (e.g., restructuring that is geared to the improved production process) (Schumpeter, 1934). These schemes were adopted by a large number of authors; especially the discussion on process innovation has gained momentum over the last two decades in relation to the discussion on product innovation, which has traditionally been more advanced (Adner & Levinthal, 2001; Davenport, 1993; Ettlé & Reza, 1992) despite the seminal discussion by Utterback and Abernathy somewhat earlier (1975). One of the reasons for increased interest in processes is the complexity of assessing the effects of innovation from a process perspective: as Kendall and Knapp (2000) pointed out, the impact of new goods, services or technologies can be measured by means of their intermediate or final outputs (partly outcomes), whereas process innovation will be more reliant on subjective impressions of impact (varying dependent on stakeholder perspectives) or even the opportunity of impact.

Traditionally, the concept of impact was narrowly defined and impact mostly understood as the effects of an innovation in relation to previous approaches; its wider societal influences were rather not taken into consideration. This applies to the way in which Abernathy and Clark (1985, pp. 22f.) and also (Henderson & Clark, 1990) used to study innovation (discussed in Anheier & Fliegau, 2013, pp. 140f.). Abernathy and Clark speak of: 'niche innovations' that are

able to transform markets but leave the general technological knowledge involved largely unaltered, ‘architectural innovations’ that preserve and enhance knowledge of individual components but change knowledge about the linkages of these components, or of ‘regular innovations’ that work the other way round and trigger new knowledge on the individual components while maintaining knowledge on the larger system.

The already applied terminology implies that innovations will obviously differ in the scope and scale of their impact – architectural innovations are likely to have a higher impact than regular innovations. In principle, however, it should not be neglected that more ‘incremental innovations’, if aggregated, can have a higher impact than more revolutionary and thus visible ‘disruptive innovations’ (Christensen, 2000).

In contrast to this rather ‘technical’ understanding of innovation, which refers to how innovations affect delineated systems, an interest in broader innovation outcomes has recently developed. This is stated, for instance, in (Anheier & Fliegau, 2013, p. 137) and applied in (Krlev, Bund, & Mildenerger, 2014), where indicators are proposed that might capture how social innovation affects society by fostering societal cohesion or well-being or how it relates to field specific outcomes such as education achievement or tolerance towards minority groups.

In the wake of this development, it is becoming evident that innovation in itself is rarely of significance, if not seen in perspective. There is a growing attitude that innovation shall not be sought for its own sake but because innovation can nurture systemic societal renewal and revitalisation just as it can enhance effectiveness. With no clear account of what innovation does – thus without the impact perspective in mind – we miss a large part of the picture that illustrates what values are created and how this happens. This broader understanding of innovation is, for instance, addressed by the study of innovation in relation to international advocacy movements, e.g. with regard to disability or the transformation of national service standards in a service field agenda (Dahl et al., 2014). Consequently, more careful consideration should be given to aspects of advocacy and how innovation and its agents are perceived by their constituents.

The thematic interlinkage between innovation and social impact adverts to a critical argument:

It is increasingly recognised that innovation is often not a clear-cut phenomenon resembling a jolt running through existing systems and producing traceable effects. Such kind of innovational impact may occur in the context of some technological innovations (for instance, the ‘replacement’ of analogue cameras by digital ones), but does rather not apply when social innovations (such as the dynamics behind decentralised, citizen-owned renewable energy production) are concerned. Impacts with respect to social innovation quickly become so diffuse that it is difficult to calculate attributions or deadweight, i.e. to estimate what would have happened in the absence of the innovation. However, this does not mean that we cannot take account of who has contributed and in which way to the emergence of that innovation and to use this as a proxy for the impact of the involved players.

A systemisation of existing innovation research will assist this transition. It can be realised best by differentiating (1) the level of analysis and (2) the types of innovations.

### 3.3. Levels of innovation

#### Individual innovators: Entrepreneurs

The idea of entrepreneurial innovation, which clearly goes back to Schumpeter's discussion of entrepreneurship as the ultimate renewing force in the economy, emphasises the importance of actors for innovation and analyses the influence of individual and collective actors on innovation (Autio, Kenney, Mustar, Siegel, & Wright, 2014, p. 1089; Hoogendoorn B., Pennings E., & Thurik, 2010; Picciotto, 2013; Shaw & Carter, 2007).

Social entrepreneurship is associated with third sector organisations and civic engagement or the initiation of social innovation processes (Autio et al., 2014, p. 1100; Hoogendoorn B. et al., 2010, p. 7; Picciotto, 2013; Shaw & Carter, 2007, p. 419) than traditional entrepreneurship. One field in which social entrepreneurs occur is the field of social services. Picciotto looks for instance at social entrepreneurs transforming confiscated mafia properties in Italy in their projects (2013). This is one of the examples where an unusual organisational mission coincides with such organisations' increased ability to draw on uncommon and otherwise inaccessible resources (mafia properties). In contrast, business entrepreneurs foster innovation for economic purposes and with economic means (Shaw & Carter, 2007, p. 419). In what follows, we selectively present particularly the empirical evidence that points at the difference between social entrepreneurs and business entrepreneurs, the relation of innovation and entrepreneurship, and its necessary embedding in wider social contexts.

One differentiation is that in comparison to business entrepreneurs, social entrepreneurs tend to put more focus on innovation (Shaw & Carter, 2007, pp. 421f.). In comparing 80 in-depth interviews with social and business entrepreneurs, Shaw and Carter (2007, p. 425) find similarities in work and experience patterns but differences in the motivation of both groups. Both entrepreneur groups maximise local network embeddedness and need creativity to implement innovation but in contrast to business entrepreneurs, social entrepreneurs focus on unmet social needs and are more locally bound. Thereby, they build social credibility. Additionally, they only rarely invest personal financial funds into their venture, do not seek profit maximisation for personal gains, and the credit for their achievements is more often shared with volunteers. Thus, both types of entrepreneurs conduct similar activities but their respective motivations differ significantly.

In reviewing empirical papers on social entrepreneurship, Hoogendoorn et al. (2010, p. 3) identify four schools of thought: (1) the 'social innovation school of thought', (2) the 'social enterprise school of thought', (3) the 'emergence of social enterprises in Europe (EMES) school of thought', and (4) the UK approach. Here, the 'social innovation school of thought' is obviously of special interest. According to the authors, it defines social entrepreneurs as having exceptional qualities and being innovative in a way that generates structural change. These individual characteristics, however, are not confirmed by the studies the authors reviewed. Shaw and Carter find many similarities between social entrepreneurs and commercial entrepreneurs, except for their motives and use of language (Hoogendoorn B. et al., 2010, p. 28).

Thus, an isolated analysis focussing on individual actors will not lead us very far. Hoogendoorn et al. point out that the social innovation school of thought is the only one that concentrates so strongly on the individual level. All other schools usually select the enterprise as their unit of observation. Especially the EMES approach is of relevance here, since social enterprises are



seen as collective entrepreneurial initiatives that enact innovation from a non-profit perspective. Another relevant example is the work of Turró et al. (Turró, Urbano, & Peris-Ortiz), who analyse the moderating effect of cultural values on corporate entrepreneurship and thus identify important conditions for innovation in firms. The authors show the importance of the interplay between environmental factors and entrepreneurship. In their investigation, the influence of entrepreneurial cultures and media exposure has proved crucial – a circumstance that points at the critical relevance of the perception dimension in studying innovation.

All evidence indicates the necessity of a more thorough integration of individual and organisational perspectives. To advance this, the idea of ‘entrepreneurial ecosystems’ is suggested by Autio et al. (2014). By a multidimensional process of analysing innovation, the influence of multiple actors is accounted for. Furthermore, ‘innovation ecosystems’ which contain similar notions and should help embed the innovation event in wider spatial and sectoral innovation environments (Anheier & Fliegau, 2013, pp. 145f.) are discussed. This, however, is an issue we will address more closely after exploring the organisational level.

### **Innovation in organisations**

Research at this level focuses on organisational properties and their relation to innovation. The research on innovation at the organisational level is clearly more focused on economic than on social goals. Innovation in this context is seen as a means to achieve and sustain a strategic competitive advantage (Hancké, Rhodes, & Thatcher, 2007). While competition is also an inherent trait of third sector (service) activities and for-profit and management principles are adapted by social entrepreneurial organisations (Krlev, 2012), their ultimate goal of working for the public good trumps all other rationales (see, for instance, Ronald, 2012, p. 525 on research libraries). Yet, innovation remains compatible with this. For this reason we consider perspectives on organisational innovation from a variety of angles.

To be innovative, an organisation has to be capable of continuous learning (Nicholls, 2013). In their extensive review of organisational innovation research, Crossan and Apaydin (2010) emphasise that the majority of highly cited empirical articles use learning and knowledge management theories to explain innovation. This ability to learn is related to internal and external characteristics of an organisation (Blättel-Mink, 2006).

Management literature promotes the 7S factors, particularly as regards internal elements in relation to innovation: Strategy, Structure, Style, Staff, Shared values, Skills, and Systems (Higgins, 1995). Some of these factors tend to be emphasised more often and more strongly than others in empirical research.

Transferred to a non-profit context and based on two case studies in nonprofit hospitals, McDonald (2007) suggests with regard to mission that a “clear, motivating mission” can create “a climate in which innovations are given a fair chance to succeed.”

With regard to structure, Nemeth and Staw (1989) suggest that diversity and horizontal decision making are key factors in for-profit firms. The structure and degree of cooperation between professionals and volunteers also are important factors, in addition to the level of democracy and the structure of authority (Shalley & Gilson, 2004). Even in for-profit firms innovation seems to be positively related to participation and representation (Thelen, 2001).

Moreover, organisational research indicates that the size of an organisation matters in developing and implementing innovation. On the one hand, small organisations are regarded as advantaged with respect to producing innovation because they are more flexible. On the other hand, results suggest that the opposite is the case: big organisations are more successful in innovation because they have a better standing in the market. Anheier and Fliegau conclude that resources dedicated to an innovation project are what matters most and what is decisive for success or failure (Anheier & Fliegau, 2013, p. 143).

Another moderating factor is the age of an organisation. Already Quinn and Cameron (2011, as portrayed in Blättel-Mink, 2006) have distinguished four organisational life phases, of which two have a strong relation to innovation. The first, the 'entrepreneurial phase' which refers to the establishment of a new organisation, is a trivial one. The second, the 'phase of structure and expansion', is more insightful. The argument that expansion can be a driving force of innovation, points at the circumstance that innovation is by no means only to be found in designing things from scratch, but likewise in mature organisations, incumbent in organisational fields.

Nock et al. (2013) have recently addressed this issues by investigating how the largest and traditionally strongest providers of welfare services in Germany, the 'Free Welfare Associations' deal with innovation. There is strong evidence of intrapreneurial action, on the one hand, and a certain slack or indifference with respect to innovation, on the other. It seems that what Cameron and Quinn have proposed (2001) as the 'competing values frame' applies here, which is a link back to organisational culture and confirms the stance taken by Turró et al. in relation to entrepreneurial culture (see also Hollanders & Es-Sadki, 2014a). An organisational culture that is flexible and externally oriented is more likely to 'create', potentially leading to breakthroughs, rather than to 'collaborate' (focus on long-term stability), to 'control' (focus on preservation), or to 'compete' (focus on short-term performance). Although all elements have to be present to a certain degree to keep the organisation balanced and viable, the first property is indispensable for innovation.

Since it influences behaviour in organisations, organisational culture that favours innovation (Hogan & Coote, 2014, p. 1609), including for instance risk attitudes or the openness for new concepts, is a highly relevant modifier of innovation capacity. Differences in cultures and the role of executives might explain the different approaches to innovation in the German Welfare Associations, which are locally organised and thus inhibit a strong degree of variation. Jaskyte and Dressler (2005) show that, generally speaking, a supportive attitude towards creativity within the organisation and specifically amongst managers will promote innovation. On the basis of a survey including 79 schools in the southeast of the United States, Jaskyte (2011) attributes a key role to the 'transformational leadership' of executives and also recently suggested to focus on the role of boards (2012).

