



–European Policy Brief–

Social Innovation in the Public Sector: Drivers, Trends and Scenarios

**LIPSE: Learning from Innovation in
Public Sector Environments
(Work Package 7)**

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This policy brief presents the findings of the seventh work package (WP 7) of the “*Learning from Innovation in Public Sector Environments*” (LIPSE) project. LIPSE is a research programme under the European Commission’s 7th Framework Programme as a Small or Medium-Scale Focused Research Project (2013-2016). LIPSE focusses on studying social innovations in the public sector. Full reports can be downloaded via www.lipse.org.

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1. Introduction

Social innovation in the public sector is a ‘magic’ concept, embraced by policymakers increasingly to deal with all kinds of societal challenges. Examples of these challenges include population ageing, the fight against (youth) unemployment, environmental problems, global warming, and the struggles of socially and economically deprived areas. Social innovation can be defined as the creation of long lasting outcomes that aim to address societal needs by fundamentally changing the relationships, positions, and rules between the involved stakeholders, through a process of participation and collaboration. Five elements seem to be important when discussing the added value of social innovation:

1. Social innovation in the public sector stresses the importance of developing and implementing new public services that are *need-oriented* – that they really matter to citizens, citizen organizations, and companies. These needs do not only refer to services that are more efficient and effective, but also touch upon non-economic, democratic, and social values that are considered important to citizens and companies, such as participation and equity.
2. In order to ensure this, it is important that *end users* and other relevant stakeholders are involved. That is why social innovation can be considered a process of *co-creation*. Successful social innovation depends on the willingness and ability of relevant stakeholders to collaborate with each other and to learn from each other. In doing so, relevant resources (e.g. knowledge, information, experience and budgets) are exchanged and shared.
3. The innovations that are pursued aim to be ‘*game changers*’. Public services are developed and produced in all kinds of different partnerships between governments, citizens, and companies. Government no longer has a monopoly on the public nature of public services. As a result, social innovation re-defines our notion of *publicness*. One example, for instance, are solar energy co-operations that are developed by citizens.
4. Social innovation goes *beyond technologically driven* innovations. Social innovations also look at changes in behaviour, attitudes, interaction patterns and relationships. An example is the use of nudging when dealing with obesity.
5. Social innovation stresses the importance of *context and locality*. That is why social innovation is often linked to the presence of urban labs, city labs or living labs. Learning from each other as well as collaborating with each other can only be successful if people and organizations know each other and share a common challenge, such as how to develop welfare services in a local community that really address the needs of the inhabitants.

In this policy brief, we sketch out *the future of social innovation in the public sector*. We want to take different futures into account and therefore making use of a scenario study. A typical scenario study builds upon two striking developments or characteristics that are both vital and uncertain. In order to identify these characteristics and developments we will first try to identify what we know about the influence of relevant drivers and barriers of social innovation as well as what are relevant developments and trends in the environment of public administration. It is the combination of these drivers and barriers as well as environmental trends that constitutes the future of social innovation in the public sector.

2. Drivers and barriers behind social innovation in the public sector

An essential step in the scenario development is taking stock of the past and present of social innovation in the public sector. So a prerequisite task is to bring forward relevant knowledge about relevant drivers and barriers that lay beneath social innovation practices in the public sector. In this section we present the results of a meta-review of the research that has been carried out in the different work packages of the LIPSE programme. In figure 1 we have listed these work packages.

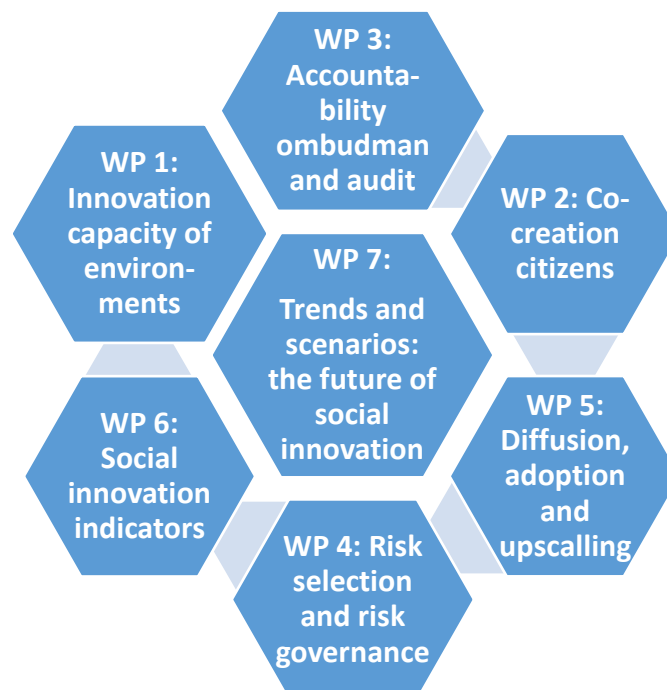


Figure 1: The LIPSE work packages (besides management and dissemination of results)

In this policy brief, we present the following model (figure 2) which summarizes and visualizes the most important results in terms of the most striking drivers and barriers regarding social innovation

and its reported outcomes. In reality the transparency of the model is messier, given that all of the drivers and barriers mutually influence each other, while at the same time behind these factors all kinds of actors are presented who mutually shape the course, content, and outcomes of social innovation processes.

