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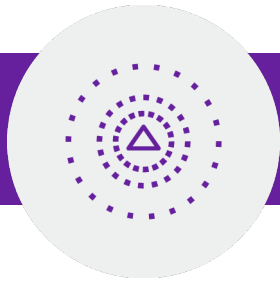
(Social) Innovation Impact - Review of Research

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1 Introduction

The economic crises that have stricken Europe in recent years have prompted many discussions on the search for new paths, creating new approaches and concepts of social and economic policies (Crouch, 2011). The welfare state in the 21st century is facing the challenges of achieving social cohesion in a society marked by deep transformations and the emergence of new social risks. The new social risks people face today throughout their lives are a result of economic and social changes associated with the transition to a post-industrial society (Esping Anderson, et al. 2002.; Taylor-Gooby 2004). Changing trends that include demographic changes, changes in family structures, climate change, changes in the labour market, rising inequality and big differences between cities make demands for social innovations.

The literature on new social risks (Talyor Gooby, 2004.; Bonnoli 2005, 2007) suggests that the welfare states in Europe are not only challenged by the need to restructure social costs, but also by the growing needs that are not adequately addressed by the current social programs. Social needs are more pressing now. The global crisis has made it clear that most of the challenges we face today have taken on an increasingly social dimension. At a time when resources are limited, new solutions must be found. Social innovation is today discussed at the international level (BEPA, 2010). With the notion of looking for new ways to combat the most challenging social problems, a concept of social innovation was developed.

Some social scientists see significant value in the concept of social innovation because it identifies a critical type of innovation (Vale, 2009). The notion of social innovation is particularly appealing in light of the difficulties facing traditional welfare systems and, more broadly, a development model based essentially on only two actors (the market and the state) that is finding it increasingly difficult to meet the growing and diversified needs of society (Borzaga, Bodini, 2012). The OECD has published a manual on measuring Innovation along with its Innovation Strategy in 2010, stressing the importance of innovation in the post-crisis economy and recording the fact that it is no longer only carried out in research laboratories or universities, but is in fact increasingly becoming the domain of civil society and individuals as well (OECD 2010.a: 3).

In the background of social innovation are aspects of the same "zeitgeist" that inspires great social reforms, such as debates within the meaning of key terms such as "from social welfare towards enabling state", "activating welfare state" with its "renewed emphasis on participation and activation of citizens" or different concepts of "social investment state" (Evers, Ewert, 2012: 16.; Morel, Palier, Palma, 2012; European Commission 2013.c).

That emphasized the roles of third sector organizations, which are an important source of innovation, pioneering innovations that governments and the market subsequently copy or support (BEPA, 2010). Social economy literature has also stressed this role of third sector entities,

in their case mutuals, cooperatives, and social enterprises, as significant sources of social innovation and social change. They are contributing in numerous of ways in different areas such as labour market integration, fighting social exclusion and poverty, creating social capital, and developing new services and ways to address the unmet social needs (Monzón, Chaves, 2012; Monzón, Chaves, 2008).

This paper will examine the status of social innovation, the notion and the scope of the impact which they produce in the third sector, but also the limitations of measuring the impact of social innovations. The working paper will have the following structure. The first part will examine the concept of social innovation, its meaning and characteristics. The second part will be devoted to reviewing the status of knowledge and previous research about TS impact. To review, we will present findings on the impacts of the micro (impact on citizens and users), meso (impact on community and organizations) and the macro level (impact on society at large). They will be discussed with regard to how social innovations make an impact and what are possible obstacles and methodological challenges in measuring that impact. It will also be discussed what are currently developed indicators for measuring the impact of social innovation in the third sector and whether there are any reliable data on that topic. Consequently, in the conclusion we will highlight the “way forward” in developing and measuring social innovations for a potential positive impact on the socio-economic development of Europe.

2 What are Social Innovations?

The concept of social innovation is not new¹, as the writings of both Durkheim and Weber stressed the importance of social innovation in the creation of social order, especially in the context of social and technological change. After that in 1930s, Joseph Schumpeter importantly pointed to the value of social innovation in the promotion of structural change in society (Baker, Mehmood, 2015). In recent time, the term social innovation has entered the discourse of social scientists with particular speed, but there is no consensus regarding its relevance or specific meaning in the social sciences and humanities.

The European Union puts a strong focus on social innovation in its policies. For example, the Europe 2020 Strategy is largely counting on social Innovations. A particularly important program is the one for employment and social innovation² (EASI). Social Investment Package³ (European

¹ More on historical development of notion of social innovation in Godin,2012.

² <http://ec.europa.eu/social/main.jsp?catId=1081>

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013DC0083&from=EN>

² <http://ec.europa.eu/social/main.jsp?catId=1081>

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013DC0083&from=EN>

Commission, 2013.c) encourages innovation in social policy by means of trying new approaches. Social investment approach is in general prone to reforms (Kvist, 2015) that call for social innovations. The nexus between policy, social innovation and the third sector is most evident in the two flagship initiatives Innovation Union and European Platform against Poverty and Social Exclusion, where the third sector is being explicitly referred to as an important actor (Eriksson, Einarsson, Wijkström, 2014). There are currently several FP7 research projects⁴ that deal with social innovation from various aspects, and they have also found their space in the new program Horizon 2020. Government departments supporting social innovation, the third sector and social enterprise are appearing in many states⁵. Around the world incubators, network hubs and similar initiatives related to social innovation are opening. The Initiative Social Innovation Europe, as Europe's largest social innovation community, was developed.⁶ Therefore, regardless of the possible ambiguity, the concept of social innovation is attracting more attention in policy and research circles.

Some analysts consider social innovation to be no more than a buzzword or passing fad that is too imprecise to be usefully applied to academic scholarship. It should be noted that the social innovations are viewed as a quasi-concept (Jensen, Harrison, 2013, European Commission 2013.a, BEPA, 2014, Anheier et al. 2014) which is viewed as relevant for empirical analysis and thereby deploying scientific methods, but simultaneously having an indeterminate quality, making it adaptable to a variety of situations and flexible enough to follow the twists and turns of policy.⁷

The field of social innovation is broad and varied. Social innovation is a practice-led field. It is contextual and as such has developed with ill-defined boundaries, meanings and definitions. There have been numerous attempts to define social innovation and we stress some that show most relevance. The OECD LEED *Forum on Social Innovations* was created in April 2000.⁸ This forum adopted a relevant working definition, namely that (social innovation) "can concern conceptual, process or product change, organizational change and changes in financing, and can deal with new relationships with stakeholders and territories."⁹ Social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of

⁴ More in publication: RESEARCH ON SOCIAL INNOVATION Inventory of projects funded under the EU Research Framework Programmes. https://ec.europa.eu/research/social-sciences/pdf/project_synopses/ssh-projects-fp7-5-6-social-innovation_en.pdf

⁵ Examples include the Office for Civil Society in the UK (previously the Office of the Third Sector) and the Office of Social Innovation and Civic Participation in the USA. The Office of Social Innovation and Civic Participation (OSICP) was set up by the Obama Administration in 2009

⁶ <https://webgate.ec.europa.eu/socialinnovationeurope/en>

⁷ 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.

⁸ With the mission to facilitate dissemination and transfer of best policies and practices in social innovation.

⁹ <http://www.oecd.org/cfe/leed/Forum-Social-Innovations.htm>

life of individuals and communities; identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce (OECD, 2011).

Definitions of social innovations in years that followed became more theoretically elaborate. Social innovations can be defined as new ideas (products, services, and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words, they are innovations that are not only good for society, but also enhance society's capacity to act (BEPA, 2010). They are some sort of ideas, turned into practical approaches that are new in the context where they appear. Stanford Social Innovation Review (Phills et al. 2008) defines social innovation as "a novel solution to a social problem that is more effective, efficient, sustainable or just than current solutions, and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, trends in governance, a social movement, an intervention, or some combination of them.