A look at employees, who are the organisations' human capital and thus central determinants of knowledge production and associated learning, closes the circle. A huge stock of knowledge and aggregated individual skills, however, are not a good indicator for innovation per se. Instead, 'idea champions' are needed, who promote new ideas and provide and transfer knowledge (from inside and outside the organisation) to be transformed into innovation (Anheier & Fliegau, 2013, p. 144). Especially knowledge sharing is regarded as important (Yeşil & Dereli, 2013, p. 206) and it should not be limited to internal sources as it could become self-reflexive (Wood, 2001).

As a result of this discussion, knowledge brokering, particularly to and from outside parties, emerges as the most salient factor affecting organisations' innovative capacity. The influence of external structures on the ability to learn is reflected in the literature that focuses on organisations' long-term survival (Meyer & Rowan, 1977; Ronald, 2012, p. 526). DiMaggio and Powell developed the concept of organisational fields. These fields can put organisations under isomorphic pressures by adapting to the structures in which they are embedded (DiMaggio & Powell, 1983). This can be interpreted as one strategy to maintain organisational viability – yet, as fields change and are changed by their actors, innovation serves as a source of transformation that creates organisational plurality over time.

This plurality can refer to organisational fields and to novel 'inconsistencies' within organisations. Both are referred to as 'hybridity' (Anheier & Krlev, 2014; Pache & Santos, 2013). Over and over networks appear as the grounding structure of such innovation processes (Powell & Grodal, 2005), or at least show involvement of groups of actors across borders. This perspective outlines that innovation processes often take place in the frame of interaction of a multitude of stakeholders and at different levels of action. The transformation of institutional fields is an example that outlines the interplay of actors: Greenwood et al. (2002), for instance, illustrate how professional associations, referred to as 'collective agencies', play an important role in theorising, promoting and disseminating innovations, thereby causing institutional change i.e. in this case redefining the roles and competencies of accounting firms. Maguire et al. (2004) discuss how several community organisations advocated and established new practices in HIV/AIDS treatment by linking these practices to stakeholders' standard routines and values (here: pharmaceutical firms). Similarly, McInerney (2008) elaborates on field-configuring events in the area of 'non-profit technology assistance providers'.

To summarise, we have seen that organisational innovation depends on a large set of variables; however, some of them stand out more clearly than others. Organisational learning that enhances adaption or continuous pro-active contributions to shifts in organisational fields is essential to innovation. Internally it mainly depends on the organisational culture and on the actors' dedication in particular. Fairly independent of the organisation's life cycle stage or its size, these two variables serve as driving forces of innovation. Even more important, though, is that the organisation has to exhibit strong links to its environment, which manifest in networks but can also take other forms.<sup>6</sup> Without this external linkage, internal moderators are likely to contribute little to realising innovation—all of this points at the necessity of widening our view on innovation towards considering wider 'innovation systems' (Nicholls, 2013).

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<sup>6</sup> There is some interesting counter evidence concerning German firms, suggesting that innovation depends more on the firms' competitive environment than on anything else Ganter and Hecker (2013). Yet, this finding is not consistent with that resulting from a UK study preceding the German one. The UK study regards the search for knowledge as a source of innovation Mol and Birkinshaw (2009). Ganter and Hecker's study is also quite specific by looking at the adoption of innovation rather than its creation, and focuses on innovations in organisational practices only. This special character of the research may limit its generalisability and, what is even more important, the concept of competition is likely to be quite different in the third sector in comparison to that of commercial firms. Finally, organisational openness and connectedness, as it is presented here, is not limited to knowledge search.

## Innovation systems

Studies at the organisational level and innovation systems approaches have in common that they concentrate on structural elements; the latter however takes specific account of the interaction between structures and actors. At least in theory, the idea of innovation systems is to analyse processes in these clusters to gain insights into innovation interactions and enabling conditions.

Innovation system theory embeds innovations in territorial clusters. Since the 1980s national or regional innovation systems have been discussed (Asheim, Lawon Smith, & Oughton, 2011; Mahroum & Al-Saleh, 2013, p. 321). Understanding innovation as a collective and interactive process, systems of innovation are often defined according to Lundvall (1992) as “elements and relationships which interact in the production, diffusion and use of new, and economic useful knowledge” (Mahroum & Al-Saleh, 2013, p. 322).

Asheim and others emphasize the importance of local aspects and argue that knowledge is more easily shared in local contexts (Asheim et al., 2011). The authors illustratively outline the diversity of actors such systems comprise. In this they identify openness and connectivity of such systems as critical determinants of innovative capacity and connect it to learning, as was suggested in the previous chapter. They also show that even in times of dynamic transfer and mobility of resources and capital such properties are hard to develop and replicate. This is for instance illustratively outlined by taking the example of Silicon Valley which can hardly be replicated anywhere else around the world (Fioretos, 2001; Mares, 2001; Saxenian, 1994). Given such observations, it is not surprising that empirical research on the topic is growing.

Indeed, the regional focus has become well established in the research on innovation. In relation to what is called a ‘triple helix’ structure consisting of universities, firms and government in the creation of knowledge (Etzkowitz & Leydesdorff, 2000), Leydesdorff and colleagues researched on knowledge production within economy. The investigations have emphasised that there are geographical differences as to how high-tech manufacturing, medium-tech manufacturing and knowledge-intensive services affect the knowledge base within national innovation systems (Lengyel & Leydesdorff, 2011; Leydesdorff, Dolfsma, & van der Panne, 2006; Leydesdorff & Fritsch, 2006; Strand & Leydesdorff, 2013, p. 472).

The study of Rodriguez-Pose and Comptour (2012) examines more specifically the conditions under which innovative clusters, the so called ‘regional innovation systems’, can thrive and eventually contribute to economic growth. Their study finds that more crucial than the mere existence of clustered structures are the socio-economic conditions surrounding them. These conditions include a good level of education, a high skill level, particularly well-developed high-tech skills, and fiscal incentives.

Although the latter approach extends the research to context factors, it is likely to become subject to Ramstad’s (2009) critique. Ramstad criticised the abstract focus on scientific-driven innovation and the relative disregard of the (dynamic) interplay between structures and actors involved in innovation processes. In relation to Kuhlmann (2003), she draws a picture of the innovation landscape at the intersection of innovation policies and organisational innovation. Ramstad refers to three spheres that are commonly considered in these studies (Ramstad, 2009, p. 536): (1) the scientific system comprising a variety of research and education institutions; (2) the economic system mainly focussing firms; and (3) the political system referring to political actors and administrative bodies. She also addresses formal and informal networks operating at

the intersection of these spheres. In all of this, she emphasises the importance of recognising innovation as an organisational process rather than regarding it as an abstract level element within the field of technologies. And Ramstad also calls for targeted responses with regard to the first understanding on a policy level.

Against the background of Ramstad's criticism, we postulate that a proper 'ecosystems' perspective, which takes account of the links between different frameworks, would enhance and advance our knowledge on the moderators and actors of innovation, and their interplay.<sup>7</sup>

Krlev et al. (2014) have not only recently picked up on this idea, but also extended the scope of innovation studies by compiling a potential indicator suite of *social* innovativeness on the national level. They distinguish between four frameworks (institutional framework, political framework, societal climate framework, and resources framework) in which the entrepreneurially or intrapreneurially driven process of innovation is embedded. From this perspective it is vital to comprehend and study innovation in its wider ecology, rather than focus on single organisational entities. This does not necessarily mean that we expect only clusters to be innovative, but they represent a potentially information-rich setting. Also, the focus on ecosystems does not imply a disregard for organisational processes of innovation or their relation to policies as advocated by Ramstad.

The larger embedding in a wider civil society context is another critical issue that derives from the previous observations. It is increasingly paid tribute to. For instance, where civil society and social movements are regarded as important providers of innovation prompts (see Alcock, 2010b; Crepaldi et al., 2012, pp. 4, 15 or in one of the rare older studies Hwang & Powell, 2009). This also holds for investigations outside the boundaries of targeted social innovation research. Anheier (2013, p. 85) draws on the work of Archiburgi and Iammarino on the "globalisation of technological innovation" (2002) to show that, in general, the relevance of civil society to innovation processes continues to increase.

Based on the presented levels of innovation research, we can draw conclusions as to what a conceptual framework for the analysis of social innovations as impact of the third sector will have to include. This framework will have to be able to integrate a multitude of actors embedded in a broad range of contextual factors, as demonstrated in connection with the innovative system approach. Additionally, it should consider specific structural and individual conditions including their resources such as knowledge, as is illustrated by analyses of innovations at the organisational level and entrepreneurship.

How these conclusions will play out in relation to the third sector and how they will be approached in empirical research will be illustrated later on. Before that, however, we will have to establish a view on different types of innovation and explore the question as to how social innovation relates to previously recognised, more 'standard' forms of innovation.

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<sup>7</sup> This is related to Saxenian's qualitative approach in studying the 'innovation culture' in Silicon Valley, which is inclusive of a variety of moderating factors.

### 3.4. Types of innovation

The aim of this section is to outline and discuss three types of innovation, which have emerged from our review of innovation. These types refer to innovation at a fairly aggregate level and are defined by their predominant – yet not their exclusive – functions in society: technological, social, and governance innovation.

Technological innovation is mainly preoccupied with economic productivity by being linked to commercial performance. Social innovation relates more strongly to social problems and challenges and is thus a moderator of social productivity or performance. Governance innovation finally focuses on the actor constellations and ways of interaction involved in dealing with (public) issues and is thus related to “political performance” as regards for instance negotiation processes, stakeholder involvement, etc.

Types of innovation do not occur in an isolated way and are intertwined. It might well be that a social innovation is technology-based, for instance in the case of assistive technologies for people with disabilities; or that social innovation is governance-based, e.g. where social investors are attracted for social purposes. Technological innovations can be based on social interactions as is the case with online communication platforms.

Moreover, the types of innovations are not bound to sectors. CSR in market environments, for instance, can be executed in a way that it can be regarded as a social innovation. Governance innovations can occur in economic clusters and enhance commercial performance. Yet, some sectors are likely to be more strongly involved in the specific type of innovation than others – a view that the ITSSOIN project seeks to promote with regard to social innovation. A view on the dominant – again: not the sole – characteristics of innovation types can help enhance our understanding in this regard.

In the following, we will disregard more fine-grained types of innovation, which are field-specific or ‘theme’-specific, such as ‘green-innovation’ (Cuerva, Triguero-Cano, & Córcoles, 2014, p. 105). Although helpful in studying specific fields or themes, such differentiation would lead to unnecessary conceptual confusion. Although ‘eco-innovation’ generally refers to contributions that reduce environmental harm, its function will differ. It may refer to a technological innovation that reduces employment or resources in order to improve production efficiency and primarily serves a commercial function, but has social side effects.<sup>8</sup> In contrast, successful advocacy in favour of renewable energy production by mobilising a diverse community of actors would qualify as social innovation. The decentralisation and localisation of energy production and the enhanced participatory engagement of civil society actors would be an element of social innovation, but primarily a governance innovation.

The previously mentioned differentiation by Schumpeter of what we refer to as ‘innovation objects’, which is what definitional category the innovation occurs in, has been restructured and complemented over time. A non-exclusive list of innovation objects includes: ideas, products, services, processes, structures, behaviours, and practices (Cuerva et al., 2014, p. 105).

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<sup>8</sup> See, for instance, Almond and Verba (1963) on how eco-innovation, specifically cleaner design, still trumps proper ‘triple-bottom-line’ Hall and Soskice (2001) engagement in SMEs.

From the viewpoint of technological innovations some of these can be illustrated by innovation in industrial production: the car (product), assembly line production (processes), lean manufacturing (structure), and outsourcing (practice). Notwithstanding variations in intensity, innovation objects can occur in every innovation type. That is why despite their relevance to the subsequent empirical ITSSOIN investigations we refrain from addressing them explicitly herein.