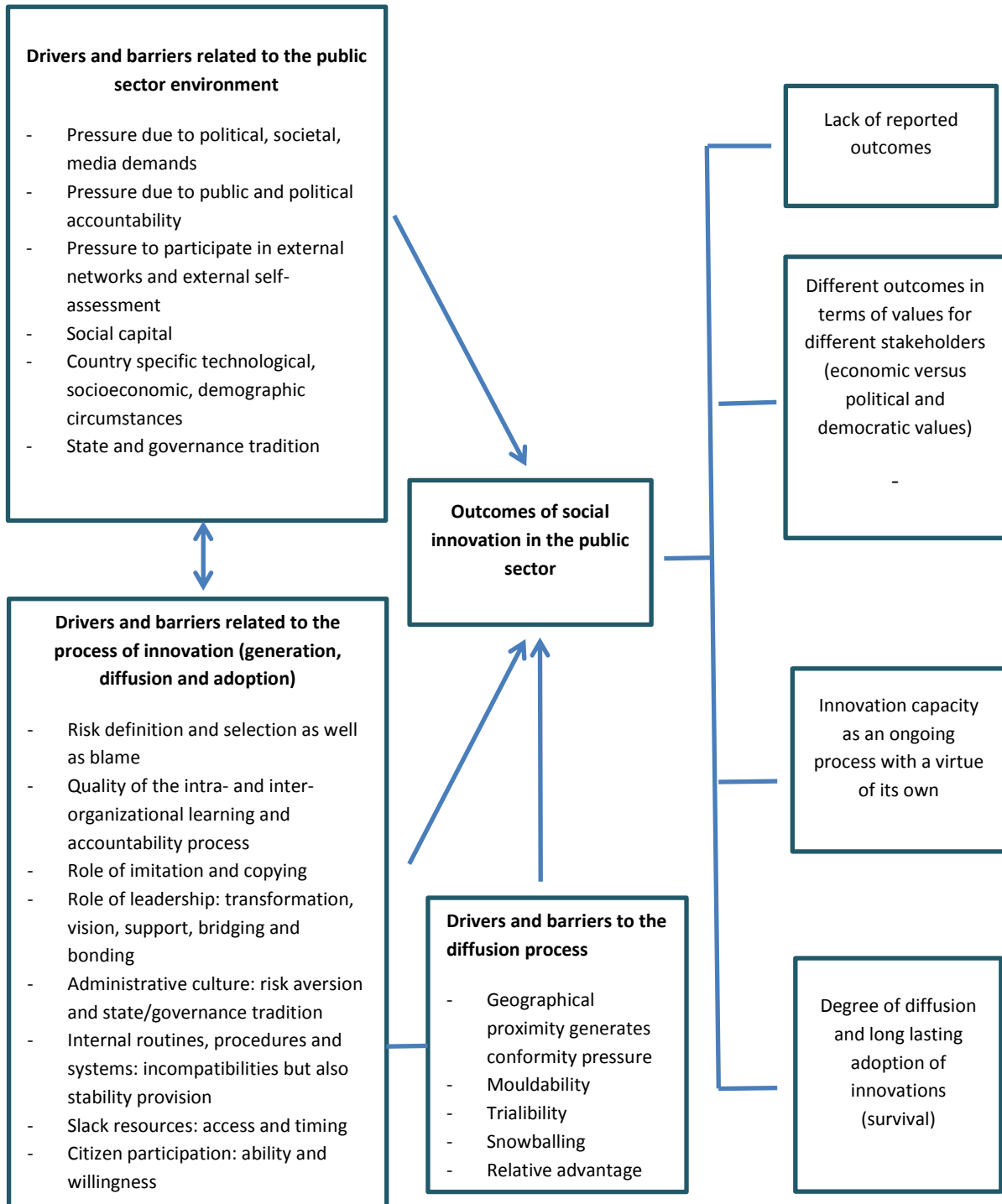


Figure 2: Visualization of drivers and barriers that influence the outcomes of social innovation in the public sector

Based on this overview some conclusions and recommendations can be made to foster social innovation in the public sector.

Antecedents that relate to the environment in which social innovation practices occur

- Environmental pressure (from media and the political, but also from external supervisors such as Ombudsmen as well as from external networks in which organizations participate) seems to be an important driver for innovation. The social innovation process can benefit if *this pressure is used as a policy window*, especially if it is linked to specific strategic priorities and internal agendas. However, opening this window implies the existence of *policy entrepreneurs*, which requires a specific type of leadership. Hence, it is important to define social innovation as a political agenda management issue, while at the same time it is important to give external stakeholders a say in the development of this agenda (by trying to link self-rated innovativeness to specific external challenges).
- Social innovation in the public sector does also benefit from *some forms of stability*, if legal frameworks provide the necessary key parameters (e.g. basic service delivery conditions). Hence, it is important when developing an innovation agenda, to define these core parameters, without suffocating the process of trial and error and mutual learning.
- Informal networks play an important role in the exploration of *social capital* that is needed to collaborate across the boundaries of organizations and to explore new ideas. These networks very often follow the formal administrative structure of the organization. Hence, it is important to give people within this formal structure the ability to act as a *boundary spanner* by giving them the freedom to explore and exploit external contacts and to stimulate a work orientation in which these external contacts and networks are considered as being valuable. However, this might imply a change of administrative culture.
- The *innovation readiness* of a country or policy sectors seems to be an important indicator for public sector innovation, when it is linked to characteristics of the infrastructure, economy or governance tradition. Hence, it is important to be critical of the innovation readiness of a sector or country. Innovation self-assessment by relevant external stakeholders can help to link these characteristics to external challenges.