Some core elements are highlighted. The first is a novelty. A social innovation needs to be new in some way (either new to the field, sector, region, market or user), or to be applied in a new way. A step from ideas to implementation must be taken, and therefore we make a distinction between promising ideas (which may or may not become social innovations) and social innovations.

Secondly, social innovation meets a social need and is explicitly designed for these purposes. The main goal is to find solutions to social problems: identifying and providing new services that improve the quality of life of individuals and communities, identifying and implementing the integration process in the labour market, new skills, new jobs and new forms of participation, as well as various elements that contribute to improving the situation of individuals (Pol, Ville, 2007: 880). Social innovation should be effective, at least more so than the existing solutions.

In the end, it enhances society's capacity to act by empowering beneficiaries, creating new roles and relationships, developing assets and capabilities and/or better using of assets and resources. They leave behind compelling new social relationships between previously separate individuals and groups which matter greatly to the people involved (Mulgan, 2007).

Social innovation has specific process and logic of development. According to (Mulgan, 2007a) the process of social innovation is composed of four main stages: 1) Generating ideas by understanding needs and identifying potential solutions, 2) Developing, prototyping and piloting ideas, 3) Assessing then scaling up and diffusing the good ones, 4) Learning and evolving. BEPA (2010, 53) gives a similar framework for the process of social innovation. It goes from

identification the problem, developing ideas (and trialling them), establishing social innovation followed by scaling up and making a systemic change.

Changes in social environmental made social innovations necessary in the areas of governance structures, the economy and labour, consumer behaviour, the style and level of consumption, use regimes and systems and the associated user-oriented and efficient service and complex system innovations (Howaldt, Schwarz, 2010: 45). Generally, the term is used to describe social transformation, model organizational management, social entrepreneurship, and development of new products, services and programs, models of governance¹⁰, empowerment and capacity building (Caulker-Grice, et al. 2012a).

Hough (2011) sums up some conditions which can be considered as conditions for social innovations: 1. In societies where there is a high disadvantage, inequality, and suffering, the demand for social innovation will be high. 2. In societies where the institutional order is not complete, or not fully effective and unwilling to solve problems because of pre-existing norms and constraints, opportunities for social innovation will be higher. 3. Legitimacy endorses action that is desirable, proper and appropriate, and when a society values and accords legitimacy to social innovation we might expect more social innovation. 4. The rate of diffusion will be influenced by the complexity of the social innovation and resources required for diffusion.

Some common features of social innovation are that social innovation often comes from the bottom up, and is geographically dispersed and local (Caulier-Grice, et al., 2012a: 21-23). The boundaries between producers and consumers are becoming increasingly blurred. The users become producers, or prosumers. The basic idea, which is often referred to as a co-production, is that people are a valuable resource and that services should not ignore this potentially effective resource. They are participatory and empowering citizens and users, instead of being guided by the experts in a top-down approach. Its methods are diverse, not restricted to standard science and include “open innovation, user participation, cafés, ethnography, action research”, etc (Murray et al., 2010 in Godin, 2012).

Resources can come from academic research, political campaigns, civil society, public sector, social entrepreneurship¹¹, new technologies and many other domains. People and organizations

¹⁰ Social innovation can transform governance by creating new mechanisms that have the resources, the new collective actors and ways of influencing decision making (Miquel, Cabeza Eizaguirre Anglada, 2013: 155).

¹¹ There is a clear link between civil society, social innovation and social entrepreneurship. Social entrepreneurship is often found as an innovative form of activity of civil society organizations, on the other hand social enterprises almost by definition develop social innovation in its operations. Social entrepreneurship and social innovation are seen as a part of the solution (OECD, 2010),

involved in them are diverse. Social innovation relies on the inventiveness of citizens, civil society, local communities, the business sector and public servants, and the service sector. It opens up opportunities for the third sector, the public sector and the market in order to improve products and services and better address the needs of the individual and community expectations. They are often locally rooted and guided by demand, not supply, tailored towards individual need rather than massively produced, because most solutions must be adapted to local circumstances and individuals. In this respect they are "elements of the social changes that create new social facts, or influence the behaviour of citizens or of certain social groups in a recognizable way with an orientation toward goals that are not primarily economically motivated"(Howaldt, Schwarz, 2010: 23). They often recognize and exploit the resources that would otherwise be wasted, under-used or not used at all. Relevant stakeholders bring their knowledge, information, skills, experiences and resources. As a result, the produced outcomes of innovative processes are relevant (Voorberg, Bekkers, Tummers, 2013).

However, in view of the high hopes that the area attracted, it must be stated that social innovation is not a panacea for resolving social problems, but if encouraged and valued they can bring immediate solutions to the pressing social issues which many citizens are confronted with.

Measuring the production (impact) of social innovation is a priority for policymaking, as what you do not measure, you do not achieve. While most of the debate on social innovation is centred on the outcome ("what" is social innovation, what types of new products or initiatives qualify as socially innovative, and what their characteristics are), very little attention is being paid to the two aspects that are most important in order to really understand this phenomenon: the process that leads to social innovation ("how" social innovation happens), and the characteristics of the actors or organizations that carry it out ("who" can best deliver social innovation) (Borzaga, Bodini 2012:8). Unlike the outcome, special attention is still given not to impact - how is it produced, where, and on what level. Therefore in the next section we will further explore what is the observable (but also potential) impact that social innovations have on European societies. In doing so, we rely on the review of current researches and evidence from practice, especially case studies of concrete social innovative practices.

3 Social Innovation Impact – Unlit Road

3.1. Framing Social Innovation Impact

The amount of research, projects, experiments, debates, documents, books and events produced on social innovation since the beginning of the decade is impressive (BEPA, 2014), but there was only scarce academic research focusing on social innovation policy and its connection to civil

because both aim to provide innovative solutions to unresolved social problems, putting the creation of social values at the centre of its mission.

society (Eriksson, Einarsson, Wijkström, 2014), and generally third sector. Impact is question that is just coming under the "magnifying glass" of experts, practitioners and other interested public. Measuring innovation and its contribution to growth, as well as deriving policy implications from this process, has been on the agenda of various international organizations and bodies such as the EU and the OECD for a couple of years now (Simsa, et al., 2014). Measuring the production (impact) of social innovation is a priority for policymaking as 'what you do not measure, you do not achieve'.

However, the value produced does not easily translate into quantifiable benefits (BEPA, 2010). It most often consists of more social justice, more empowerment and more democracy which will make for a more dynamic and productive society. This is not easily accountable in the formal economy unless it is proven to offer more effective ways of delivering services and addressing social needs (BEPA 2010: 55). Martin (in Pol, Ville, 2009: 879) makes the point that social testing is beneficial to social innovation. They are expected to test the idea and, therefore, it is possible that many will not produce the effect. So, it is more important to find modalities for recognition that are successful in producing a positive social impact, in order to more clearly demonstrate the importance of their importance as carriers of new efficient solutions. A number of dilemmas about what represents the impact of social innovation have occurred and in particular how to measure it. This will be the focus of the rest of the paper.

Some of the very definitions of social innovations implicitly emphasize the impact on individuals and society. Apart from those already mentioned in the first part, we will specify a few definitions that are contributing to the prevailing attitude on social innovation highlighting the impact.