This applies to ‘organisational innovation’ too, which is also referred to as management innovation or administrative innovation. While it is often regarded as a proper innovation type and used to differentiate innovation foci within organisations (Ramstad, 2009) - contrasting organisational (form, structure, or practice) innovation with technological innovation (Ganter & Hecker, 2013; Mol & Birkinshaw, 2009) – , other authors use it as a generic term that refers to innovation by organisations (Cropley, Cropley, Chiera, & Kaufman, 2013; Crossan & Apaydin, 2010). This is why we do not consider it conceptually useful to propose it as a separate innovation type.

### **Technological innovation**

New technologies shaped the last century more strongly than any other time before. Some of the most salient examples of innovation are: information and communication technologies, biotechnology, or new materials (Archibugi & Iammarino, 2002).

Though technologies are often relevant in their transformed shape of an ‘end-product’, opening up new opportunities for customers by using new gadgets, technological innovation in its fundamental outfit can be understood as a significant shift in production techniques that triggers economic productivity. Salter (Salter, 1969) and other scholars have shown how these shifts have increased productivity by decreasing the costs of production processes or increasing output. The introduction of such technologies has typically led to organisational, institutional, and infrastructural change (2002, p. 99 in relation to Galera & Borzaga, 2009) and even to ‘revolutions’ (Daniele, Johnson, & Zandonai, 2009 employing a techno-economic paradigm in recourse to Schumpeter).

Spencer et al. (2013, p. 9), for instance, examined how high-tech start-ups in micro and nano technologies have “redefined the electronics industry, deconstructed the mainframe computer industry and are redefining the pharmaceutical industry today”. The idea has also been taken up in more popular writing claiming that certain technological innovations have contributed to “flatten the world” (Edery, 2006).

Traditionally, research and development have been central to both studying and promoting innovation. While the two aspects of research and development used to be treated as a homogeneous couple affecting organisations’ innovative capacity in one and the same way, meanwhile more fine-grained investigations have emerged (Noya, 2009). Independent of their specific function research and development department(s) are ascribed to, they point at a certain tractability and manageability of technological innovation, despite the general acknowledgement of the increasingly complex nature of innovation (Estevez-Abe, Iversen, & Soskice, 2001).

In this, some firms are the spearhead of innovation, whereas others are regarded as ‘followers.’ These particularities translate into the regional and national level. Mate-Sanchez-Val and Harris (2014) compared innovation in Spain and the UK and found the UK in the former, Spain

in the latter position. Innovation is seen as an important source of improved overall economic performance and as a key variable to the prosperity of a country. Technology, as Ramstad (2009, p. 533) pointed out, is a central element in this “innovation-driven growth approach” (see also Fligstein, 2006). While in the case of these two countries differences in innovation in fact translate into differences in economic prosperity, it is less clear where the innovation imperative originates from at the organisational level. One of the most prominent factors, also mentioned earlier, is the struggle for organisational survival against competition (Hancké et al., 2007).

To summarise, we can say that technological innovations are characterised according to three fundamental perspectives: first, their *motivational character* is grounded in competitiveness. Second, their underlying *image of innovation* is of a dynamic nature, yet innovation is seen as manageable and specific structures are built to enable it. Third, their *primary impact* consists in increasing overall economic productivity, but even more so in transforming of organisational fields.

### **Governance innovation**

Governance innovations are a recently emerging concept of scholarly investigation. The transition from government to governance has resulted in much more varied and decentralised approaches in the study of coordination, steering, and control and evaluation of public and private practices. Governance innovations refer to shifts in the relative actor constellations involved in such practices, to the involvement of new parties or the application of new tools utilised to achieve specific policy goals (compare to Anheier & Korreck, 2013). An example is the emergence of modern accounting that is actively promoted by the state as a means of regulation and self-control across fields and sectors (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980 in relation to Hopwood, 1978 and Gandhi, 1976) – which however remains vulnerable to malpractice as we have recently experienced.

Pestoff relates governance innovations more directly to public benefit activities and understands it as “innovations in public services [that] are not just new ideas, techniques or methods, but also new practices, and they do not only involve physical artifacts, but can also include changes in the relationships between the service providers” (Pestoff, 2012, p. 1104). Wise et al. (2014, pp. 106f.) point out that the two main reasons behind the increased interest in governance innovations is the “[...] decline of the capacity of the state in regulation and the emergence of new public problems and governance challenges”.

In relation to this, governance innovations are closely intertwined with administrative capacity, which is often lacking with regard to incorporating new impulses: “[I]t seems that many innovations do come up yet fail to find, take-up and to connect to institutional structures [...]” (Anheier & Korreck, 2013, p. 86). This is why according to the opinion of Wise et al. a public sector reform must be performed, which takes explicit account of the ability of public administration to nurture and adopt such innovations. In this, analytical and coordination capacities, which are often addressed in the study of multi-level governance (Benz, 2007) will be crucial. The fundamental importance of areas where transition from innovation prompts, individual initiatives and pilot projects to standard lines of policy, service provision or production occurs appears in a variety of contexts and thereby underlining the timeliness of the issue.



The WILCO project, for instance, has related to this. Based on their research, the authors propose a shift in the welfare systems surrounding local policies. According to their view, more consideration has to be given to downsizing of overburdened basic welfare and protection systems in favour of support for small scale innovation in service provision and local networks (Evers, Ewert, & Brandsen, 2014, p. 24). Moreover, the authors specify that policies are needed which do not impose change by themselves but are prepared to respond to it and to advance it through evaluation practices and follow-up schemes.

This recommendation is not equivalent to advocating for budget cuts. Quite the opposite is true. It proposes to restructure help and support systems in favour of higher effectiveness the embracement of innovation is supposed to bring (Evers et al., 2014, p. 9). The findings of Nock et al. (2013) resulting from their empirical investigation of innovation practices in the German Welfare Associations relate to this. The authors find that the inability of welfare structures to nurture and maintain innovation beyond temporary lighthouse projects is a critical impediment. This lack of appropriate governance (innovation) does not affect organisational innovative capacity in itself, but it undermines sustainability as an essential component of innovation to bring long-lasting change and improvement.

Furthermore, governance innovations can include new sourcing models in public service provision or the evolvement of new legal forms – potentially but not necessarily serving as a trigger for hybridity (Anheier & Krlev, 2014). Policy-driven or ‘political’ perspectives on, for instance, the maintenance of control and accountability or the application of oversight and evaluation practices are characteristic of governance innovations. Thereby, governance innovations move significantly beyond the traditional realm of public administration – which marks their innovative character. Due to the openness of the concept in terms of sector origin as well as its focus on the interactions between constituent players, governance innovations relate closely to the study of innovations at the systems level and trespass the research on innovation at the organisational level.

Instead of having a pronounced interest in the constituent players of a system and the roles these players assume, governance innovations take a specific look at the mechanisms employed, i.e. the interface of innovation. In consequence, governance innovation also refers, for instance, to new forms of citizen engagement or the expansion of democratic involvement in public services (Pestoff, 2012, p. 1104). In relation to this, Pestoff finds that there is a ‘glass ceiling’ which in principle allows for participation in public services but practically hinders it. As Pestoff asserts, mostly only small consumer and worker co-operatives are able to include participants in their work, as Pestoff asserts.

To summarise along the lines of technological innovation mentioned above, we can characterise governance innovations according to three fundamental perspectives: First, their *motivational character* is related to policy directives and modes of political steering. Second, their underlying *image of innovation* is focused on principles and interfaces rather than actors and roles. Third, their *primary impact* is on regulatory performance but it is not restricted to public administration.

### **Social innovation**

First it has to be mentioned that there is yet no general consensus as to what social innovation is (see, for instance, Klein et al., 2014). Nonetheless, a variety of unifying elements across studies and definitional propositions can be identified. Based on the experience of several

major research projects on social innovation, our summary of these characteristics does not only serve as a grounding reference for ITSSOIN, but also helps to further refine the ‘quasi-concept’ of social innovation. We start with describing the main characteristics of social innovations and justify them thereafter.

Social innovations are characterised by: first, their *motivational character* consists in meeting neglected social needs; second, their underlying *image of innovation* combines functionalist and transformationalist aspects; third, their *primary impact* is on the well-being of the beneficiaries as well as the actors involved, the borders between them being reshuffled and blurred by the underlying mechanisms of social innovation.

In addition to this, we formulate the traits of social innovation as follows:

Social innovations involve a higher degree of bottom-up and grass-roots involvement than other types of innovation. This can make their impact broader and more sustainable, but social innovations will typically take longer to evolve and sustain than other types of innovation. The most critical moderator (beyond the very survival of the innovation) will be their ability to gain legitimacy in a socially grounded negotiation process.

The proposition of this more fine-grained understanding of social innovation was assisted by the comparison of the emergent knowledge on social innovation with the other types of innovation mentioned above.

The intensified practical and policy discussion on social innovation mainly arised from the dissatisfaction with the technological emphasis in economic innovation literature and innovation policy (The Young Foundation, 2012, p. 5). Secondly, social innovations are seen as a solution for growing social, environmental and demographic challenges and as a result of the failure of conventional market capitalism, resource scarcity, climate change, ageing population and the associated care and health costs, globalisation, and mass urbanisation. Consequently, a number of authors (see, for instance, Nicholls & Murdock, 2012) stated that social innovation differs in many ways from core characteristics of technological innovations and the systems’ they are generated by.

First of all and most importantly, social innovation is per definition ‘socially oriented’ and thus person-related, although it can involve non-human actors (for instance, the natural environment). As a consequence of this person-centeredness, social innovation is fundamentally geared to serving social needs in unprecedented ways – this is a definitional criterion that appears not only in the definition of the European Commission cited in the introduction (see also Borzaga & Bodini, 2012, p. 5; Crepaldi et al., 2012; European Commission, 2013a; Pol & Ville, 2009; The Young Foundation, 2012). According to Phills et al. (2008, p. 39), social innovation “becomes important as a way to fill needs that would not otherwise be met and to create value that would not otherwise be created”. This points at the fact that social innovations (more) often relate to immaterial aspects, which is a trait they share with governance innovation, whereas technological innovation mostly (at least) involves some material aspects (Borzaga & Bodini, 2012, p. 5; Howaldt & Schwarz, 2010).

In relation to the serving of needs we can take a functionalist and a transformationalist perspective (Crepaldi et al., 2012, p. 23). From the functionalist perspective social innovations literally *serve* demands which neither state nor markets would or can meet. By contrast, the

transformationalist approach understands social innovation as a process that provokes an institutionalisation of new practices, standards, and rules, founded on values inherent to solidarity. The functionalist perspective is closer to the one of technological innovation, and the transformationalist perspective to governance innovation.<sup>9</sup>

In any case, social innovation is obviously not (primarily) driven by the profit motive. Thus, financial support may help socially innovative ideas to stand on their own feet but is unlikely to serve as the primary prompt (Pol & Ville, 2009). Furthermore, unlike governance innovation, social innovation is more preoccupied both with the actions of involved actors and the effects on them. This has two general consequences:

First, social innovation is of an open, collaborative character where people engage with normal market structures and mechanisms. This involvement and the social needs orientation give social innovation a strong influence on social relationships and capabilities (The Young Foundation, 2012, p. 23), whereas governance innovations are focused on the aspect of functioning and technological innovations, and on the aspect of competitiveness. This is further related to the circumstance that social innovation involves a higher degree of grass-roots and bottom-up involvement than other innovation types. Actors and initiative are often dispersed to the periphery (The Young Foundation, 2012, p. 23) and social innovations can emerge on the basis of the initiative of social movements (Schmitz, in press). In consequence, participatory elements and civil society as well as cultural and social movements as sources for the revitalisation of self-organisation and new social solidarities should receive careful consideration, both of which are currently neglected in innovation studies (Evers et al., 2014).

Second, this circumstance makes social innovation vulnerable. Unlike technological innovation that can lead to disruptive change by generating demand on the market which guarantees a stable financial inflow, in the case of (pure) social innovation the beneficiaries often differ from its funders. Therefore, financial stability has to be created artificially. If a system is not prepared to do so, viability gaps emerge that threaten the survival of the social innovation concerned (compare to the argument on the viability of social entrepreneurial organisations in Krlev, 2013). In view of this situation, social innovation is often dependent on the assertive engagement of its proponents and unlike governance innovation, which often occurs with the involvement of actors with high political power, is likely to need more time to evolve and sustain.