Antecedents to the process of innovation

- Innovation is about *learning* within and between organizations. This is a continuous learning and feedback process. Hence, in order to understand the innovation capacity of an organization, managers and policymakers should be aware of the conditions under which learning as a

continuous (and thus dynamic) process of *adaption, feedback and accountability* takes place (e.g. by looking at the role of competition and peer pressure).

- In this learning process *risk definitions* are important, in terms of which definitions are included and excluded (at different levels and for different groups) in innovation processes. Hence, policymakers and managers should pay attention to how the dominant culture and power relations in their organizations address the role of risk in innovation processes and prevent that risk is considered as *preventing 'blame'*. Organizations that want to innovate should explore the relationship between risk and service innovation in a broader public discourse.
- Innovation in the public sector requires *different types of leadership*: transformative leadership, political leadership and linking leadership. These types of leadership require different types of competences such as motivation, risk taking, protection, support and legitimacy gaining, and linking people and resources. If an organization wants to stimulate innovation, it is important to develop these different leadership styles within the organization and to develop the specific competences that are needed to deploy them. Hence, innovation supportive leadership should be a part of the integral human resource management and cultural development of a public sector organization.
- If social innovation in the public sector wants to succeed, then *political commitment* and political leadership are vital. Public sector innovation depends on managerial/administrative and political leadership. This implies that the administrative and political realms within in a public sector organization should be supportive to each other.
- The *culture* of an organization really contributes to the innovation capacity of a public sector organization. Specifically, when it can be characterized as being open, communicative towards relevant internal and external stakeholders and willing to risk taking. Hence, if an organization wants to be more innovative, it should really assess the *openness* of its organization. Especially with regards to the different levels within the organization and the positions that people have at these levels (e.g. the difference in openness between top management and frontline workers).
- Social innovation depends on the *participation of external stakeholders*, such as citizens. Special attention should be paid to the willingness within the organization to get involved with citizens and other external partners. This willingness differs per level within the organization. If scepticism prevails, organizations could develop an incentive structure which stimulates co-creation with citizens and other stakeholders. It is also important to identify specific change agents within the organization. A handicap could be the dominant state and governance traditions within a country or within a policy sector which influence the risk taking or risk avoidance aspect of the administrative culture. Hence, co-creation with citizens does not only

refer to a process of cultural change at the micro- and meso-organizational level, but also at the macro level of the policy sector or countries. Interventions aimed at improving the innovation capacity around specific wicked problems have to deal with both levels.

- Existing grown practices, that are embedded in all kinds of (ICT, performance, audit) systems, procedures, routines and hierarchies, can frustrate social innovation, because they generate all kinds of *incompatibilities* and ‘legacy’ problems that make it difficult to leave existing paths. Hence, in order to stimulate innovation, organizations have to be willing to discuss their appropriateness. Nonetheless, these grown practices also generate *stability* and predictability which can help to create a safe environment for social innovation experiments. Hence, it is important to be critical in determining which kinds of systems, routines, and procedures are crucial for innovation and which are not.
- *Scale* seems to be important, because the larger an organization, the more resources it can provide in terms of ‘slack’ but also the more safety it can provide. Hence, it is important to closely look at the relationship between scale, risk management and innovation capacity.
- The availability of *slack resources* (money, staff, information, expertise, etcetera) is a necessary condition for social innovation, given the necessity to set up activities that run for some time in parallel. Hence, organizations have to be prepared to make investments (e.g. training and consulting) available. In doing so, the political framing of funding and the *timing* of funding (going beyond the experimentation phase) are important in order to create innovations that have more long lasting outcomes.
- In order to produce more need-oriented social innovations, *the willingness and ability of citizens to participate* is vital, although there is a risk of one-sided participation (well-to-do and highly educated). Hence, when designing a co-creation architecture, it is important to address this issue and especially look at weak interests or interests that are not represented by those people who actually participate. As a result, it is important to see how these interests can be voiced and by whom. In general, it is important to make a stakeholder analysis and ensure that all relevant stakeholders have the possibility to participate and accept that citizens can also be seen as relevant participants.
- The participation of citizens and citizen groups also depends on the *social capital* that is present around the specific ‘wicked problem’ that is addressed in the social innovation process. Social capital facilitates a division of labour among the participants and makes it more effective and efficient. Hence, it is important to look for citizens and citizen groups who have access to the necessary social capital. If this social capital is absent, a first step could be to develop this

through community building activities, also in order to develop a sense of joint ownership. Such a feeling of ownership is an important driver for participation.