Social innovation should create a measurable improvement in terms of outcomes. This might concern quality, levels of user-satisfaction, and rates of adoption or a reduction in costs or higher level impacts such as improved wellbeing or social cohesion (Caulier-Grice, et al., 2012.a). Another example is Hochgerner (2009 in Howaldt, Schwarz, 2010) who states that "social innovations are elements of social change that create new social facts, namely impacting the behaviour of individual people or certain social groups in a recognizable way with an orientation towards recognized objects that are not primarily economically motivated". Lubecova, (2012: 310) notes that „social innovations can be understood as adaptation strategies to permanent social changes, which enable transformation of changing partial parameters into new arrangements and modalities of actions bringing new solutions to people's current demands and thus improving their living conditions (...) and concludes that " social innovations have huge impacts on national and regional economies as their sources come from the citizen living in specific locations. Howard and Schwarz (2010) bring another valuable issue stating that "social innovations are new concepts and measures that are accepted by impacted social groups and are applied to overcome social challenges." Social innovations are, as these definitions demonstrate, inextricably connected with

producing impact. The impact is reflected in the change and “improvement” which they are producing in the life of individuals, groups, and society.

Impact is produced in respect of certain functions of the third sector, which are associated with social innovations. The underlying logic is that (Anheier et al. 2014) (1) one of the main social impacts of the third sector is the creation of social innovation¹²; (2) the third sector’s social impact arises from social innovation, i.e. social innovation is one of the primary mechanisms that generate social impact¹³.

We can therefore analyse impact by specific roles that the third sector is assumed to perform. The third sector is a significant source of social innovation in its most prominent roles: delivering public services as complementary or substitution elements in the public (or market) service systems and campaigning and advocacy to protect or advance the position in society and welfare of people needing help¹⁴ (Anheier et al., 2014, Caulker-Grice, et al. 2012.b.: 7).

The roles of the third sector, with regard to social innovations, can be observed from certain domains in which we can expect impact. Moulaert et. al. (2005) state three of them: satisfaction of human needs that are not currently satisfied (content dimension), changes in social relations, especially with regard to governance, but also increase in the level of participation (process dimension), and increasing the socio-political capability and access to resources needed to enhance rights to satisfaction of human needs and participation (empowerment dimension). BEPA (2010: 36-38) look on impact from in a similar way highlighting dimensions/perspectives of social demand, the societal challenge, and the systemic changes. Social demand is orientated towards meeting the needs of vulnerable groups or communities. The societal challenge perspective takes sustainable development perspective, adding a new dimension to economic output. The focus is on sustainable systemic change by reshaping society through a process of organizational development and changes in relations between institutions and stakeholders.¹⁵

Therefore, we must look at all three levels of impact together, the micro level in terms of perspective impact on users, mezzo level in terms of impact on the community and organization,

¹² Although another important social impact is represented by being a major employer.

¹³ That also creates social impacts via other more standard routes, such as providing services with a ‘plus’, as was previously mentioned.

¹⁴ As sources of the third sector social innovations, the literature (Baker, Mehmood, 2015). highlights the satisfaction of basic needs and situations of crises as two major drivers.

¹⁵ Barroso (2011) expressed social innovation impact in the areas of new ways of meeting pressing social needs, creating the behavioural changes, which are needed to tackle the major challenges of societies; and empowering citizens to become co-creators.

and macro perspective in terms of the impact focusing on society. We will shortly address issues related to impact on each of the levels.

3.2. Micro-level Impact

Micro-impact social innovation is most often connected with the impact on the quality of living of the people. The notion of quality of life is an integral part of our definition of social innovation and desirable social innovation is the one that, in fact, improves the macro-quality of life or extends life expectancy (Pol, Ville, 2009). The first characteristic that social innovation and third sector organizations have in common is their social needs orientation, which is, in fact, an indispensable prerequisite for their work (Nock et al., 2013 in Anheier et al. 2014) and primary impact is on the well-being of the beneficiaries, as well as the actors involved. The fulfilment of needs is seen as a foremost driver of social innovation, needs that may emerge as a consequence of deprivation, exploitation or other crisis mechanisms (Baker, Mehmood, 2015). Undertaken actions, mainly at community/local levels, aim to increase people's wellbeing and to meet some needs that are not met by the public or the traditional private sectors alone. By doing so, social innovation is also potentially an important source of employment and growth (INNOGRIPS 2010). Associations or small co-operative type firms can help to secure the social inclusion¹⁶ (Grefe, 2003) and innovation-promoting measures may lead to new, innovative services in order to improve integration (Simsa, 2014).

Third sector organizations are innovative in that they make it possible to produce new services that the market economy either cannot or does not know how to introduce. New services that meet the needs and enhance the quality of life are the most important aspect of impact on micro level. WILCO project analysed the approaches and instruments of social innovations at the local level identifying common traits and characteristics. Most of the studied social innovations were in the area of service provision. The project found the impact of social innovations in the strengthening of competence and self-confidence of people, investing in their skills and by providing personalized support. The regulation of rights is also seen as the impact in the development of combinations of individual services and various facilities to cope with new social risks (Evers, Ewert, 2012; Evers, Ewert, Brandsen, 2013; Brandsen, 2014.a). Third sector projects all have objectives with regard to employment, but they also address a wide variety of potential job-creation mechanisms. Their impact can be in transforming new services into sustainable sources of employment (Grefe, 2003).

¹⁶ For example (Grefe, 2003) of young people through the development of public works projects, such as the restoration of old buildings or historical properties. This "production of social ties" can acquire an even more collective, or even territorial, dimension.

But when we speak of users, it is important to note that innovations that involve beneficiaries in design and diffusion processes are better placed to address their needs and produce positive and potentially significant impacts on their empowerment (BEPA, 2010: 57). The fact that third sector organizations give voice to minority groups and point out societal problems is constantly being emphasized. The change potential of the third sector stems on micro level from its structural location: close to the grassroots and the local level, their actors are usually the first to become aware of social problems of many kinds. In line with its grassroots nature, many socially innovative initiatives emerge as direct and pragmatic responses to needs experienced by individuals and groups in their daily life, bypassing slow and rigid bureaucratic procedures (Oosterlynck et al., 2013). Social innovation often counts on volunteer work. 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 organizations, by advocating their rights and interests, and by creating links to other organizations through social networks (Anheier et al., 2014.43).

Social innovation in the third sector at the micro level can be seen as an important element affecting the socio-economic development of societies by helping individuals in need, enhancing their capabilities and promoting their wellbeing.

3.3. Meso-Level Impact

Changing the form of governance is one of the distinctive impacts of third sector social innovations on the meso level. WILCO found a few main modalities like networking by fostering units and types of organization that operate in more embedded ways, giving new concerns and grouping a voice in the public domain and developing issue related coalitions by building partnerships among plural stakeholders that work on ‘hot’ items (Evers, Ewert, 2012; Evers, Ewert, Brandsen, 2013). Often social innovation emerges at the local level from sharing and networking between a wide range of actors. Hybridity as a new principle of innovative and adept form of organization, especially present in the third sector, can itself be seen as distinctive impact. At the level of organization the WILCO project recognizes, among others, the impact of innovation in mixed and extended work collectives in which forms of interdisciplinary teamwork were established. The new type of professionalism that, through dialogue and involvement of users, combined fragmented knowledge was also found as an essential element (Evers, Ewert, 2012; Evers, Ewert, Brandsen, 2013; Brandsen, 2014.a, Brandsen, 2014.b). All these aspects relate to hybridity that makes impact in changing the “way of doing” things and promoting new type of governance.