When interrelated, both aspects of the grounding of social innovation point at the critical importance of legitimacy as a core determinant of the success of social innovation, and thus of performance and ultimately impact. Unlike technological innovations, social innovations cannot compensate for legitimacy deficits by creating demand on markets and unlike governance innovations they do not possess an inherent (democratic) political grounding granted due to the status of involved players. Thus, legitimacy as a licence to operate has not only proven essential to a successful diffusion of innovations in general (Rogers, 2003: 223-229), but is also particularly crucial in the third sector context, since its actors are authorised

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<sup>9</sup> As initially introduced, the two perspectives further relate to the elements of service provision and advocacy of third sector organisations. This connection will be explored later on.

neither by electoral votes nor by an invisible hand of the market (Douglas, 1984). Moreover, the significance of legitimacy is particularly important because social innovation can run into danger of being subject to self-inflicted presuppositions that block its natural evolution and development (Baum-Ceisyg, Busch, Hacker, & Nospickel, 2008). Hence, apart from the three elements – effectiveness, efficiency, and equity – as determinants of third sector performance, in view of social innovation we will have to add legitimacy as a fourth element.

#### **4. The third sector and its socially innovative capacity**

If, indeed, the desired impact of social innovations by third sector organisations consists in better meeting social needs by means of creative solutions, it is only natural to ask whether these innovations actually have this impact, and in which conditions the impact is larger or smaller. ‘Impact’ is used here in a loose sense, referring to changes in social innovation the third sector is involved in. Kendall and Knapp (2000) warn that while innovation is often regarded as a part of the third sector organisations’ performance, it is almost impossible to determine the impact of the third sector on innovation, because, in the first place, it is impossible to measure innovation.

We do not use the term ‘impact’ in a causal sense. It does not refer to the causal influence of the existence or activities of third sector organisations or its determinants. An adequate counterfactual is lacking because it is impossible to observe what would happen to society if third sector organisations were non-existent. Therefore, the question as to whether third sector organisations actually spur social innovation – in the scientific sense of cause and effect – is almost impossible to answer.

We can, however, examine what seems to make third sector organisations particularly suitable to contribute to social innovations in a major way, especially with regards to other players. This is a comprehensive effort that tries to combine and move beyond more fine-grained investigations on specific capabilities, such as professionalism, or the use of information and communication technology, which can enhance social innovativeness in third sector organisations (see Sanzo-Perez et al., 2014, as one of the rare studies that link organisational properties and practices to social innovation). General particularities are to be found at the meso level of organisations and organisational fields as well as the micro level of individuals, specifically volunteers, whom we focus on in the next chapter. These considerations are to be transformed into testable hypotheses in the next step of the project and then tested empirically. Because of the (current) lack of tractability, we do not apply a quasi-experimental research design but study the underlying mechanisms and enabling factors on the basis of in-depth cases studies of social innovations and associated actor involvement by means of ‘process-tracing’ (Ford, Schmitt, Schechtman, Hults, & Doherty, 1989; Tansey, 2007).

#### **Supportive evidence**

As an organisational manifestation of the commitment to change, the third sector is often viewed as an important force in social innovation. Maxwell (as cited in Goldenberger et al., 2009) claimed: “In communities, the non-profit sector plays a vital role in social innovation”. This is particularly evident in post-communist societies. Although citizens were engaging in voluntary action and social innovation even before 1989, after the collapse of communism third sector organisations emerged in a much more visible way (Juknevičius & Savicka, 2003).

Poole (2003) argues: “Through innovation nonprofit organisations find ways to use scarce resources more wisely, capture new resources, and enhance the quality of their services. Effective innovation is one key to the nonprofit sector’s ability to improve our quality of life and the health of the polity”. Beckmann (2012, p. 250-251) describes the promise of social entrepreneurship as follows: “the public sector has preference for the status quo – solutions already known and tested. Social entrepreneurs, in contrast, are able to test much riskier and innovative approaches. Once these solutions demonstrate their effectiveness and deliver the “proof of concept,” other actors, including the public sector, can adopt them. Social entrepreneurship can thus achieve a potentially high dynamic impact over time”.

But why exactly are third sector organisations likely to have an effect on social innovation not only through a high degree of visibility, but also a high degree of influence? Against the background of the presented evidence on the levels and types of innovation, we suggest that there are structural as well as values-based properties of third sector organisations that make them very likely to play a key role in social innovation.

The first characteristic social innovation and third sector organisations have in common is their social needs orientation, which is, in fact, an indispensable prerequisite for their work (Nock et al., 2013). The fact that third sector organisations give voice to minority groups and point out societal problems (Osburg, 2013) is constantly being emphasised. This is not only bound to their advocacy function, which plays a critical role in communicating and lobbying needs, third sector organisations are also well positioned for detecting these needs: “The change potential of civil society stems from its structural location: close to the grassroots and the local level, civil society actors are usually the first to become aware of social problems of many kinds” (Anheier & Korreck, 2013, p. 85). It is the proximity to target groups that sensitises the sector not only for problems and potential solutions (Neumayr et al., 2007).

Based on this, it is constantly stressed that persistent multi-stakeholder setups, which third sector organisations possess, allow a multiplicity of signals to reach the sector and to disseminate innovative pilots (The Young Foundation, 2012). The sector thus exhibits a ‘receiving’ as well as a ‘sending function’, both of which together can be seen as characteristic of organisational openness, which has been identified as a critical moderator of innovation in a broad range of innovation studies.

The positioning of the third sector within society is not only relevant as a detecting device, but also important in terms of stakeholder mobilisation. It is supposed that the reason why third sector organisations can accomplish tasks the state and the market cannot (in particular with regard to social innovation), is that they are accepted as the organisational embodiment of civil society: “NPOs encourage social interaction and help to create trust and reciprocity, which leads to the generation of a sense of community” (Donoghue, 2003, p. 8). They build connections “between groups of individuals and the larger society” and integrate those “groups into that society”, thereby contributing to the “initiation of change, and the distribution of power” (see Kramer, 1981, p. 194; see also Prewitt, 1999).

Studies have shown that third sector organisations contain a high degree of social capital as a result of civic engagement and the positioning described above (Evers et al., 2014; Ranci, Costa, Sabatinelli, & Brandsen, 2012). Third sector organisations are, indeed, described as “facilitators of social learning” (Valentinov V., Hielscher S., & Pies I., 2013, p. 372). This in turn increases acceptance of innovations and thus serves as a significant variable in building and maintaining

the legitimacy, which has proved so crucial for social innovation viability, sustainability, and ultimately impact.

Furthermore, the service and advocacy function of third sector organisations introduced at the beginning are regarded as compatible, even mutually reinforcing in third sector analysis (Valentinov V. et al., 2013, p. 367). Due to this reinforcing relationship between the two functions, third sector organisations are likely to be able to cater to both, the functionalist and the transformationalist aspects of social innovation. The transformational function is furthermore executed in relation to wider innovation systems, identified as crucial in the promotion of innovation in the research discussion along levels of innovation. Valentinov et al. see the third sector's "main mechanism of societal problem-solving in implementing institutional and ideational innovations that help to overcome dysfunctional discrepancies" (Valentinov V. et al., 2013, p. 368). In this function, third sector organisations are well-positioned to significantly influence governance innovation, which can be related to social innovation.

With respect to the functional perspective concerning innovation, the fact that third sector organisations are not subject to the same pressure as commercial organisations is interpreted as beneficial: "[N]ot beholden to the ballot box and market expectations, civil society actors enjoy a degree of independence neither public agencies nor corporations may have" (Anheier & Korreck, 2013, p. 85). This comes along with the (relative) freedom to test new approaches or advocate new issues. The non-distribution constraint (Hansmann, 1980) is a critical moderator in this. It encourages longer-term approaches and enhances the third sector organisations' ability to 'endure', a trait which is crucial with regard to the longer time needed for establishing sustained social innovation in comparison to technological innovation, where market pull can accelerate the process – a mechanism that third sector organisations largely lack. A lack of pressure also promotes 'tinkering', which has a stimulating function on innovation, as outlined by Saxenian in relation to Silicon Valley (1994).

However, how and to what extent this reflects third sector reality remains to be seen. More economically orientated research approaches to innovation in non-profit organisations, for instance, don't see any integration of the functionalist and the transformationalist perspective. They argue that market orientation and competition are the driving forces of innovation. They regard innovation as an important means for organisational survival (Choi, 2012; Fonseca & Baptista, 2013). Market orientation and competition or one of these will be present in third sector organisations. Which of these is the prevalent one and which is more relevant to social innovation, will have to be examined.

Moving from the systemic and organisational level to the individual one which is more connected to the social needs character of social innovations, we can expect that third sector organisations are likely to necessitate skills of a more versatile and therefore more complex nature than competencies that can simply be defined as 'high-tech skills' (see, for instance, Bornstein on the variety of skills involved in social entrepreneurship Franzese, 2001). This will become more evident later on. Against the background of this requisite, we suppose that the work done by volunteers, their ideas, motivation, and variety of expertise, may represent a useful resource in fostering social innovation. Examining innovation conditions at the organisational level, we identified that access to a large set of knowledge inputs is beneficial for the emergence of innovation (see also Vedres & Stark, 2010; Rogers, 2003). Moreover, in addition to providing knowledge, volunteers establish a link between non-profits and other

communities and sectors, and, therefore contribute to the above mentioned organisational openness.

However, this will have to be specified; and the question, as to who will act as ‘knowledge and exchange broker’, which has proved to be a significant variable in transforming knowledge into innovation, and as to how differences among organisations play out is still unanswered. Innovation research suggests that executives may play a significant role therein. ‘Transformational leadership’ has been pronounced as a driving force of innovation. Although organisational variations will exist, the often ‘utopian’ agendas of third sector organisations (Crossley, 1999) qualify for nurturing such transformational leadership. This, and the pronounced presence of values (Scheuerle, Schmitz, & Hoelz, 2013) could also have a strong effect on organisational culture and the commitment of involved actors. Whether this is something that effectively triggers innovation remains to be examined.

### **Counterevidence**

There is some evidence on relations between the third sector and social innovation that contrast or relativize our reasoning as presented above. These shall be presented carefully considered herein.

For instance, the crossing of borders as an important part of innovation can also be seen in research on innovation compiled by third sector organisations. Some findings, however, may make some of our assumptions appear doubtful. In a study on third sector organisations in the United Kingdom, Osborne (1998b) found that their innovative capacity was not a function of their organisational characteristics, but rather a result of the interaction with local and central government. Despite changes in the following ten years after Osborne’s study, a new wave of research essentially brought the same result (Osborne, Chew & McLaughlin, 2008a, 2008b). The study “emphasises the need to understand the innovative capacity of VCOs [voluntary and community organisations] as a variable organisational capacity, with its key contingencies in the institutional environment rather than an inherent element of these organisations ‘per se’”. In the discussion of their results, Osborne, Chew and McLaughlin (2008b) issue “a warning to VCO managers and staff not to attach too great a significance to the sectoral rhetoric of innovative capacity”. In a study on innovations including 17 local authorities in the UK, Damanpour, Walker and Avellaneda (2009) found that a strong focus on innovation is actually detrimental to performance.

Sirianni and Friedland (2001) argue that civic innovation – defined as the “mobilisation of social capital to build the civic capacities of communities and institutions to solve problems [...] through policy designs that foster self-government” is an extended learning process for engaged citizens, community organisers, and professional practitioners. They mention congregation-based community organising, community development corporations, and neighbourhood associations as three types of organisational forms that spurred social innovation in the United States of America in the 1980s and 1990s. The study is consistent with the findings of Osborne for the UK in the sense that local and state government institutions and funding are described as key factors that shape the scope and nature of civic innovation.

The above mentioned studies provide important insights. We will have to carefully consider the conclusions of this research in our subsequent investigations. However, these studies also show some quite distinct properties, which we have to take into account when assessing their findings.

First, in the studies by Osborne (et al.) innovation is examined in a quite technocratic sense, using new or old client groups and new or old services as definitional variables for types of innovation. The discussion on social innovation has shown that the properties we would have to take into account when assessing the third sector's capacity to promote social innovation would have to be significantly broader.