Antecedents regarding the outcomes of social innovation in the public sector

- When assessing the possible or actual outcomes of social innovation, policymakers should be aware that *the innovation process itself can be seen as a relevant output* (also as a relevant democratic value), because it mobilizes the innovation capacity of an organization or a network of relevant stakeholders and creates new venues for participation. Engaging in innovation can be seen as an ongoing process in order to develop and maintain the capacity to innovate.
- In order to stimulate attention for the importance of innovation as an ongoing process, it is important to develop *evaluative instruments* (e.g. based on periodic internal and external self-assessments by relevant stakeholders).
- Social innovations generate different outcomes, based on different values for different kinds of stakeholders. This also influences the assessment of social innovation in terms of success. In doing so, policymakers should use a *multi-stakeholder* approach when examining outcomes.
- When assessing the alleged or actual outcomes of social innovations in the public sector, it is important to look beyond sheer economic values, in terms of efficiency and efficacy gains, and take into account other more societal (e.g. improvement in social capital) or democratic values (e.g. participation, responsiveness, trust and legitimacy). Hence, policymakers should use a *multi-value and multi-criteria* approach.
- When engaging in social innovation processes, more emphasis could be put on systematically assessing and reporting the actual *outcomes*, given the fact that outcomes are hardly ever reported. Assessing these outcomes helps to improve our understanding of the added value of social innovation.
- When assessing the outcomes of an innovation, the degree of diffusion and adoption should be taken into consideration as a relevant indicator. A successful social innovation is not a niche innovation which is adopted by a small group of early adopters. Hence, in order to examine the success of a social innovation, it is important to use a *long lasting perspective*.
- Successful adoption very often implies positive imitation which is stimulated by *geographical proximity*. Hence, when developing a diffusion strategy, geographical proximity needs to be addressed, in addition to manufacturability, ease-in-use and clarifying the added value.

These drivers and barriers constitute the future of social innovation in the public sector. However, this future is also shaped by all kinds of trends and developments in the environment of public administration which generate different and often intertwined challenges.

3. Trends in the public sector environment

The future of social innovation in the public sector will not only be influenced by the innovation capacity of public sector organizations and their collaboration with business, societal organizations, other governments and citizens, but also by the developments and trends in its environment which generate societal challenges. In this section, we will report on the tracking of these trends. In Figure 3 we summarize and visualize these different trends in relation to the social innovation challenge of the public sector.

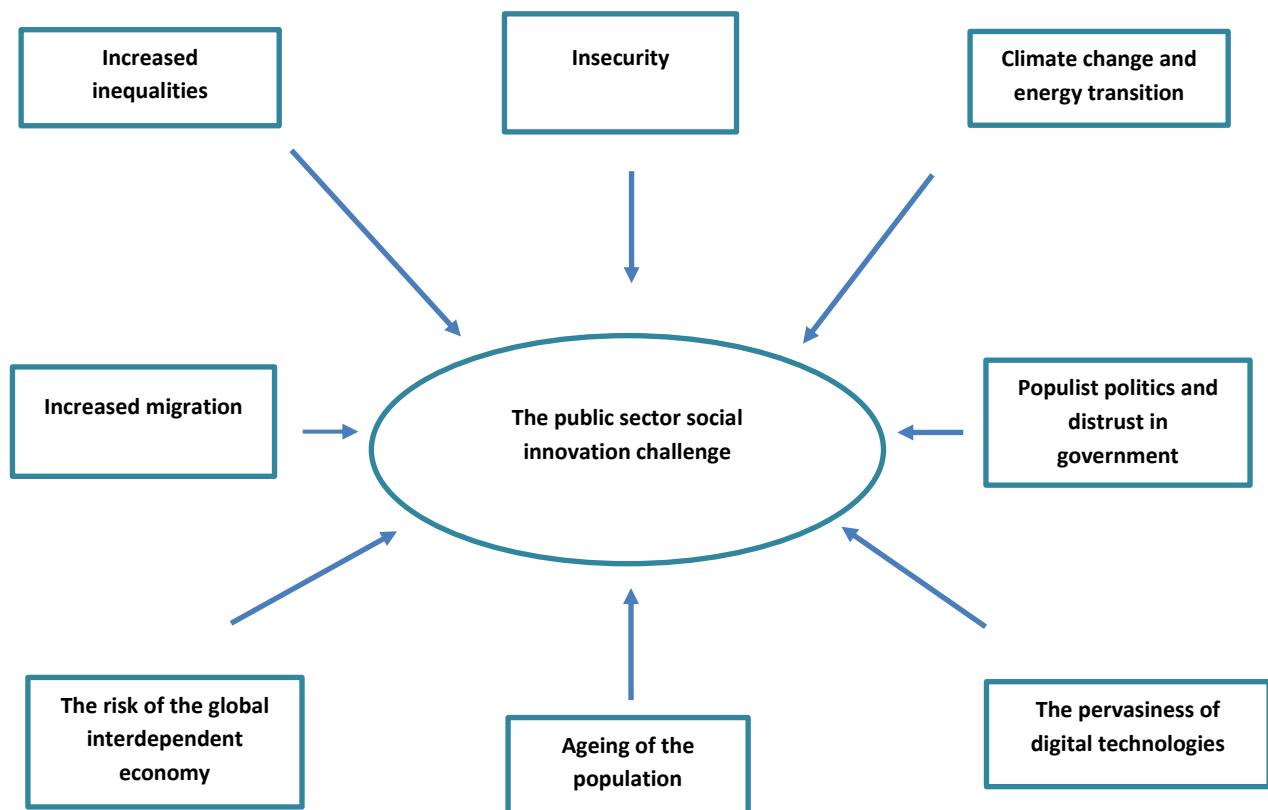


Figure 3: Trends in the EU public sector environment

Increased inequalities

Between and within the EU member states we see that inequality is rising, in terms of people that ‘have’ and that ‘have not’. These rising inequalities can first be found on the labour market (young people, people older than 55, migrants). Furthermore, due to the economic and fiscal crisis of 2008 and beyond, all kinds of social security – health, education, housing and welfare arrangements – that have been provided or were subsidized by the state are being scrutinized. This has influenced the degree to which people have access to these arrangements as well as the quality and level of services that are provided. As a result, more private sector and civil society initiatives have been developed,