The third sector can develop their own policy alternatives and start a dialogue with political decision-makers (Osborne et al., 2005), which can be considered a social innovation in public policy, and new kinds of action and governance. In mainstream views, public institutions and

social innovation are considered in a “problematic” relationship due to the procedural rigidity of that kind of institutions. The nature of their bureaucratic organization opposes, or at least, does not promote innovation (Wise, Wengrich, Lodge, 2014). Public administration usually exhibits an innovation deficit due to the incentives and internal characteristics (Anheier, Fliegnauf, 2013). Innovation is seen as a way to overcome institutional blockages and other institutional rigidities¹⁷. The third sector is seen in a sort of opposition to public institutions and the market, both considered not completely able to satisfy all needs, demands and aspirations (Hirst, 2002 in Oosterlynck et al. 2013). Third sector innovations have a direct effect on the efficiency and quality of work of the organization by providing a basis for the provision of better services and the development of better policies. Policy recommendations on social innovation (European Commission, 2013.d) state that research should be concentrated at the institutional (meso) level¹⁸ analysis. At the meso-level, their review found that the usual focus is on the role of institutions in encouraging or discouraging social innovation.¹⁹ City administrations are learning to collaborate. They are learning how to work across silos, how to listen to their citizens and act as matchmakers between local stakeholders. Social innovation is an opportunity to transform city governance into new and more shared governance (URBACT II programme, 2015)

The second type of innovation on a meso level is related to the development of local communities. In communities, the third sector plays a vital role in social innovation. The significant impact of social innovations is that they will change the way of functioning of the local community. The third sector has a special role to play in local development in that the capacity for territorial development or redevelopment is linked to how much account is taken of the long-term interests of a territory, the emergence of new services and the creation of social links (Grefe, 2003). Studies have shown that third sector organizations contain a high degree of social

¹⁷ Social entrepreneurs also are important in third sector in producing of social innovations because they 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 (Anheier et al., 2014).

¹⁸ And individual (micro) levels of analysis, not the societal level.

¹⁹ Areas that have been found which looked at the impact of social innovation projects at the meso level (European Commission, 2013.d) are the following: PERSE focused on a kind of organization in the third sector, the social enterprise, while Concise examined the relationships of both cause and effect between a social pattern (social capital) and social enterprises as an institutional form (1). Cocops’ cut into the research was via new public management (NPM) strategies deployed by governments to reform services (2) while INNOSERV has launched an analysis of several cases of innovation in service provision (3). ServPPIN also worked at the institutional level of analysis and on services, its research focus being public–private innovation networks, treated as organisational devices in which public and private services might perform in complementary and synergistic ways.

capital²⁰ as a result of civic engagement, and are, in that way, described as facilitators of social learning that can be promptly used in local communities.

Again, research of WILCO project may be useful for understanding such impact on this level. It has found the impact of innovation on the development of local social systems. This component emphasizes the role and responsibility of social policies with respect to the responsibility of the local welfare state, civil society, market, community and family. The development of local social system places emphasis on welfare mix, which relies on all sectors of the local social welfare system. Diversity aiming at the less standardized, more diverse and localized welfare arrangements is found, as well as rebalancing welfare systems by upgrading the community component in mixed welfare systems. The last element of impact in local communities concerned integration in bridging economic and social logics, as well as welfare and urban politics. A lot of innovations were conceived and implemented above the organizational level, namely innovations in local governance.²¹ Beyond innovative services implemented by new instruments and incentives, often they had impact concerning the structures and routines of the local policy system as a whole to renew policy-making circles²² (Evers, Ewert, 2012; Evers, Ewert, Brandsen, 2013; Brandsen, 2014.a).

Meso-level impact, seen as the impact on organizational, community and governance level is more difficult to observe from involved stakeholders' perspective, as well as from the perspective of time in which changes occur. Also, there is a critical lack of metrics for measuring meso-level impact, so it is important to advance in measuring of this level of impact.

3.4 Macro-Level Impact

As the European experience has shown over centuries of experimentation, social innovation can also stem from the macro/policy level, when policy-makers, public administrators, business and opinion leaders or academics reflect, propose and implement new ways to address social issues (Caulier-Grice, et al. 2012.b). New policy solutions are the first impact of third sector social innovations on the macro level. Today, societal trends are increasingly perceived as opportunities for innovation. Social innovations are in position to be macro-social innovations, such as new forms of social organization or networked approaches to addressing public problems. They

²⁰ That especially may be the case in post-socialist countries (Bežovan, Matančević, J, Baturina, 2014.a; 2014.b), where the third sector can be a significant generator of social capital needed to develop innovation and make a change.

²¹ Governance has shown potential for developing different types of innovations (Wise, Wengrich, Lodge, 2014).

²² Local policy arenas, as well as others, are shaped by those who set up the political agenda and whose voices have an impact on political decisions, so third sector innovative initiatives were important stakeholders in power relations connected with policy changes.

encourage the active participation of the third sector in the political process and enhance democratic legitimacy. They are inherently about changing the way things are done and the way social needs are conceptualized. In this sense, systemic change is the ultimate goal of social innovation. At this level, the crisis can act as a window of opportunity for societal change.

Many of the analytical lines relevant to the understanding of social innovation have been developed as arguments within the debate on the transformational impact of society connected with systemic change.²³ This is particularly the case with political science arguments on the role of civil society in social change and the countercyclical role of social economy in the overall macroeconomic dynamics (Moulaert et al., 2005). Social innovation puts forward the creation of goods and services within cooperatives, mutual enterprises, social enterprises, for profit, as well as non-profit organizations as a new way to create wealth and redistribute it (Harrison, Jensen, 2013), producing an impact in the creation of alternate models of economic organization. Social innovations can be referred to as part of sustainable development, in response to the view that economic activity has expanded with little or no regard for sustainable yields and they are trying to solve the social problems that are associated with depleting natural resources, the loss of biodiversity, and a changing climate (Lettice, Parekh, 2010). Social innovations' biggest and most lasting impacts are often not the result of organizational growth, but come from encouraging emulators, and transforming how societies think (with new concepts, arguments, and stories) (Mulgan et al., 2007).

Social innovations are addressing forms of social exclusion that are at least in the way they are experienced more individualized, in opposition to the group-based forms of exclusion characteristic for industrial capitalism, hence the stress of social innovation on the transformation of social relations through collective mobilization and social learning. Therefore, the second impact of third sector social innovations on the macro level is changing relations in society. Social innovation also takes in consideration that, apart from the need for redistribution, people in poverty also need recognition of their cultural identity and political representation (Oosterlynck, et al., 2013). Social innovations can have the impact in changing roles and relationship between the third sector and the state. They are linked to empowerment, in the sense that micro- and meso-level initiatives can bring positive, macro-level change by up-scaling, for example, through institutional leverage (Baker, Mehmood, 2015). In this way, marginalized groups become empowered through the creation of both shared community identities and socio-political capabilities and strengthening of social capital²⁴ (Moulaert et al., 2010). As European-scale urban

²³ For example, many of the organizations that Mulgan et al (2007) have studied demonstrate social innovations impact as the change in society. They embodied and promoted radically different ideas like the idea of lifelong learning, the idea of the very poor being entrepreneurs, or the idea that everyone can produce their own media.

²⁴ Although some of our research (Bežovan, Matančević, Baturina, 2014.a) have shown when middle classes are producers of social innovations, marginalized groups can be left behind. Middle

research has shown, the initiatives often start in social movements, civic action groups, and social economy initiatives (Gerometta, Haussermann, Longo, 2005) and they have often proved to have socially innovative impacts (Moulaert et al., 1997, 2000 in Gerometta, Haussermann, Longo, 2005). The third sector has been credited with achieving macro types of innovation (Grefe, 2003) developing a new social organization matrix based on cooperation²⁵ and serving as a new instrument for public management, where the third sector is often seen as a solution to the problems encountered by the welfare State.

Social innovations evoking systemic change by transforming the ways in which societies think and building new social relations are main components of macro level impact of third sector social innovations.

4 Social Innovation Impact: Methodological and Measurement Dilemmas

4.1 Measuring Social Innovation Impact

Efforts to strengthen social cohesion and reduce social inequality are among the major political challenges in Europe. Traditional social policies have a limited impact on the social vulnerability, while innovative policies have a positive impact, and reduce the likelihood of falling into a vulnerable position (Ranci, 2011: 1). Measuring social innovation impact and finding appropriate metrics to do so is therefore a priority.