Second, the primary mode of investigation applied by Osborne et al. was a survey-based quantitative one. Case studies were used as a complementary research strategy with the aim of triangulation (Denzin, 1970). Moreover, the research was executed with a focus on organisations. The preceding chapters, however, have shown that a systems-based perspective of innovation processes, rather than an analysis of single actors, will likely be more fruitful for developing our understanding of social innovation. Such an approach necessitates detailed in-depth case work that allows for tracing processes rather than a clear-cut quantitative approach.

The results of Osborne et. al. indicating that the innovation process depends on the interactions between VCOs and their institutional environment supports this argument. However, the observation alone that interaction is more crucial than organisational properties or culture does not tell us much about, who set specific innovative impulses in this interaction, who exactly were the actors involved, or who was not participating in this interactive process at all. After all, specific third sector characteristics may make it more open and fit to promote *social* innovation, even if this does not objectively lead to the addressing of new clients or the creation of new services in the examined organisation – in the sense that this could be detected in clear-cut categories or manifest in alterations of service standard as governance innovation, if we extend this further.

Finally, the previous investigations have studied innovation in the third sector, without taking particular account of organisational fields. In consequence, there may exist a leveling out of effects across these fields. Certainly, some fields will generally be more innovative than others. We have outlined above that innovation is to be expected where organisations typically have a strong motivational vocation in performing advocacy (values-driven field) and (or) where there is a strong service component to their activity (quasi-market-driven field). Social movements and their idealistic agendas that have affected disability rights (Dahl et al., 2014) or political energy turnover are examples for the advocacy and innovations in health care provision, is an example for service provision. But the third sector also comprises other fields, of course. Recreational associations, for instance, could be suspected to display generally less innovative behaviour.

After having provided some key rationales on structural variables for the socially innovative capacity of the third sector and carefully reflected potential counterevidence, we now give special consideration to the individual level with a focus on volunteering.

## **5. The innovative capacity of volunteering**

In the following contribution we answer the question: *What are the constituting elements of the impact of volunteering on social innovation?* Although there are many other activities in the third sector, we focus on volunteering because it is an important and highly visible form of activity that requires a true effort that is not compensated. Innovations that can be sold on commercial markets are likely to emerge because of their profitability. In contrast, social innovations are often emerging despite the lack of commercial markets on which they can be sold to customers.



It is likely that volunteers who work without pay play a key role in the emergence of social innovation.

The authors of this chapter envisioned that our work would draw mainly on existing reviews of the literature on social innovation, social entrepreneurship, and volunteer management, adding results of recent research in these areas. This strategy did not work as well as expected (see appendix A for details on our methodology). Therefore the authors' contribution is based on a new systematic review of the literature on volunteering and social innovation and a collection of research of trends in the organisation of volunteering. Following the classification of Bekkers (2013a), developed to describe the societal significance of philanthropy, we distinguish three aspects of social innovation that can be recognised in volunteering. There can be social innovation in: (A) the motives; (B) the organisation; and (C) the outcomes of volunteering. With this view we add motivation as a third aspect (A) to the conventional view of innovation as a process (B: organisation) and an outcome (Murray, Caulier-Grice & Mulgan, 2010). For each of these aspects, we can see innovation taking place at three levels: at (1) the micro-level of individual volunteers; (2) the meso-level of volunteer groups or organisations, and at (3) the macro-level of society as a whole, the third sector or a specific subsector (such as culture or housing). Combining the three aspects and the three levels (see table 1), we obtain nine classes of social innovation. Table 1 includes an example for each class of social innovation.<sup>10</sup> The remainder of our contribution is a discussion of the three aspects of table 1, giving examples for each of the three dimensions.

The provided examples selectively illustrate cases in the third sector where volunteering is situated in a pronounced position and which have a direct relation to innovative elements. It is out of the question that traditional interest groups, foundations' or charities' activities as well as (other) forms of philanthropic actions can involve all of these aspects, yet they cannot all be displayed. The following ones as well as the examples given in the previous chapters are only supposedly the ones which lend themselves particularly well to illustration of the matters to be explored here.

**Table 2. Examples of nine classes of social innovation**

|             | <b>A. Motive</b>  | <b>B. Organisation</b>             | <b>C. Outcomes</b>            |
|-------------|---|------------------------------------|-------------------------------|
| Macro-level | Seeking to make the world a better place                  | More reflexive volunteering styles | A more creative society       |
| Meso-level  | A volunteer group creating new solutions for social needs | Episodic volunteering              | New types of volunteer groups |
| Micro-level | A volunteer driven by curiosity                           | A micro-volunteer                  | More creative volunteers      |

<sup>10</sup> After we had constructed this table we found a similar classification (Nicholls & Murdock, 2012, p. 7), which crosses process and outcome with individual, organisation, network/movement and system levels. The motivation dimension is lacking in Nicholls and Murdock's classification. In our classification, the network/movement and system levels merged in what we call the macro-level.

### 5.1.Motive: innovation as a desired impact

The first aspect of innovation in the third sector is motivational. It is most forcefully present at the meso-level (cell A2 of table 2). Social innovation is an important characteristic of the self-identity of many third sector organisations. To make the world a better place is the core of their existence. The missions of these third sector organisations typically state their goals referring to abstract ideals that they are trying to achieve. They seek to advance the interests of disadvantaged social groups, to improve living conditions for the poor, to increase literacy and health in developing countries, or advocate the rights of animals. Schmitz for instance (in press) shows how the somewhat utopian agendas of social movements can serve as a source of continuous innovation in organisations.

The self-identity of third sector organisations as forces of social innovation is thus based on the ambitions and actions of individuals constituting or influencing these organisations. In Rogers' famous description of the diffusion of innovations (Rogers, 1962), the first group of users of an innovation is called the social innovators. Bornstein (2007) defines social innovators as "people with new ideas to address major problems who are relentless in the pursuit of their visions, people who simply will not take "no" for an answer, who will not give up until they have spread their ideas as far as they possibly can." In this view, social innovation is driven by social entrepreneurs. In his 'think piece' for the Office for the third sector, Leadbeater (2007) also stresses the leading role of lead users in creating social innovation. Social innovators in this sense are organisers who promote social change, establish new organisations, recruit and motivate people, not volunteers working in an existing and established nonprofit organisation. It is important to recognise that innovation in the third sector can emerge outside formal organisations, spurred by the enthusiasm of social entrepreneurs. Johnson (2000) offers a nice set of descriptions of social entrepreneurs.

Social entrepreneurs and serial innovators may take the initiative to establish an organisation, and start another initiative when the organisation runs on its own. Obviously not everything that social innovators do results in social innovation and not all social innovation comes from social innovators. In addition to social innovators it takes efforts by the adaptors they inspire. Therefore it is important also to look at innovation as a motive for volunteering.

At the individual level, motivations to volunteer are related to social innovation. Research on the motivations of volunteers distinguishes 6 functions of volunteering (see box 1).

**Box 1. Motivations to volunteer from the Volunteer Functions Inventory (VFI, Clary et al., 1998)**

1. Values: "opportunities to express values related to altruistic and humanistic concerns for others"
2. Understanding: "the opportunity for volunteerism to permit new learning experiences and the chance to exercise knowledge, skills and abilities that might otherwise go unpracticed"
3. Social: "opportunities to be with one's friends or to engage in an activity viewed favorably by important others"
4. Career: "a means of preparing for a new career or of maintaining career-relevant skills"
5. Protection: "to reduce guilt over being more fortunate than others and to address one's own personal problems"

6. Enhancement: “for reasons of personal development, or to obtain satisfactions related to personal growth and self-esteem”

Innovation is not included among these six functions as a motive for volunteering. The function that comes closest to innovation is the understanding function. Innovation requires knowledge, skills and abilities, and volunteering “provides the opportunity to develop and maintain creative, innovative leadership skills” (DeCarlo, 1973).

A large body of research on the personality of entrepreneurs and persons in leadership positions shows that openness to experience and conscientiousness are general personality traits characteristic of innovators (Zhao & Seibert, 2006). More specific characteristics typical of social innovators are need for achievement, risk-taking, autonomy, self-efficacy and creativity (Rauch & Frese, 2012). A comparison of volunteer and paid workers among a small sample of citizens in Australia (Elshaug & Metzger, 2001) shows volunteers score higher on agreeableness and extraversion. Research on volunteering in the Netherlands shows that volunteers are less conscientious and more extraverted than non-volunteers and more open to experience (Bekkers, 2005). The latter characteristic is also typical of innovators.

Volunteers can be motivated to facilitate social innovation not only because they want to learn, but also by communicating changes in needs among the population to service organisations, by advocating their rights and interests, and by creating links to other organisations through social networks. These activities of volunteers exemplify two other properties of volunteers with potentially inherent innovative capacity. Volunteers have a greater sensitivity for societal needs and problems and are more likely to have better positions in social networks.

Volunteers have larger networks than non-volunteers or passive members. Of particular relevance to social innovation is having a strategic ‘broker position’ (Burt, 1997, 2004) between formalised organisations, their target groups as well as society at large. Volunteers at a broker position are more likely to express new ideas and these ideas are more likely to get accepted by the organisation. “People familiar with activities in two groups are more able than people confined within either group to see how a belief or practice in one group could create value in the other, and to know how to translate the belief or practice into language digestible in the target group” (Burt, 2005).<sup>11</sup>

One specific type of brokerage position is the connection between paid and unpaid work. Wilson and Musick (1997) noticed that volunteering and occupational careers are often intertwined: volunteers are more likely to be working in sectors and tasks in which they are also working as paid employees. However, as volunteers citizens can develop new ideas, try new strategies and run risks that they might not afford themselves in their paid work role.

When the human capital of volunteers is used productively by the organisation’s volunteer work it may lead to social innovation. Such volunteer work involves autonomy and self-

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<sup>11</sup> This is another pointer to the relation between innovation and hybridity previously observed at the organisational level. This could be an important lead for the empirical investigation of properties of organisations or entities that are strongly involved in social innovation.

direction of volunteers. It is often contrasted with carrying out service tasks with a clear 'job description'. This 'collective' type of volunteering is sometimes viewed as old fashioned. It is remarkable to see that in the old-fashioned days, these opportunities were still considered 'serving as a socialisation vehicle' (DeCarlo, 1973). 'Modern' volunteers of a 'reflexive' type instead are viewed as motivated by opportunities to learn and be creative (Hustinx & Lammertyn, 2003).

A recent population survey in the Netherlands (Bekkers, 2013b) in which respondents identified as volunteers (38 % of the sample) rated their agreement with items from the VFI applied to them found that the most popular statements measured the understanding function and mentioned opportunities to learn new things. More than half of the volunteers (51 % to 58 %) agreed with these statements. One statement representing the values function was also very popular (55 % agreed) but two others were less popular (42 % and 33 %). While the popularity of the values function has declined somewhat since 2008, the popularity of the understanding function has remained high. Moreover, volunteers who were more strongly motivated by learning (relative to other functions of volunteering) in 2008 were most likely to have sustained volunteering by 2010.

As far as we know there are no other quantitative data from surveys in Europe showing to what extent volunteers report learning as a motivation for volunteering. Impressionistic evidence based on small and selective groups of volunteers from Lithuania (Vuranok, Ozcan, Miliūnienė, & Radzevičienė, 2012) and Italy (Alloni, D'Elia, Navajas, & Gara, 2014) also suggest that learning is an important motivation for volunteers. A study among 128 US college students at an elite research university in the south east suggests that volunteering is a social activity instrumental to the expression of creativity, though not a frequent one. It was mentioned only 3 times.

In a paper on sustainability in the United Kingdom, Seyfang and Smith (2007) mention 'social need and ideology' as motivations for what they call 'grassroots innovations'. However, the paper does not have a clearly identified target population or sampling procedure. Also it is unclear how prevalent these motivations are and how they are linked to specific third sector activities.