but it remains an open question how accessible these services are to people who are less fortunate, especially in education and health. In addition, we see that in terms of prosperity the differences between urban and rural areas have increased, given that in rural areas there is a decrease in population, while cities are generally considered more attractive by younger people. Also, the refugee crisis, especially in relation to the conflicts in Syria and Iraq, generates an influx of large groups of migrants who do not have (full) access to public services (e.g. housing and education) and compete with other local groups. We can expect an increased degree of poverty within and between EU member states. This influences the degree of solidarity with these socially deprived groups; solidarity that is being challenged by the fact that we live in rather individualized and dispersed societies. One challenge is how to develop new forms of solidarity, in which the dominant role that government traditionally had in securing and organizing solidarity is no longer taken for granted. This also touches upon the legitimacy and vitality of the welfare state in dealing with inequalities, poverty, and equity.

Increased migration

The refugee crisis, becoming especially manifest in 2015, gives a special touch to another vital development in many European countries; a development that has been present for several years but which at this moment creates a lot of societal pressure. This is the increased influx of migrants. Two aspects are relevant. First, migrants who come from outside the EU; and second, migrants who are the result of a rise in an (im)migrant workforce within the EU in which new flows of immigrant workers emerge between several EU member states. This influx generates questions regarding the absorption capacities of EU countries. As a result, integration issues have become a more pressing issue on the political agenda, because the integration issues not only refer to socioeconomic integration (e.g. access to the labour market and to education) but also refer to socio-cultural integration (e.g. language, norms and values, safety) and identity issues. On the one hand, especially in cities and metropolitan areas, a connection can be identified between immigration and the social cohesion and vitality problems in these urban areas. On the other hand, it is also argued that labour market problems (especially in relation to cheap labour) and demographic problems (the decreasing birth rate) can be resolved through immigration. Also, the motives for immigration and how to deal with them will gain increased attention, given the economic motives of people beyond seeking security and protection (asylum). There are all kinds of spill-over effects of these debates in which the question is raised if and how governments (and politics) are capable of finding appropriate solutions.

Increased ageing of the population

The increased ageing of the population is another relevant development, also in relation to decreases in the birth rate. This fluctuates within EU countries, especially if one looks at demographic differences between urban and rural areas. Especially in rural areas this problem is often more pressing. As a result of an ageing population, the pressure on specific services, especially health and welfare services, will increase. Not only because elderly people make greater use of these services, but also because new services are needed that deal with the fact that people are living longer. New needs emerge (e.g. in terms of housing and nursing facilities as well as increased medical costs), due to an increase of chronic diseases. Moreover, we expect that the increased ageing of the population also generates new solidarity problems, given the fact that a smaller younger generation needs to take care of this large older generation (e.g. health insurance costs and pensions).

The globally interdependent economy

Another development deals with the fact that economies and markets have become international economies and markets, which has resulted in globalized production and consumption patterns that generate all kinds of interdependencies and risks. The banking crisis of 2008 illustrates this. We expect that these interdependencies will deepen further. At the same time, we see that in this global economy international competition is fierce, not only between companies, but also between national economies. In doing so, the willingness and ability to adapt to the 'global market place' will generate a major challenge, with regards to deregulation, liberalization, and privatization of market and production conditions, but also concerning the vitality of welfare state arrangements. Also, the emergence of 'new' economies, such as China and Brazil, generates adaptation problems, because a new and worldwide division of labour has emerged. However, the GDP rate that these new economies have presented during the last years, will decline. The expectation is that worldwide economic growth will slow down in the coming years. This will have influence on economic growth in the EU. Due to the increased worldwide economic interdependencies, economic development in the EU and in specific EU countries, will become even more vulnerable to developments and problems in other economies (e.g. the slowdown in growth in China, the falling oil price or the interest rate in the United States). Hence, the worldwide economic outlook affects the degree in which EU governments are capable of meeting (especially in a financial way) new demands and pressing needs, while at the same time many European countries are slowly recovering from the recent economic crisis. Consumer confidence is rehabilitating, but still fragile. Combined with a rather low level of inflation (and low interest rates) concerns regarding the vulnerability of the EU economy, in general, and the specific economies of the EU members, in particular, are still applicable. At the same time these

concerns are also fuelled by concerns about the degree to which the European and international banking sectors have been able to deal with the effects of the financial crisis and taken sufficient measures to prevent a subsequent crisis.