Metrics are important for three reasons: they help to build a knowledge base by assessing and evaluating what works; they guide investment decisions; and shape public policy. Reliable metrics for social innovation are therefore critical in developing the field. Effective metrics about the scale, scope and impact of social innovation at the regional and national level would help guide policy makers in developing the right framework conditions for social innovation (Caulier-Grice, et al., 2012.c). BEPA (2014) finds four reasons for tackling the challenge of measuring social innovation. Firstly, there is a need to prove that social innovation is an effective and sustainable way to respond to societal needs. Secondly, justifying the allocation of public money, as well as attracting other sources of public and private financing, requires a shared understanding of what

class do not recognize their needs and they do not have sufficient capacity to put it on the public agenda.

²⁵ For example in situations of: co-operation as a means of going beyond role specialization: the fact that contemporary forms of the third system in Europe emerged in the course of the 19th century, primarily in the form of what is now termed the “social economy” and that “co-operatives” aimed at establishing solidarity networks between producers and consumers.

the 'positive and measurable social effects' of social innovations are. Thirdly, evidence-based policies require ex ante evidence of the expected impact of the actions involved. Finally, social innovations (seen as drivers in the current transition) could open the way to developing a new competitive advantage for European economies, showing that social and environmental value creation is central to the human and ecological sustainability of societies. By measuring social innovation impact, Europe and Member States would also monitor the overall level of social innovation activity taking place, and any particular barriers to its dissemination.

Therefore, we want to see how social innovation, as an innovative element of policies, can demonstrate its impact. 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 state²⁶ (Anheier et al., 2014). In the National stakeholders meeting of TSI project regarding impact (Fonović, 2014) very few impacts or ideas for impact measurement were concerning the third sector "innovation" domain. Although little discussed and not perceived as of primary importance for experimenting models to generate data on, themes that have emerged as terrains of innovation from the point of view of stakeholders are manifold and far reaching.

Measuring the impact of the whole sector is a major challenge for various reasons. Often most innovative projects are constantly moving targets (Evers, Ewert, 2012: 20) and their careers depend both on their own goals and strategies and on the impact of the environment they are embedded in. Many forms of social innovation are "hidden" from traditional ways to measure innovation, because they consist of changes of ways of working rather than the introduction of a specified chunk of a new investment. Many standard approaches to assessing innovation²⁷ are far less applicable to this issue than to product and technological innovation. Traditional innovation metrics, which focus on inputs and outputs, are largely unhelpful to the field of social innovation, where outcomes and processes are more important and need to be assessed (Caulier-Grice et al., 2012.c). Such metrics are bound to be subject to refinement and learning among those providing and requesting the data (Reeder et al., 2012). Kendall and Knapp conclude in relation to their extended third sector performance framework that "performance measurement may have to rely on indirect measures of actual effects, or subjective impressions of impact, or even simply (but uninformative) measures of resources allocated to this activity" (Kendall, Knapp, 2000: 112). There is no single criterion of performance in the view of the multiple stakeholder contexts, and no simple way to aggregate indicators.

²⁶ However, we have also seen that this reasoning is faced with some existent critique and that insights on particular issue are still quite ambiguous.

²⁷ Such as the numbers of patents, numbers of citations, levels of research and development investment.

A lack of indicators often compounds difficulties since there are no useable data sets or time series to draw on to test hypotheses (Social innovation Europe, 2011). Social innovation has been part of the explicit objectives of only a few programmes, and while evaluation and impact assessment is taken very seriously, assessments of effectiveness and efficiency of spending do not necessarily consider the longer-term qualitative results which are expected from innovative solutions and new forms of organisation and interactions to respond to social and societal issues (BEPA, 2010: 96).

Various methodological dilemmas need to be addressed in measuring impact. The different concepts, such as impact, outcome, social return, social value and performance, which are not always distinguished, are used and the very notion of impact has many different definitions (Maas, 2008). It is important to distinguish between the impact and outcome. However, there is no consensus on the issue. On the one hand, the outcome is defined as the effect achieved among beneficiaries and the impact as overall effects (Wainright, 2002). This notion is somewhat incomplete because it remains unclear how it can refer to the impacts on other stakeholders who are not beneficiaries. In terms of time, intervention may cause short-term effects immediately after implementation. But there the medium-term impact can also be reached, as well as, finally, long-term impact. These effects are difficult to measure and evaluate (Simsa et al., 2014).

Efforts to gauge the impact of the sector suffer from two unresolved challenges: (1) the causality problem, that is, the difficulty of tracking causes and effects in the complex social environment; (2) the measurement problem that is, the challenge of operationalization and measuring impact and outcomes in valid and reliable ways (Anheier et al., 2014). The attribution to the third sector is even more problematic considering indicators for innovation. The third sector and its innovation potential have been neglected so far, although social innovation is being discussed intensively in the context of social entrepreneurship at the moment. An additional challenge is the measurement of the counterfactual. This term denotes those consequences that would occur in any case, regardless of the organization's activities. To estimate the real impact of the social innovations, the effects achieved by other sectors, such as the state or private sector, must be excluded (Sims et al., 2014). Additionally, having a comparison group could in many situations be seen as unethical and in many situations is impossible to organize.²⁸

BEPA (2010: 111-114) sums a few of the obvious problems in measuring impact. First of all, the real impact of social innovations is hard to evaluate in quantitative terms. When estimated, the numbers of initiatives and of participants or beneficiaries are used, but these will most often be poor indicators of the real contribution of a social innovation to resolve a specific social problem

²⁸ More details on the complexity of methodology of measuring the impact in Simsa.et.al. 2014

or respond to a societal challenge or, more difficult still, to produce changes in behaviours.²⁹ This is often due to the very nature of the phenomena in which the innovation is occurring. Secondly, there seems to be an insufficient culture for ex-post evaluation in the operators involved in the implementation of projects related to social innovation. Where social innovation is not amongst the explicit objectives, it will not be specifically evaluated.

Social innovations are highlighting the need for new ways to measure innovation performance. Increasingly, traditional innovation metrics have been criticised for failing to capture the new and changing nature of innovation, and as we can see there are different dilemmas shadowing efforts to measure the impact of third sector social innovations.

4.2 Metrics

At the project level, there is now a range of metrics, which capture social and environmental impacts as well as traditional economic measures. There is also a range of methods for measuring social impact and social value. Metrics combine qualitative as well as quantitative data. Since the first half of the 1990s, interest in access to social accounting has increased. The starting point is the so-called "triple bottom line" (Elkington, 2004), which, apart from financial, provides a measure of social and environmental impacts. The most notable examples include Social Impact Assessment, Environmental Impact Assessment, Social Return on Investment and Blended Value. More attention is drawn towards development of more integrated and standardized approaches. Measuring impact is also discussed within the concept of "social impact assessment". The main purpose is to lead to a more sustainable biophysical and human environment (Vanclay, 2003). Cost-minimisation analysis is used where outcomes are certain and similar across the alternatives to be evaluated, which is rare. In areas where there is an accepted generic measure that is thought to capture all relevant effects, one can employ cost-effectiveness analysis (Anheier et al., 2014.). The particular form of cost-benefit analyses has evolved from third sector practice and has 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 (Simsa et al., 2014).

Some of the discussed tools for capturing impact (at least partly) conflict with the very essence of third sector organisations. We can detect a tendency moving from standard performance tools

²⁹ The reasons why social innovations are difficult to measure are proportional to their scope (i.e. the smaller the objective, the easier the measurement). This is also explained by the fact that their success relies on factors which, by their nature, are difficult to quantify, at least in the short to medium term.