In Germany 'das neue Ehrenamt', referring to a focused investment of skills and expertise, figures prominently. In fact what is referred to as "new" today has already been discussed some time ago (Rauschenbach, 1991), but the main properties Rauschenbach proposes seem to remain valid, namely a move from altruistic self-indulgence or a leisurely add-on to one's personal life that is chosen out of convenience to a more targeted and flexible engagement where lines between professional engagement, self-help and volunteering are merging (Heinze & Strünck, 2001). Innovation seems to receive growing interest in the discussion of volunteering in Germany, be it in shaping institutional frames (Otto, 1998) or in studying organisations (Bock, 2000). While data on volunteer motivations from representative surveys among volunteers in Germany are not available, it seems clear that innovative action does not only emerge from the desire to make the world a better place, but also from other transformational motives such as creativity, the desire to have impact, and to learn. Ultimately, the social innovation as an organisational form is the collective manifestation of the desires of individual participants who change the world for the better.

## 5.2. Organisation: trends in volunteering and social innovation

We now move on to the middle column of Table 2 to explore the organisational aspect of social innovation. How is volunteering organised, and how does this relate to social innovation? The past few decades have brought a number of innovations in the societal context of volunteering, and in the way the voluntary sector is organised. We argue that these may be regarded as examples of social innovation. On top of that, we argue that some of these innovative schemes of organising volunteering can be beneficial to third sector organisations involved in social innovation.

We provide a more or less chronological overview of these developments, addressing why they arose and what (expected) benefits and detriments of particular innovations are for volunteers and the organisations with which they engage. It is admittedly difficult to place the emergence of these innovations in a specific time period. After incubation periods of varying lengths of time, innovations spread and become visible, to other countries or continents at a later stage. We also discuss a number of developments that do not relate to volunteering directly, but that have an impact on the sector nonetheless. In any case, they are relevant with respect to the broader notion of civic engagement.

### Volunteer centres

Volunteer centres are ‘agencies established with the purpose of promoting, supporting and reevaluating volunteering in general. They operate at the national, regional and local level and together form an infrastructure for volunteering’ (Van den Bos, 2014: 13). Such centres started to appear in the 1970s, even though other European countries developed them only throughout the 1980s or even later (Lorentzen & Henriksen, 2013).

Depending on the era in which these centres were created, their functioning is connected to a distinct political rationale. Since WWII, governments perceived a decline in the amount of volunteering, and in certain types of tasks that volunteers carried out (Van den Bos, 2014). With the rise of modern welfare states, scholars like Inglehart hypothesised a shift to a ‘postmaterial’ culture, in which the emphasis of volunteering was no longer on community needs like social care, but on notions like autonomy and self-actualisation (Bekkers & De Graaf, 2002). The perception of a decline, or shift in volunteering led governments to take measures to set up support infrastructures for their volunteers. Referring to Denmark and Norway, Lorentzen and Henriksen point at least two ideological lines of argumentation that arose at a later stage:

“First, important ideological impulses came with the new liberalism of the 1980s, arguing a need for a broader array of welfare activities than those provided by the state (Hadley & Hatch, 1981; Hogget, 1990). A second, less visible, motive was the growing acknowledgment of mutual dependence between public and private welfare resources (2013: 590).”

Against the background of the rise in unemployment in Denmark in the 1980s, volunteering was increasingly regarded as an alternative for paid jobs. In the 1990s, the discourse changed, favouring volunteering to prevent isolation and loneliness of marginalised groups. In Norway, the overall focus was rather on supporting more willing and capable volunteers, often in relation to the care sector (Lorentzen & Henriksen, 2013). Van den Bos, in his dissertation (2014), provides an analysis of a wide range of motivations behind volunteer centres

throughout different countries. By now, many Western states have developed an infrastructure involving hundreds of regional, or local centres (Howlett, 2008).

When discussing (expected) advantages of volunteer centres for volunteers themselves, authors usually point at general benefits of volunteering. For organisations, the major advantage is that they have easier access to a pool of capable volunteers. Volunteer centres often changed the way in which the voluntary sector worked. Throughout the 1980s and 1990s, Howlett (2008) argues that they led to professionalisation, involving contractual relations between volunteers and the organisations they volunteered for. Some organisation started treating their volunteers like paid staff. Obviously, this development has both up- and downsides.

From the point of view of third sector organisations involved in social innovation, easy access to qualified volunteers is likely to be a strong advantage. There are also other advantages of working with volunteer centres, however. The Danish Ministry of Social Affairs mentioned support to social innovation as one of the six core functions of such centres, implying tasks such as: (1) supporting and helping new projects and organisations with funding applications, (2) loan of premises and office facilities, creating networks among new initiatives, and (3) consultancy for organisation leaders (Henriksen, 2008). Research shows that a vast majority of such centres say to perform these types of activities (Lorentzen & Henriksen, 2013).

### **Corporate volunteering programmes**

Corporate volunteering, also referred to as ‘employee volunteering’, denotes “activities that encourage and support volunteering by employees in the community and/or through which companies make institutional commitment of their human as well as financial resources to address community problems” (Allen, 2003: 57).

Some US companies started promoting their employees to volunteer in working hours at the end of the 1970s (Allen, 2003). Corporations in other countries developed similar programs in the 1980s and 1990s (Lee & Higgins, 2001; Herzig, 2006; Grant, 2012). Nevertheless, it seems to have been mainly popular in the Anglo-Saxon world, having been popularised in a country like Germany in the early 21<sup>st</sup> century only (Herzig, 2006).

Corporate volunteering is rooted in decades-old calls for greater corporate social responsibility. According to Allen (2003: 57), these calls are ‘driven by consumer concern, by anti-globalisation sentiment, by the increasingly visible bad behaviour of business’. He argues that this will inevitably lead to ‘greater corporate involvement in the community and that will mean more interest in corporate volunteering’. Businesses, employees and the organisations for which they volunteer are supposed to have an interest in such corporate schemes. At the beginning of the new century, Lee & Higgins (2001) concluded that literature on the topic seemed to focus on business benefits. For employees, the advantages listed are mainly those that apply to all volunteers: acquiring new skills, making a difference, meeting new people, etc. (Lee & Higgins, 2001; Grant, 2012). Businesses may benefit from corporate volunteering by enhancing their reputation, particularly in the community in which they invest. Their employees gain new skills, experience team building and a sense of pride for their company, thus enhancing morale (Lee & Higgins, 2001; Grant, 2012). Also corporate volunteering programs may be a team-building activity that is cheaper than commercially organised workshops.

In terms of social innovation in the third sector, it makes most sense to look at benefits of organisations and community groups hosting corporate volunteers: the sustained commitment that these programmes offer, economies of scale in terms of recruitment, the skills that corporate professionals bring, the potential of other types of business-community partnerships (resources) and the possibility of influencing corporate behaviour (Lee & Higgins, 2001). Third sector organisations may also experience downsides, however. The companies' demands may be higher than the funding they offer, a hosting NGO may be 'forced' to divert from their main mission to please their benefactor, etc. (Allen, 2003: 60). These benefits and detriments apply to the general collaboration between for-profit and non-profit entities.

Austin & Seitanidi (2012) argue that such collaboration may have several stages. In the most advanced one, so-called 'transformational collaborations', non-profits and businesses may for 'social issues forums' to collectively pursue social innovation. The article does not list any examples. De Bruin et al. (2010) do name a community zoo that collaborates with local businesses, in terms of both financial resources and volunteering, on innovative projects. It is questionable whether this ought to be considered as an advanced state of collaboration. Kanter (1999) makes a case for non-philanthropic innovative collaborations that actually provide an interest to companies. The Bell Atlantic's Project Explore, a networked learning initiative with the Union City, NJ, provided the organisation with know-how about complex problem-solving.

### **Community service**

Although community service programs generally do not fall under the heading of volunteering, they are often described as such, particularly by governments. While there is no survey available of existing community service programs in Europe, a casual exploration shows that there is a great variety of such service tasks, ranging from voluntary projects by students to compulsory duties for welfare receivers.

'Experiential education' generally refers to a form of education in which learning is combined with practical experience (Kolb, 1984). There are many ways to organise this, often involving some form of community service. One form is grouped under the 'volunteerism' heading: "the engagement of students in activities where the primary emphasis is on the service being provided and the primary intended beneficiary is clearly the service recipient" (Furco, 1996: 3). There are also forms of experiential learning in which the emphasis is more on learning. 'Service learning' is a form that attempts to achieve a "balance between the act of community service by participants and reflection on that act, in order both to provide better service and to enhance the participants' own learning" (Gray, Ondaatje, Fricker Jr, & Geschwind, 2000: 32). Hunter & Brisbin define service learning as "a form of experiential education that combines structured opportunities for learning academic skills, reflection on the normative dimensions of civic life, and experiential activity that addresses community needs or assists individuals, families, and communities in need" (Gray et al., 2000: 623).

Furco (1996) situates the rise of service learning in the US at the end of the 1970s, then described as a form of 'reciprocal learning', in which both students and the service recipients benefited from the program. Gray et al. (2000) note programs in the 1980s and point at the American 1993 National and Community Service Trust Act, which led to the establishment of the Corporation for National Service (CNS). This act preceded a strong increase in the number of service learning programs in the United States of America. Recently, the Dutch government has introduced a mandatory service learning program for students in secondary education. An

evaluation of the program yielded mixed results: while parents, teachers and students are generally positive about it, the program does not improve levels of civic-mindedness among students in the short run (Bekkers, Spengelink, Ooms & Immerzeel, 2010).

Student volunteerism, or service learning, is both oriented to pedagogical development, and to enhancing service delivery to local communities. For the student-participants, it is supposed to: enhance their critical-thinking skills, be part of the citizenship education, prepare them for their professional future, facilitate skill-development and increase enthusiasm about their education (Gray et al., 2000). It does not necessarily improve their academic achievements, according to one study (Gray et al., 2000). However, when comparing students' compulsory community service to voluntary service, the latter scored much better in several tests (Gray et al., 2000). Also the evidence from the evaluation study of service learning programs in the Netherlands shows that teachers and students perceive learning-effects after service is completed. However, a longitudinal assessment of changes in civic-mindedness does not show increases in self-esteem, social skills, trust, social responsibility, empathy or altruistic values (Bekkers, Spengelink, Ooms & Immerzeel, 2010). Metcalf (2010) argues that students who participated in service-learning projects express an interest in working on social innovation in their later careers.

Organisations for which students volunteered found that students were instrumental in achieving their goals. Some argue that mixing people from different backgrounds might provide the type of interaction that could spur creativity; as such, Hazelkorn (2009) labels community-engagement *as* social innovation. A particular type of service-learning that is likely to benefit socially innovative non-profits is when researchers are deployed in an organisation. They can help conduct community-research that helps to 'ground' new projects. Discussing, amongst others, collaboration between the Canadian York university and the local Homeless Club, Phipps and Shapson (2009, p. 3) find:

“Building on this rich foundation of project-based, community-engaged research, York [...] is developing the institutional capacity to support research utilisation for social innovation in the way most universities have developed the capacity to support technology commercialisation for economic innovation.”

The type of service-learning that is social innovation-oriented is called 'transformative', rather than 'charity-based' (Verjee, 2010).

Compulsory community service for welfare receivers has a number of aspects in common with service provision by students, but there are strong differences as well. According to Briscoe (1995), the Clinton administration and its British counterpart proposed community service as a means of combating youth unemployment in the early 1990s. Such schemes were generally motivated with arguments similar to the ones that are generally given to promote volunteering. An important addition however, probably also in comparison with student volunteering, is that they are supposed to address 'social malaise'. This is probably particularly pressing considering that the schemes that Briscoe discusses are directed to unemployed youth. Volunteering should give them a sense of purpose and self-esteem, and should tie them to society. It should advance social skills, a sense of responsibility and their employability. Empirical research evaluating such claims comprehensively is lacking. Yet, there are studies showing weak positive changes in civic-mindedness among participants in such programmes in the short run (see (Bekkers,



2008, 2009) on programmes in the USA and the Netherlands). Long term effects could not be studied.