Insecurity

An increased feeling of insecurity and lack of safety is another relevant development which has different sources. Firstly, we see that at the borders of the EU security threats have become manifest, due to foreign and military policies that are being pursued by Russia. Secondly, we see that due to the war in Syria, but also in relation to the emergence of failed states (e.g. Libya and Iraq), (the threat of) military violence is expected to increase. All this happens just beyond the borders of the EU. Given the fact that many EU countries are involved in these wars, all kinds of spill-over effects might occur that increase the likeliness of a security threat for these countries. Thirdly, and partly as a result of the presence of military forces stemming from different EU countries, the threat of terrorist attacks, based on a radical interpretation of Islam (as IS/Daesh advocates), will remain. The 2015 Paris attacks and the 2016 Brussels attacks have demonstrated the vulnerability of European states (and cities) to new forms of terrorism that deliberately, randomly, and disproportionately seek to create as many civilian casualties as possible. As such, this also adds to feelings of insecurity. Fourthly, we see as a result of (civil) wars in especially Northern African and Arabic countries that the number of refugees will continue to be high or grow even higher. Anxiety regarding the absorption capacities (socioeconomically, but also culturally) of EU member states also generates additional feelings of insecurity among citizens and politicians.

Climate change and energy transition

Climate change is another trend that is considered vital for the future of our societies. The fact that our climate is changing generates all kinds of challenges, especially in the long run. However, the effects of climate change have become more manifest and pressing during the last years, such as the rising sea level and changes in weather patterns that manifest themselves in, for instance, water shortages and heavy rainfall. Not only local effects have become more manifest, such as the increased levels of rainfall that influence the absorption capacity of rivers and sewer systems, but also worldwide effects can be noticed which influence the global economy. For instance, droughts in Africa devastate local economies which generates new migration flows. Hence, a major challenge is to deal with these climate changes as well as to develop plans to reduce CO₂ and other harmful emissions. Furthermore, it is also important to look at the way in which we organize our energy production and consumption, because this also influences the way in which we are able to deal with climate change. On the one hand, especially the use of fossil energy sources (e.g. coal and oil) to

satisfy our energy needs contributes to the production of emissions that are harmful to our climate. Hence, the reduction of fossil energy production is an important challenge. On the other hand, the development of new 'green' energy sources (e.g. wind, hydro and solar energy) which are less harmful, in combination with the development of new production and consumption patterns that are less energy consuming (e.g. electric cars and other transport systems), seems to generate a major innovation challenge: how to transform our energy system in a more efficient, sustainable and green way?

The pervasiveness of digital technologies

Since the introduction of the internet and the World Wide Web (Web 1.0) in the early 1990s, digital technologies have penetrated into our daily life and work, which has given rise to new ways of sharing information and knowledge, new ways of communication behaviour, and new organizing models. However, the degree to which citizens in the different EU countries have access to these networks and applications differ in terms of the quality of existing ICT and telecommunication infrastructures. However, when looking at the development of new technologies, several important changes can be discerned which influence social innovation in the public sector. Firstly, we see a development that is labelled 'big data'. Big data can be seen as a metaphor for the ability to make data that is available in all kinds of local databases and other data systems more accessible to the wider public. In doing so, new knowledge and information can be created. When this data becomes open data, it might be an incentive for the development of new services and products. An important trigger for the development of 'big data' is the fact that digital technologies are used for all kinds of monitoring purposes. In doing so, data about a large variety of societal processes and movements (e.g. in traffic systems, water management systems and heating systems) are being registered and stored, which in principle can easily be used. In addition, the fact that we can gather, store, process, and visualize large quantities of data in an easier way helps us to develop all kinds of data mining and data analytics as well as utilize visualization applications that help us explore these data in more sophisticated ways. The second development is the use of robots and the robot-like, fully automated processing of routine activities (e.g. in healthcare, but also in the administrative service industry, including banks, insurance companies and government agencies). This especially affects the position of the middle class and the functioning of the labour market, which in the end can also influence the regional economy. As a result, these technological developments can generate new chances for innovation, but they may also contribute to the emergence of new inequalities.

If we look at the political impact of these technologies and relate them to the potential of these technologies to influence the governance capacity of governments, two trends can be discerned. One

the one hand, these technologies can be defined as monitoring technologies, which enable us to (centrally and systematically) monitor or even automate behaviour, actions and choice in a more detailed way, because they are more transparent. In doing so, it might strengthen the information position of government. On the other hand, these technologies may facilitate local and individual processes of self-organization, because citizens, companies and societal groups will get easier access to relevant data which may lead to new business models for service development or even public and political participation.

Popular politics and the declining trust in government

Last but not least, one can witness important changes in the political scenery in which 'populist' parties and movements challenge the agenda setting and intermediary role of traditional political parties and their leaders. In essence, questions are raised regarding the ability of representative democracy and its institutions to channel and express the needs of citizens as well as the ability of government and politics, or even of the political elite, to be responsive to the needs of a rather dispersed and fragmented society. This challenge becomes even more complicated if one acknowledges that despite the distrust that citizens have in their government, they have high expectations of government regarding its ability to meet their needs. At the same time, in relation to the budgetary crisis of the public sector as a result of the financial crisis of 2008 and beyond, it is questionable if governments are able to meet these rising expectations, given the fact that severe budget cuts have led to a retreat of government in many policy sectors, thereby allowing the private sector and civil society to fill in possible gaps in addressing specific needs and wishes.