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 (Simsa, et al., 2014) Randomised evaluations of social programmes take time and can be complex to implement. Other techniques also commonly used are referred to as non-experimental or quasi-experimental methods. They are usually less complex to implement than randomized evaluations, but the results they deliver are also less reliable (BEPA, 2014:25). But, much of the evaluations related to impact are carried out through questionnaires or cost-benefit analyses. While the first instrument requires extreme care in the drafting of the questionnaire, the second one leaves much space for subjectivity in the analysis. Also, in a variety of different approaches used, a number of research projects treat social innovation as the level of change as the independent variable³⁰ (Harrison, Jensen, 2013).

Social Impact Bonds are a financial tool being developed in the UK (by the Young Foundation and Social Finance) to provide a new way to invest money in social outcomes. Their key innovation is to link three elements: investments (by commercial investors or foundations); a program of actions to improve the prospects of a group and commitments by national governments to make payments linked to outcomes achieved in improving the lives of the group (Caulier-Grice et al. 2012.c). They are directly facing the measurement of outcomes that can generate impact. Many of these programs are just the social innovations orientated to particular group, i.e. new efficient solutions.³¹

The report adopted by the GECES (2014) makes a set of recommendations and defines areas where follow-up is required. It underlines the benefits that a standard for social impact measurement, ideally agreed worldwide, would have. However, they recognise that no single set of indicators can be devised in a 'top-down fashion' to measure social impact in all cases. GECES advocates a process for social impact measurement. This process involves five stages: 1) identify objectives; 2) identify stakeholders; 3) set relevant measurement; 4) measure, validate and value; 5) report, learn and improve. This in a way signifies a move towards social impact measurement, and notably towards a standardised, synthetic measurement process (OECD, 2015). GECES (2014) and EVPA 2013 have suggested some metrics: *Implied Impact Model* and the *Social Stock Exchange*, but at the same time highlighting the need for flexible approach tailored to organizations goals and needs.

³⁰ A group of projects identify social innovation (however defined and whether implemented by the public, private or third sector) as the lever for improving the circumstances of specific groups or populations, but not developing consistent overall metrics or indicators. Thus they examine innovative practices in education (INCLUDE-ED and LLL2010), in social services (INNOSERV), among marginalised youth (Citispysce and CSEYHP), for meeting social needs (Tepsie), for organising integration into employment (PERSE), for generating economic growth (ServPPIN).

³¹ <http://www.youngfoundation.org/social-innovation/tips/social-impact-bonds-and-social-value>

A sound technique for measuring the impact of the social innovation is a prerequisite for funding/financing social innovation. The proliferation of funding/financing mechanisms has led to the urgent need to further develop methods for measuring the social and economic benefits (BEPA, 2014). Young Foundation looked at methods for measuring value in the built environment and identified nearly 30 in use (Mulgan et al., 2006). These approaches run the gamut from methods using artificial neural networks and hedonic price models to fuzzy logic methods and triple bottom line property appraisal methods. NESTA (2013) has developed standards of evidence, which do not associate evidence with particular types of data or specific research methods. They are focused on high quality, robust and appropriate evidence that helps identify the most promising innovations, and then to continue to generate relevant types of evidence to ensure they are working. Initiative of Social Impact Scotland³² provides information on a range of methodologies, tools and approaches to understanding and measuring social impact. It has a section designated to measuring social impact in the third sector, with methods and tools suggested to organizations.³³

The most consistent evaluation of the social innovation metrics was done by Krlev, Bund, Mildenerger (2014; also in Bund et al., 2013.a). Their systematic review had a goal to assess various existing (partly interrelated) measurement approaches at close proximity to social innovation. It actively assessed more than 45 measurement approaches³⁴. The main conclusions were that regarding the research perspective, a significant number of methodologies measure structural features (e.g. financial figures or a number of employees), a little less focus is on institutional features (e.g. laws or codes of conduct), but few methodologies show a normative orientation. However, normative aspects are important to the field of measuring social innovation. Concerning the object of analysis, the biggest part of established innovation-based methodologies is focused on private sector activities. Innovation metrics focusing on the third sector and its contributions to innovation, however, are rare among the existing methodologies. Among the reviewed methodologies, they have found an approximately equal distribution with regard to the level of analysis between approaches looking at the organizational meso-level and those looking at the national or regional macro-level. The largest proportion of the reviewed methodologies combined both levels, in the sense that the data gathered through an

³² www.socialimpactscotland.org.uk

³³ It suggests some 14 different tools. Except mentioned ones, there are Theory of Change, Logic Models, Social IMPact measurement for Local Economies (SIMPLE), Third Sector Performance Dashboard, Social Enterprise Balanced Score Card, Volunteering Impact Assessment Toolkit, Local Multiplier 3 (LM3), Quality Evaluation, Measuring Environmental Impact, Consultant Facilitated Impact Assessment, outcome Star and The Rickter Scale.

³⁴ On the basis of a data set with over 1,500 variables contained in the 30 analysed indicator approaches, they have picked what they saw as the most suitable ones for measuring social innovation.

organizational survey was used to generate conclusions with regard to the national level. The individual (micro) level is often neglected, even though there is a well-established discourse on the role of individual social entrepreneurs and other individuals in generating social innovations (Krlev, Bund and Mildenerger, 2014, Bund, et al., 2013.a.; Bund, et al., 2013.b), and is defined as one of the main characteristics of social innovations.

4.3 Indicators

Regarding indicators to measure innovation and social innovations, we find some attempts as relevant. The macro level represents a more fruitful ground in terms of developing metrics, because indicators on the macro level are usually of comparative and aggregate nature. But the very attempt of establishing metrics on the macro-level can be related to questions and investigations of social impact at and beyond the organizational level. The former is giving insights into the mechanisms and variables at play, which influence the capacity for social innovation in larger systems, the latter being more fit for uncovering the process dimension of social innovation (Krlev, Bund, Mildenerger: 2014: 201). 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 allocation decisions can be made within department budget. 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 (Anheier et al., 2014.12). Methods, as well as national surveys, often focus on the macro- and meso-level, such as expenditure on R&D, HR indicators or the impact of innovation on GDP growth, on the one hand, and on firms and for-profit enterprises and their degree of and contribution to innovation on the other. Little attention has been paid to the question in which ways the third sector can be a source or a driver of innovation (Simsa et al., 2014).

Analysing indicators in a broader sense, the European Union has developed the Innovation Union Scoreboard, a complex index consisting of several indicators. They are divided into the three main areas of enablers, firm activities and outputs, where each again contains certain innovation dimensions, which are again measured using concrete indicators (European Commission, 2015).³⁵

³⁵ The innovation dimensions of enablers are human resources, open, excellent and attractive research systems and finance and support. Indicators used are i.e. the percentage of doctorate holders of the population, the amount of international scientific co-publications or the percentage of GDP spent on R&D. Firm activities include the dimensions of firm investments in both R&D and non R&D-innovation expenditure, linkages and entrepreneurship and intellectual assets, such as the amount of patent applications, community designs or trademarks. Within in the last

OECD (2010.a, 2010.b) recognize four areas important for innovation: empowering people to innovate, which is captured by educational and human resources related indicators, unleashing innovation in firms, measured by indicators concerning the entry and exit of firms, policy environment as well as the existence and activities of young, innovative firms; investing in innovation, where the importance of government funding is stressed and the ability to reap returns from innovation, where measurement is approached through the quantity of scientific collaborations, knowledge clusters, science and industry linkages and the like.