Furthermore, the discrepancies between compulsory services and “real” volunteering after all suggest there is a difference in the effects the two forms of engagement yield. Since the compulsory component of the former makes it more similar to professional work, there is some evidence to support the claim that volunteering is driven by as well as promotes different impacts. There are several studies documenting less positive (or even negative) changes among participants in mandatory ‘volunteering’ programmes. More professional or coercive forms of engagement seem to be less socially productive in terms of shaping individual properties and attitudes as well as moderating factors for connections between individuals. In consequence, “real” volunteering due to its specific motivational grounding is more likely not only to have these effects, but also to contribute to innovation as a primary component of social impact. Thus, it seems a difficult but a worthwhile challenge to marry the beneficial aspects of ‘drawing on’ particular resources by engaging individuals with these resources in specifically designed programmes on the one hand and maintaining the voluntary character of the engagement on the other, since the combination of both promises to deliver the highest stimulus to social innovation.

### **Time banking**

There are many ways in which people can do unpaid work for others. As we saw in the case of community service projects, it is not always self-evident whether we may classify unpaid work as voluntary work. A similar question applies to unpaid work that is reciprocated. If you help another person to chop wood, in return for which the recipient helps you fill in your tax return, it is questionable whether this ought to be regarded as volunteer work. I.e. volunteering is often associated with altruism. Nevertheless, understanding trends in reciprocated unpaid work is important for understanding developments in volunteering.

Mutual help is a very natural phenomenon. Over time, however, there have been many efforts to organise, and thereby enhance such help. Already in the 19<sup>th</sup> century, there were proposals to develop local currencies that would assist in mediating these reciprocal relation (Dittmer, 2013). Some of these early proposals were ‘time-based’, implying that the currency was measured in time units. One of hour of help could be paid back by another hour. The notion of such local currencies for mutual exchange experiences a renaissance from the 1980s onward. The middle of that decade saw the founding of the American idea of ‘time dollars’, a modern time-based currency, as well as the first ‘Local Exchange Trading System’ (LETS) in Canada, which was not time-based (Williams, 1996; Seyfang, 2002). Considering that time-based systems are probably closer to volunteering than systems relying on a physical currency, we focus on those here. The time dollars plan evolved into a wider infrastructure of ‘time banks’ (Seyfang, 2002). Governments reacted enthusiastically, regarding it as a strong strategy for enhancing community-self-help and social inclusion.

Other than the overall benefits associated with civic engagement, time banking is particularly thought to be an instrument to reach out to people who are socially excluded or isolated otherwise. They might be left out of more mainstream types of volunteering, and may have dropped out of the labour market. The notion that everyone has time to offer, if nothing else, is supposed to send out “a strong message to the targeted groups that their time and everyday skills (keeping families and neighbourhoods together, caring for the vulnerable etc) are as valuable as anyone else’s” (Seyfang, 2002: 5). Contrary to LETS, time banks often operate with

'brokers', implying a lower threshold for people who might be put off by the idea of needing to 'negotiate' the local currency. Also for the organisations participating in time banks, the notion of putting brokers in place was as a positive feature (North, 2003). All in all, however, time banking is probably rather an *example* of a social innovation than a mechanism that can *spur* further innovations.

### **Online volunteering and crowdsourcing**

The internet had a strong impact on the way in which volunteering is organised. It played a major role in changing the manner in which volunteers are matched to organisations and communities with particular needs. Volunteer centres and time banking organisations often play a role in this. At the same time, over the past two decades, there have been many projects in which entire volunteer projects were managed online (Dhebar & Stokes, 2008). Such projects are described as 'online volunteering', 'virtual volunteering' or 'crowdsourcing'

The Project Gutenberg, which strives to make literary works that are in the public domain available electronically, might be one of the first examples. Project Gutenberg is an example of social innovation with a long incubation period. The project had already existed from the early 1970s onward, but it was only in the mid-1990s that founder Michael Hart started to coordinate the work of dozens and then hundreds of volunteers throughout the world to digitise these books (Butgereit & Botha, 2013: 176). Since then, many other forms of projects surfaced. Cravens (2000) names USENET newsgroups. Dhebar and Stokes (2008) discuss volunteers lending a hand to concrete development projects at a great distance from their home base. By 2001, already three percent of organisations with internet access were involved in some form of online volunteering.

A particular type of online volunteering ties in with the more general trend of 'episodic volunteering'. Over time, the manner in which people tried to fit volunteering into their everyday lives changed. Time pressure in work life leaves less time for volunteering. People are often no longer committed to a structural investment of a certain number of hours a week for an extended period of time in the same setting or task. Nevertheless, they may be committed for an afternoon, a week, or even an entire month. This phenomenon is described as 'episodic', 'ad-hoc', 'occasional', 'one-time' or 'short term' volunteering (Cnaan & Handy, 2005). Doing occasional, ad-hoc or one-time volunteering online is often described as 'micro-volunteering' (Butgereit & Botha, 2013; Chen, Cheng, Sandnes, & Lee, 2011). Micro-volunteering most likely developed alongside other forms of online volunteering.

Certain prospective volunteers favour virtual contributions over physical contributions (Butgereit & Botha, 2013; Cravens, 2000). This might be due to time constraints, physical disabilities, or even to unfavourable circumstances at the physical site of the volunteering project. Cravens (2000) adds that some might use virtual volunteering as a means of maintaining a link to an area in which they used to live, or that they visited at some point in their lives. The general notion of being able to help people at a distance is also listed as a benefit. All these factors suggest that online volunteering might contribute to self-actualisation in ways that physical volunteering cannot (Amichai-Hamburger, 2008). Despite positive evaluations, not all online volunteers are equally pleased with their involvement. Research shows dissatisfaction with the lack of face-to-face contact and the lack of response or follow-up from agencies (Cravens, 2000). As said, satisfaction is likely to depend on the situation of the volunteer and/or the remoteness of the project.

Micro-volunteering as such is not very likely to boost social innovation. The type of work that online volunteers are likely to carry out often involves the execution of pre-defined tasks. Nevertheless, for third sector organisations it might provide an alternative solution to the social needs they intend to deal with. Fisac-Garcia et al. state (2013, p. 98), for instance:

“Two examples of the use of ICT to facilitate voluntary work are the Spanish “Microvoluntarios” project started by the Bip Bip Foundation ([www.fundacionbipbip.org](http://www.fundacionbipbip.org)) and the UK-based platform Help from Home ([www.helpfromhome.org](http://www.helpfromhome.org)). Both initiatives promote micro-volunteer work online to help organisations fight exclusion and poverty. Individuals contribute to a cause by investing their free time to help others with tasks ranging from 30 to 120 minutes. These platforms enable expertise outsourcing from different fields which helps the daily work of nonprofit organisations in tasks such as proofreading, translation of texts, e-mentoring small entrepreneurs, or, for example, data collection for a project aimed at recording tree populations in a region.”

Other types of online volunteering might be more relevant from the point of view of social innovation. Web-based platforms such as Nabuur.com offer matchmaking between (often) innovative projects in developing countries and experts from around the globe (Lemoine & Carré, 2012; Peña-López, 2007).

From the perspective of third sector organisations, obvious benefits are that the internet enables them to draw from a wider pool of volunteers than those who are available in their geographical proximity (Chen et al., 2011; Dhebar & Stokes, 2008). Nevertheless, we may also doubt the long-term usefulness of such schemes: a large part of organisations that joined an online volunteering platform only post a few assignments, which are never refreshed (Dhebar & Stokes, 2008).

### **Volunteer based service provision**

We close this section on the organisation aspect of volunteering by noting a new type of organisations that provides services driven by volunteer engagement. Our examples come from the Netherlands. Food banks for the poor (although also receiving fierce criticism or perpetrating rather than solving the problem), initiatives offering transportation services to the elderly and health cooperatives are commonly viewed as examples of successful social innovations in response to unmet social needs.

Food banks are the most altruistic of the three examples. Confronted with increasing numbers of poor citizens and households that have fallen between the cracks of the welfare state, churches and concerned citizens started to collect food and sometimes clothing or other material goods donated by local business owners in the 1990s. Since the economic crisis the food banks have become more visible, especially in urban areas.

Transportation service corporations are an intermediate case, in which volunteers in call centers arrange transportation services to the elderly by drivers who receive a small compensation to cover car insurance and gasoline expenses. Clients pay a below-market price to get a ride to the hospital, to the city, or to family and friends, often in the form of a subscription. Such corporations can be viewed as social enterprises catering for social needs that are unmet by commercial markets, and could not exist without volunteers.

Health cooperatives are closest to a standard for-profit enterprise. The cooperatives plan, build, and run health facilities for the elderly through an insurance and investment model. Elderly with special needs or luxury preferences that are not met by commercial health insurance corporations invest funds in a foundation that will provide for their needs in the future.

This is not to say that voluntary service-provision is a new phenomenon entirely. Voluntary organisations facilitating transportation, or other sorts of specific tasks, have a long history. Even if we limit ourselves to the post-war period, there seem to be different phases of development. Call centre-based organisations have existed for decades already, while health co-operatives have a history of a few years only (Mensink et al., 2013). The mode of organising seems to be the distinguishing factor. Older initiatives have targeted individual service-provision, recent initiatives put a stronger focus on common ownership, furthering social cohesion and neighbourliness.

### **Taking account of insights at the organisational level**

This section has given an overview of a number of innovations in the way volunteering has been organised over the past decades. Virtually all of them involve particular infrastructures that support volunteer projects. These can be based in government or welfare agencies (volunteer centres, community service, time banks), businesses (corporate volunteering), schools or universities (service-learning), communities (time banks) or the internet (online volunteering). Moreover volunteers are known to unite in order to set up grassroots initiatives that offer services similar to those offered by governments or professional providers (volunteer-based service provision).

These developments are innovations in themselves, but can also aid third sector organisations in their social innovation activities. On the basis of the above examples, we can list three such advantages: (1) easier access to qualified volunteers (volunteer centres, corporate volunteering, service-learning and online volunteering), (2) professional support and resources (volunteer centres, corporate volunteering) and (3) furthering creative interactions by finding volunteers with different backgrounds (corporate volunteering, service-learning). Some new ways of organising volunteering, such as compulsory community service (not actual volunteering), time-banking and micro-volunteering are not expected to be advantageous for third sector innovations. The tasks these types of volunteers carry out are often predefined and non-creative. Nevertheless, they may be instrumental to reaching a third sector organisation's objectives, i.e. a non-profit may adopt these ways of dealing with volunteers in order to fulfill their objectives.

As a more general reflection, we may wonder what the impact of 'episodic volunteering' is on social innovation processes. Research repeatedly shows that organisations find it difficult to attract volunteers who are willing to commit for a longer period of time (e.g. Mensink et al., 2013). Such commitment might be required for being involved in social innovation. At the same time, volunteers seem to be more interested in tasks that provide a learning experience, rather than repetitive. This in turn might be favourable for committing to oneself to a serious innovative project. Episodic volunteering may also be a way of being extensively involved in an organisation, but for a limited period of time; a project-based understanding of volunteering. There does not seem to be any research on this issue so far.

In summary we can conclude that the ways of organising volunteering at the organisational level can provide important insights on how the attraction of the right persons, the employment of their human capital, i.e. their skills and expertise, and the spurring of devotion and creativity can assist in creating social innovation. These insights are vital in exploring such mechanisms in empirical research.

### **5.3. Outcome: innovation realised in the third sector**

Since the right column of Table 2, namely the wider effects and outcomes of social innovation in relation to volunteering have been at the core of the preceding chapters on social innovation, we refrain from recapitulating insights here. Instead we mention the findings of one of the few studies we encountered during our literature review.

A small-scale study among recently retired older adults in Israel (Nimrod, 2008) shows that post-retirement innovation in people's leisure repertoires is associated with higher life satisfaction. It is unclear, however, whether innovative leisure activities are causing or flowing from life satisfaction. It could very well be that older adults with higher life satisfaction are more likely to engage in innovative activities.

In general we can remark that we often know little or have weak accounts of the connection between social innovation and broader outcomes, including field specific outcomes and effects on individuals. The lack of data and the necessity to close gaps at the cross-roads of themes has been pointed out recently (Krlev et al., 2014).

In Work Package 3 of the ITSSOIN project we will revisit the individual level question using larger and more representative samples from several European countries.