There was also the proposal of prototyping a Social Innovation Scoreboard in recognizing the need to strengthen the knowledge base on indicators for social innovation, including greater consistency and endorsement among statisticians of the definition of social innovation (Reeder et al., 2012). In 2013, the European Commission launched a pilot European Public Sector Innovation Scoreboard (EPSIS) to improve the ability to benchmark the innovation performance of the public sector in Europe. The key results show that the public sector in Europe innovates, but it still faced with a number of obstacles.³⁶ The MEPIN project (Measuring innovation in the public sector in the Nordic countries') developed a survey questionnaire for innovation in the public sector.³⁷ Central indicators are the share of organizations with innovations, both overall and for individual types (Bloch, 2011).

EQUAL program evaluation captured the number of innovations per thematic field; type of innovation according to its emergence (import, adaptation or new development), and dimension (goal-oriented, process-oriented, or context-oriented). Ex post evaluations of the 2000-2006 programming period showed some weaknesses in monitoring and evaluation, and problems in comparing outcome.³⁸ Subsequently the 2007-2013 programming period introduced a minimum set of common output indicators related to participant's characteristics. However, data quality remains uneven, and data collection methods vary greatly among member states.

Grefe (2003) suggests different kinds of indicators. Conformity indicator was developed in order to see whether or not the innovation conducted by the third sector differs from other sectors. This procedure sets out to isolate the innovative nature of the third sector usually in terms of contents of the service supplied. This analysis has several points to address (Grefe, 2003: 2006):

dimension, outputs, the amount of and the employment generated by innovators as well as general economic effects are measured (European Commission 2014: 10).

³⁶ http://ec.europa.eu/growth/industry/innovation/policy/public-sector/index_en.htm

³⁷ Main goals were to understand the rate and degree of innovation in the public sector, as well as its incentives, processes and impact and developing a measurement framework for collecting internationally comparable data on innovation in the public sector.

³⁸ http://ec.europa.eu/employment_social/equal_consolidated/data/document/EUWide%20final%20report%202010.pdf

innovation is not exactly the opposite of conformity; this method of proceeding may recognise product innovations, but has greater difficulty in recognising innovation in terms of processes; innovation does not necessarily imply a visible change in a product or process and it was assumed that these problems could be overcome and; an analysis would still need to be made over the long term to see whether the conformity convention holds up or not. Another two indicators were productivity indicator to measure the volume of services provided, the number of jobs created and the production of values or social capital as well as the lifetime indicator, which looks at the diversity of funding sources and thus how likely the organisation is to survive a sharp decline in one of the sources. These are seen as key areas in general, but on the other hand the project INNOSERV (2012) defines areas, which we can also see as appropriate to look for impact indicators effectiveness for the user³⁹ effectiveness for the service provider⁴⁰, effectiveness for society⁴¹ and within that area of social return⁴².

Within organizing framework known as the production of welfare framework, Kendall and Knapp (2000) dealt with the issue of measuring the performance of non-profit organizations. The framework was found to be useful in helping to identify relevant evaluative criteria, which in a way can be the base for developing concrete indicators. They propose a model that recommends a set of indicators to measure the performance of activities of non-profit organizations. They can be attributed to eight domains: economy, effectiveness (service provision), choice/pluralism, efficiency, equity, participation, advocacy, and innovation.⁴³ The authors describe the proposals for sets of indicators in each area, but stress that they must be chosen according to the needs of each organization (Kendall, Knapp 2000: 120-121). In the area of innovations, indicators are reported innovations, barriers and opportunities. Simsa et al. (2015) conducted meta-analysis of SROI studies and suggested structure of the domains and fields of indicators that can be used.

In the systematic review (Krlev, Bund, Mildenerger, 2014, Bund et al., 2013.a., Bund et al., 2013.b) regarding indicator categories, it was found that many methodologies use indicators to measure activities at the firm level, but few indicator approaches include indirect societal outcome indicators. These kinds of indicators appear most often in the field of sustainability and in measuring environmental performance. However, societal outcome indicators are particularly relevant for social innovation, because of their approximating character: they capture potential results of social innovation at the societal level, such as changes in well-being. Apart from that,

³⁹ New jobs, reduction of risks, citizenship –social interaction, social protection: well being – quality of life, increased access to community service

⁴⁰ Capacity building, cost effectiveness

⁴¹ Capacity building, cost effectiveness

⁴² Employment, education, community cohesion, transition institutional to community based care

⁴³ The authors state that innovation is of relevance primarily to the extent that it impacts intermediate outputs or final outcomes, or improves efficiency, equity or social capital.

there is a balanced distribution between the analysis of enabling conditions, organizational activities, and output indicators in the existing approaches.⁴⁴

The same authors proposed metrics with different data sources in several dimensions: social innovation resource framework, social innovation institutional framework, social innovation political framework and social innovation social climate framework. 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. But most of the proposed metrics is difficult to directly connect to social innovations, e.g. to say that they are the reliable data source for estimating the impact of social innovations. They are, at best, significant efforts to frame the area and give a broad scope of what could be data sources and indicators dimension considered when we analyse social innovations.

Taking all dilemmas in regard, a step-by-step approach would probably be most suitable for developing indicators. It can, therefore, improve the effectiveness of the indicator system and help to establish reliable indicators of good quality rather than to create impact indicators of questionable value.

4.4 Conditions for Social Innovation Impact

Social innovation should not consist only of an isolated incident, but should be replicable and have the potential to scale up in order to have a significant impact (Borzaga, Bodini, 2012). 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 Anheier et al. 2014:22). But, social innovation should prepare social reforms through the programs, pilot schemes and evaluation that would allow organizations that fail a new attempt at "better failure", which allows the learning of all stakeholders of social policy (Evers, Ewert, Brandsen, 2013). In a way, they are seen as messengers, with proposals worthy of entering the mainstream policies. Therefore, their impact can be that social innovations are new phenomena in social policies that do not prepare reforms only through discussions, but projects are testing innovative ideas⁴⁵ in practice what can be significant for the further development of the welfare state.

⁴⁴ In addition to this analysis, which has been crucial in compiling the indicator suite to follow below, authors suggest that two models have prominently influenced the design of the framework model: the one of National Endowment for Science, Technology and the Arts (NESTA) and the other by the Department of Innovation, Industry, Science, and Research of the Australian Government.

⁴⁵ But they need space for that on the national and EU level. For example, EASI programmes have provided financial support to test social and labour market policy innovations and contribute to

Given the fact that social innovations are usually designed to fit a particular context and developed through a unique set of relationships and collaborations, replicating is rarely straightforward (Caulier-Grice, et al., 2012a), so in consequence a wider evidence of their impact is often unavailable. The more reformist movements may, in general, have had a longer life, a wider spatial impact or broader social benefits, but in contrast to the more grassroots-based or even utopian experiments, they have also been more prone to bureaucratisation and have lost touch with their original hunger for social innovation (Moulaert et al. 2005). That changes them as „target“ for measurement and requires closely tracking their impact in changing periods over time. Experiences from FP7 project WILCO (Brandsen, 2014.a) in the study of local social innovation have shown that most social innovation remains local and has limited duration, which certainly limits their impact. In so doing, the most successful ones are more integrated into the administration of local social systems, or even initiated by the local authorities.

In their case studies Mulgan et al. (2007) concluded that learning and adaptation is the key to ensuring that the innovation achieves social impact, and will continue to do so as the environment around it changes. When these elements are all in sync, innovations achieve resonance with their environment and come to appear naturally.

There are different degrees of openness to change and innovation in the areas of welfare policy. Significant support of "bridging" policies in situations where the social innovation act in time and financially limited pilot programs has proved important to the sustainability of innovations (Evers, Ewert, 2012; Evers, Ewert, Brandsen, 2013).

Dissemination is actively providing information, and sometimes technical assistance to others looking to bring an innovation to their community (Dees, Anderson, Wei-Skillern, 2004). Dissemination indirectly helps measure the impact. For the more innovation is expanding and replicating, the more data we have to assess its impact, both on the way in which it is produced and on the possible preconditions that stimulate or obstruct impact in different environments. The promotion of social innovation in social policy implies adopting the perspective of the needs, expectations and the possibilities consistent with the logic of investment, mobilizing a wide range of actors whose (non) action has an impact on social protection, inclusion, cohesion and well-being, and combining skills, context and culture in delivering innovative answers (European Commission 2013.a: 17). Social innovation requires a favourable environment for their development and demonstrating an impact. That depends on numerous factors, such as characteristics of innovation and innovators, support and favourable policy surroundings.

building up the main actors' capacity to design and implement social policy experimentations. (European commission, 2014.a)

5 Conclusion

Social Innovation causes changes in the welfare state usually from the bottom up. This is often done by offering solutions to local problems or specific groups, or changes in certain sub-systems of social policy. Their innovative potential causes new ways of thinking that would be more effective in preventing and eliminating new social risks.

The potential contribution of third sector social innovations can be seen on different levels. At the micro level they are an important element affecting the socio-economic development of societies by helping individuals in need, enhancing their capabilities and promoting wellbeing. Changing the form of governance, as well as the development of local communities, can be distinctive impacts of third sector social innovations on the meso-level. Social innovations at the macro-level can prove their impact in evoking systemic change by transforming the ways in which society thinks. Building new social relations is also a main component of the macro level impact of third sector social innovations.

Social innovation transcends sectors, levels of analysis, and methods to discover the processes, the strategies, tactics, and theories of change that produce lasting impact (Phills, Deiglmeier, Miller, 2008). However, although they are achieving impact there is little systematic evidence about concrete measurement and evaluation of that impact. Knowledge about the impact of social innovation is so far limited and scattered. Social innovations are difficult to measure in general, and it is also difficult to separate the specific contribution of the third sector. Besides stated methodological issues⁴⁶, key aspects related to that are: social innovation does not have a single definition, although, in their definitions, we find an implicit criterion of production of social impact as the defining characteristic; they are not sufficiently recognized in the policy context, but nonetheless they have become part of certain policies and programs of the EU. That is linked with the lack of evidence on their impact. Most innovations are small-scale and short in duration, which hampers their development, as well as assessment of their long-term impact. They are at risk of “dying” before they can have an impact. Although, there are some attempts, methods for measuring the impact of social innovations⁴⁷ have not been developed. The same goes for indicators, which would be suitable for observing and analysing social innovations. There are no global databases that monitor the impact of social innovation; such direct databases are so far not found on the national levels.

Effective metrics about the scale, scope and impact of social innovation at the regional and national level would help guide policy makers in developing the right framework conditions for social innovation (Caulier-Grice, et al., 2012.c). On the other hand insecure, short-term funding

⁴⁶ Such as direction of causality or deadweight effect

⁴⁷ Except for some tools at the project level

often also means short-term reporting and many individuals employed or volunteering in third sector programs have lacked enthusiasm for performance measurement, which is perceived as a time consuming burden imposed by governments (or donors) (Anheier et al., 2014). The improvement of knowledge on social innovation through research, platforms, hubs and networks of researchers and transformative tools to open policy perspectives is increasingly supported in various policy areas. But policy reforms are still insufficiently based on evidence as well as evaluation of their impacts (European Commission, 2013.a).

The field of social innovation, both due to its emergent state and its proximity to established fields of research, represents the special and unprecedented opportunity of being explored by theory and metrics in combination (Krlev, Bund, Mildemberger, 2014). The same authors are warning that 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 organizations operate and disincentivises organizations to innovate. There is a clear need for promotion of the design of new statistical methods and interdisciplinary approaches to data collection and specifically measurement of innovation for social goals and of social impacts of innovation (OECD, 2010.b).

Data collection of these metrics at the national level provides 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 (Anheier et al. 2014: 12). However, it is argued in particular at the European level that more needs to be done to realize the full potential of related data (Stiglitz et al., 2009, p.3). While the assessment exercises are still straitjacketed in one-size-fits-all public spending control standards, social and environmental policies, in particular, are increasingly adopting scientifically based methods such as social experimentation to test (and prove) the effectiveness of innovations in their sector before they can be scaled up and replicated. Social impact measurement is an issue, which has stirred up a lively debate in many circles and at many levels (BEPA, 2014: 28) and it is especially important in social innovation area.

Taking in regard the current situation of measuring the impact of third sector social innovations, there are some possible approaches to the further development of measurement. Firstly we need to set up a system for identifying and tracking social innovations. This may be done with the help of government departments for social innovation, as there are examples in some countries, or by research projects⁴⁸, institutional efforts⁴⁹, or some sort of self-reporting system.

⁴⁸ Some projects (especially from Seventh Framework) have goal of mapping of social innovations

It is recognized that social innovations have an impact on the micro-, meso- and macro-level. To capture this impact we propose taking a different approach to each of the spheres.

At the micro-level measurement of the impact could rely on the use of reporting tools primarily in order to demonstrate the impact on the well-being of users. Some of them we mentioned in this paper and organizations are normally using them in their work, but a wider usage should be encouraged. These tools are considering the different types of organizations, their goals, and modes of operation; therefore, they should be flexible and open for organizations to adapt them to their needs.

At the meso-level, it is possible to grasp the impact of social innovations by using case studies, which will look at how organizations are impacting relations in society, the processes of governance and the local community. Aggregation of the cases and their comparison with other contexts would certainly contribute to the greater validity of this approach to measurement.

At the macro-level, we recognize two possible approaches. One is to do in-depth case studies of individual countries trying to determine what changes were brought by third sector social innovations. The research question is how they have changed the culture of social policy or other aspects of society.⁵⁰ Social innovations are impacting the bottom up changes, by the power of their example, and this relationship should be studied in depth. Putting it in a comparative context of other European countries can stimulate discussion on aspects of the impact of third sector social innovation in policy and social relations at the European level. The second direction is the development of possible indicators at the national level. But the current situation is that such indicators can be developed to identify the preconditions and the instigators of social innovation in countries a lot sooner than for measuring potential impact.

Therefore, possibly one of the main conclusions of this paper is that a further step in measuring the impact of social innovations is required. This calls for specific research focused on the impact that will try out different approaches (of which we have proposed some) and indicators to detect their relevance, usefulness, and validity in the current early stage of development of frameworks and specific indicators for capturing social innovations impact.

⁴⁹ One of the models may be establishing observatory, something modelled on Observatory of Public Sector Innovation (<https://www.oecd.org/governance/observatory-public-sector-innovation/innovations/>), but more elaborate and developed.

⁵⁰ Known innovations from the third sector that had the macro impact are for example impacting on the introduction of the concept of corporate social responsibility, or hybrid organizations in society environment.

The shift from social innovation as a charitable solution to a problem that has an immediate but unsustainable impact to the transformative ambition to create long-lasting changes to solve societal problems has also been a reason to look for a friendly milieu and respond to the needs of social innovations at every stage of their development (BEPA, 2014). By activating the intelligence of many, social innovation allows to make a very different impact (Bry, 2011). We need to investigate further to find out if those kinds of changes are happening and which kind of produced social innovations impact can be recognized and analysed. The most successful social innovations build on the optimum time and capitalize over the trajectory of social, economic and political transformation that is underway in society. Measuring impact of third sector social innovations is a pressing issue for enhancing the socio-economic development of Europe.

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INTERNET SOURCES:

- <http://ec.europa.eu/social/main.jsp?catId=1081>
- <http://www.oecd.org/cfe/leed/Forum-Social-Innovations.htm>
- <https://www.oecd.org/governance/observatory-public-sector-innovation/innovations/>
- <https://webgate.ec.europa.eu/socialinnovationeurope/en>
- <http://www.youngfoundation.org/social-innovation/tips/social-impact-bonds-and-social-value>