### **5.4. Potential disadvantages between volunteering and social innovation**

As with the organisational level, here we will also have to take a look at the potentially negative effects involved in the connection between volunteering and social innovation. The use of new ideas and methods by volunteers and third sector organisations does not necessarily generate improvements in the provision of public goods. Volunteers who have a strong sense of autonomy want to do a project of their own and not only carry out what others designed. They do not want to take orders from others or learn by instruction. On the one hand such a strong sense of autonomy can spur innovation. On the other hand it can lead to inefficiency and conflicts.

A recent conceptual article by Besharov and Smith (2014) outlines how incongruent institutional logics can lead to different degrees of conflict. If transferred to the micro-level, this is likely to occur where expertise, experiences, and self-conceptions of professionals and volunteers collide and are not channelled into productive currents. What is more, volunteers with a high sense of autonomy who are entering an organisation will rediscover ideas and techniques that their predecessors already know to be effective. In this case the autonomous volunteer learns a lot, but the organisation learns little. Volunteers who are strongly oriented towards individual learning experiences may constitute collective inefficiency.

An important factor that may overcome this inefficiency is the professionalism and public service motivation of volunteers. A professional orientation towards the public good to be produced by their service will encourage volunteers to translate innovative ideas into workable

projects, products or services and most importantly to sustain these over time. An innovative attitude and motivation to learn in itself is not enough to produce social innovation. Among executives in German third sector organisations it is contested whether this can be achieved and whether volunteers can effectively acquire this role or whether their ideas will rather remain at an impracticable level that has to be modified and operationalised by professionals (Nock et al., 2013).

The relevance of professionalism and public service motivation suggests a warning. In their review of public sector innovation, Kattel, Cepilovs, Drechsler, Kalvet Lember and Tönurist (2013, p. 30) write: “Many researchers, similarly to policy makers and opinion leaders, tend to have strongly normative approach to innovation (it is a good we should aspire towards in any case). This leads to what can be called overuse in labeling any seemingly significant change in public services delivery, organisational setup, etc, as innovation.” This points at the danger of an imposing presupposed images of social innovation mention earlier.

Heralding the capacity of third sector organisations for social innovation also increases the pressure on them to perform as innovators (Osborne & Brown, 2011). In the United Kingdom and in the Netherlands the praise for the social innovation of the third sector coincides with greater pressure on third sector organisations to provide services at the local level. The national governments in both countries encourage private citizens to take more responsibility for public welfare. In the UK citizens are encouraged to create a ‘Big Society’; in the Netherlands, the ideal is called a ‘participation society’. These ideals require a greater voluntary citizen investment in public welfare, in terms of money as well as time. In both countries these investments are envisioned to occur primarily at the local level.

The praise, medals and financial rewards for citizen initiatives at the local level potentially reduces the capacity to learn by the national government. If these citizen initiatives are not monitored, success and failure factors are not surveyed, and the insights on these factors are not distributed to other localities, the inefficiency of separate inventions is likely to increase.

### **5.5. Concluding observations on volunteering**

It is very difficult to draw general conclusions on the characteristics of social innovation in the third sector in relation to the aspect of volunteering. The current state of knowledge does not allow us to say much, however. However, the sections above suggest many hypotheses which could be tested empirically and will be formulated in the course of ITSSOIN.

An important dimension to be taken into account is time. Many established third sector organisations started as small scale initiatives. How does the degree of innovation fare across the life cycle of organisations? As organisations professionalise, how do they manage innovation? Also it is important to recognise the changing roles of volunteers in different phases of the innovation process such as idea generation, translation into services and products and the diffusion of innovation. These are interesting research questions that should be answered in future research.

## **6. Context embedding and outlook**

The preceding chapters have illustrated why there is good reason to relate social innovation to the third sector as its core contribution to socio-economic impact and why we presume that the third sector is better positioned to stimulate, create, and develop social innovation than the

market or the state. However, we have also seen that this reasoning is faced with some existent critique and that insights on particular issue are still quite ambiguous. Generally, we will move from these presumptions to a set of testable hypotheses and explore them in in-depth case studies across seven organisational fields: culture & arts, social services, health care, environmental sustainability, consumer protection, work integration, and community development.

The question we will address is: How much and what kind of social innovation happens through the activities of third sector organisations?

To answer this question, we will, later in this project, select a sample of social innovations and describe the involvement of the third sector in their creation and diffusion. To achieve a comprehensive picture of third sector impact, we will also embed social innovation generated by the third sector in policy discourses and reflect it against citizen and media attitudes.

It must be stressed that the empirical investigation to be performed will focus on social innovations and thus a variety of actors rather than isolated organisations or single entities. Hence, the unit of the performed analysis will be the specific social innovation. In consequence, the empirical case-based studies could include a group of organisations but also more extended networks and clusters as well as informal groups or constellations.

Of course, the project cannot fathom the impact of the entire sector in terms of value added and quality of life through social innovations but it can connect sector contribution to social innovation in two ways:

- By sampling third sector organisations in each of the selected fields and then by conducting organisational level surveys to collect information on social innovation with the help of a set of questions or questionnaire items that operationalise what 'social innovation' means in the particular field-specific context.
- By compiling an inventory of social innovations that originated, took place or can generally be identified in the particular field selected using a thorough, systematic search of the literature and relevant documents in addition to expert interviews. The inventories will be vetted using a protocol to yield a set of recognised social innovations. These will be analysed using process-tracing methods (Ford et al., 1989; Tansey, 2007). Thereby, the role of third sector organisations will constitute the focus of analysis. This will not enable us to fully dismiss the attribution problem, but the close, process-based examination of selected cases against particular innovation incidents, items or field trends will help to specify how the analysed organisations have contributed or responded to pick up and develop innovations. The proposed procedure is used as a valid proxy to judge the investigated organisations' contribution to social innovation and thus their particular form of impact in this regard.

In either case, there is no built-in bias against privileging third sector organisations, over-estimating their innovative capacity. The very notion of a random sample – i.e. a sample identified by the open screening for dominant social innovation streams and the actors involved – in the first approach guards against 'sampling on the positive side only', and the openness of process-tracing social innovation events or episode towards the roles of other organisations protects against 'selecting only third sector successes'.

Thus, as part of a multi-pronged approach, and against the background of quantitative profiles of third sector roles and the structure of civic engagement, the project aims to show the mechanisms and processes that are at work (with an explicit link to social innovation). Obviously, it is difficult to test any hypothesis for the sector as a whole (due to its diversity). Therefore, the project will focus on particular fields.

We will conduct approximately 20 case studies covering all ITSSOIN countries. These cases are not meant to portray organisations but explicitly to uncover the mechanisms at play with regard to their contribution to social innovations. This will happen against the traits of welfare regimes, the particular activity field the studied organisations are engaged in as well as surrounding policy and perception frameworks. In this regard the provisioned products downright deserve the label *in-depth* case studies. The design just described restricts the number of cases but significantly increases their explanatory potential. By this, we hope to advance the understanding on social innovation in general and on the third sector's role therein in particular.



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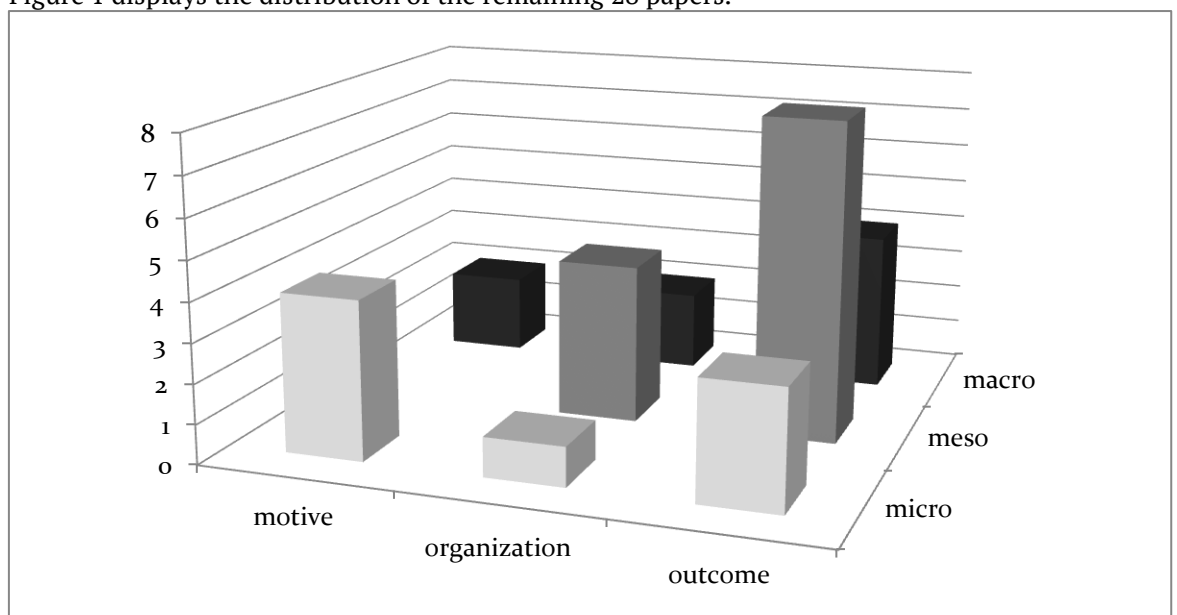
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## 8. Appendix: Methodology of Chapter 5 (Volunteering)

Our analysis of the literature on volunteering and social innovation is based on a systematic literature review. We used Google Scholar to search for literature discussing aspects of social innovation in volunteering in three ways.

1. First we searched using “social innovation”, “social entrepreneurship” and “volunteer management” in conjunction with “literature review” as keywords. These searches returned 4,160, 3,710, and 1,100 results, respectively. Among the first 50 papers from the search for a literature review on social innovation, constituting the most relevant research, none actually represented a literature review of social innovation. The search for literature reviews on social entrepreneurship yielded more papers advertising as a literature review, but most of these papers were conceptual. Few of these papers actually reviewed empirical research. The lack of progress in research on social entrepreneurship is lamented by many authors. Weerawardena and Mort (2010) state that “the research area has suffered from a lack of a unified and coherent framework capturing the unique environment and organisational characteristics of social entrepreneurship”. This assessment is essentially the same one as Johnson made ten years earlier (Johnson, 2000) and the assessments of Mair five and seven years earlier (Mair & Marti, 2005; Mair & Noboa, 2003). Two years after, the conclusion still holds (Huybrechts & Nicholls, 2012).
2. Second, we used the keywords [“social innovation” volunteering], returning 6,830 results. We decided to classify the first 50 of these papers as the most relevant research products in each of the 9 cells of table 1. After inspection of the titles and abstracts we did not classify 20 papers, because they did not deal with social innovation and volunteering. One paper was included 3 times; we excluded the 2 duplicate entries. Figure 1 displays the distribution of the remaining 28 papers.



The figure clearly shows that an important part of the most relevant research on volunteering and social innovation focuses on social innovation as an outcome at the meso-level of organisations (12 papers, 43 %). Some of these 28 papers are not dealing

- with the social innovation of the third sector but rather with social innovation of the public sector. Osborne and Brown (2005) provide an extensive review of this literature.
3. Third, we searched for papers on innovation as a characteristic of the mission of third sector organisations using the keywords [“nonprofit mission” innovation]. This search yielded 599 papers. Most of them dealt with financial issues such as income streams, revenue diversification and financial stability in relation to strategic management.
  4. Fourth, we used a path-dependent strategy, focusing on two key publications on social innovation in the third sector: Osborne (1998a, cited by 166 papers) and Hwang and Powell (2008, cited by 192 papers), and key publications on social capital (Burt, 2004) and volunteer motivation (Clary et al., 1998). The Burt paper is cited 2,190 times, of which 1,600 papers refer to ‘innovation’, but only 41 papers refer explicitly to ‘social innovation’ and 38 papers to volunteering. The Clary et al. (1998) paper is cited 1,130 times, of which only 192 of these papers mention the word ‘innovation’. Very few of these papers are actually dealing with innovation as a motivation to volunteer. Those that do, are reporting research on open source software development.