Trends and social innovation

These trends constitute a broad range of societal challenges for the next ten years. We expect these trends to push the need to develop new innovative public services and service arrangements. We expect that the earlier mentioned trends, create a policy window in which social innovation is being pushed forward as a way of dealing with these challenges. Developments in information and communication technologies might facilitate the way in which relevant data and people can be mobilized to develop new frames, ideas, and models.

4. The futures of social innovation in the public sector: four scenarios

We pay attention to the future of social innovation in the public sector, although it is better to talk about different futures. In order to develop these scenarios, we first have to analyse relevant trends and drivers and barriers that constitute these futures. Based on a selection of two trends or drivers/barriers we are able to imagine possible futures. Typical for a scenario study is that planners select two vital uncertainties whose combination helps to create a rather broad variety of different possible futures (four scenarios). A large number of possible uncertainties could have been selected and the combination of each of them would also provide interesting scenarios. The most ‘critical uncertainties’ are the willingness of citizens to co-create and the willingness of governments to co-create. It is their willingness that influences the ability to deal with trends in the environment of public administration. These two factors are the most vital, but the willingness of citizens and government organizations is also the most uncertain, because they are influenced by so many factors as well as the specific context (with regard to specific environmental trends and challenges but also concerning specific state and governance traditions) in which these factors may play a role. If we attach two values to each factor, in terms of high and low willingness, we are able to sketch out four scenarios. In figure 4 these scenarios are visualized.

| Citizen participation: degree of willingness | | |
|---|--|--------------------------|
| Government participation: degree of willingness | Citizen participation: degree of willingness | |
| | High | Low |
| High | I Let's dance | II Flogging a dead horse |
| Low | III Lone ranger | IV Wasteland |

Figure 4: Four scenarios about the future of social innovation in the public sector

For a more extensive description we would like to refer to the research report. In the next figure we try to summarize the main characteristics of the four scenarios:

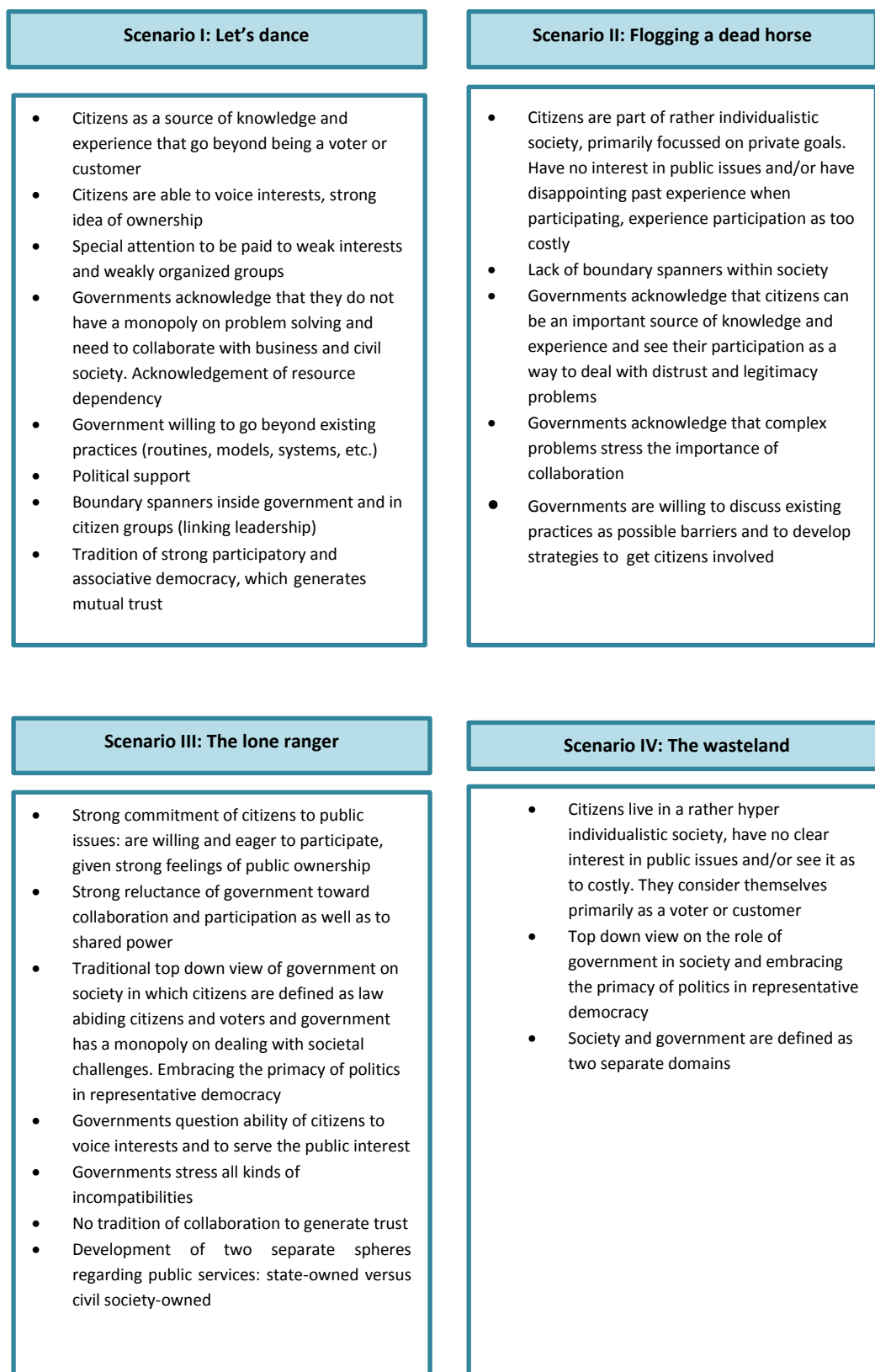


Figure 5: More detailed description of the four scenarios

Use of the scenarios

In this policy brief we pay particular attention to how to use these scenarios. These four scenarios may help policymakers to *position* themselves, by placing themselves in one of these scenarios. This may vary per group or stakeholder. For instance, it may be possible that senior public managers and responsible politicians define themselves as wanting to strive for scenario 1, while citizen groups or involved street-level professionals are merely recognizing scenario 2. In doing so, each scenario may help different groups of involved stakeholders formulate their present and future position, which may help them to identify possible gaps and possible routes.

When looking at the concrete actions that are being pursued, this variety in terms of strategic positioning can also clarify *the different domains* in which social innovation is being embraced: the realm of policy language and rhetoric, the realm of policy programmes and decision-making and the more operational realm. This implies that in terms of analysing possible strategic gaps, a distinction can be made between the dominance of one scenario on, perhaps, the rhetorical level regarding social innovation in the public sector, while on the operational level another scenario is being strived for.

That is why in especially scenarios 2, 3 and 4 we also listed a number of possible actions to move to another scenario. In doing so, specific *routes* can be followed. We discuss the most important changes.

A. Co-creation with citizens can be perceived by government, as ‘flogging a dead horse’. The main challenge is to prevent scepticism from increasing within government to a level that another scenario – the wasteland – comes in play. Furthermore, the main challenge for government is to convince society, in particular citizens and citizen groups, that its intentions are genuine, so that another scenario ‘let’s dance’ becomes reality. In order to accomplish this, the following recommendations can be made. First, trust needs to be restored by making visible that co-creation can really produce service arrangements which are not only more effective and need-oriented, but also facilitate the legitimacy of government. In doing so, it is important that governments develop and implement concrete actions which really make a difference in terms of visibility and seriousness, thereby showing that their intentions are genuine. Second, it is relevant to develop and support diffusion strategies in which best practices of co-creation are made visible so that they can be adopted more easily. Third, emphasis can be put on community building within specific societal groups and urban and regional areas by identifying and supporting community leaders and grassroots organizations that are willing to develop

community activities around public services. Conditional is then that their efforts will result in tangible added value to the community. Last but not least, measures can also be taken which help to reduce the costs of participation for citizens, such as making use of intermediaries and using information and communications technologies to share thoughts, explore ideas, and look for relevant information and knowledge.

- B. Reasoning from the 'lone ranger' scenario, a possible shift is possible towards the 'let's dance' scenario. This requires a fundamental shift in framing within government and politics. Three reasons can be given why this might happen. First, it becomes very clear to the involved policymakers and politicians that, when comparing state-owned services and civil society-based services, the latter have better results in terms of efficiency, effectiveness, service quality, and customer satisfaction. As a result, the legitimacy of the state-owned services are fundamentally questioned. Second, as a result of the previous reason, public upheaval might emerge which may lead to an intensive political and public discussion about the quality and responsiveness of both types of services, for instance, expressed by Ombudsmen and Audit Offices. As a result, new political and grassroots movements may emerge that address this issue. Third, when looking at experiences from abroad and influenced by all kinds of international benchmarks that are done (e.g. by the OECD), government and politics question themselves whether the conventional way is the way to proceed. However, in order to achieve this shift, transformative political and administrative leadership is very important, not only in terms of outlining a new way of operating towards citizens and connecting with civil society, but also in terms of facilitating a process of organizational change within government. In order to make this change possible at all levels of the administrative system, existing attitudes, rules, regulations, systems, procedures and routines have to be subjected to close scrutiny. Also, the type of leadership that is required (in terms of being able to link to citizens and society) as well as the competences that are needed, have to alter. In order to implement this, a programme for administrative capacity building has to be developed which in the end should lead to a new governance style in which service development and service re-design are seen as collective challenges in which government, society, and even the market need to co-operate in order to deal with all kinds of 'wicked problems'.
- C. In 'the wasteland' scenario, the innovation capacity of the involved public sector is very low, because there is no incentive from society nor from within government and politics to be more responsive towards societal challenges and alternative ways of service provision. Consequently,

‘a stalemate’ situation is created. This situation can only be changed if government or society are experiencing pressure so that a change towards scenario 2 (‘flogging a dead horse’) or 3 (‘the lone ranger’) is possible. In the case of scenario 2, this involves a paradigm shift within government. In this case government is confronted with fundamental legitimacy problems, leading to a performance and democratic crisis, which might create a policy window for change. Due to this crisis, a re-definition of the role of government in contemporary society will take place, in which citizens, citizen groups and civil society organizations, but also (social) enterprises are considered as possible valuable partners who could bring in relevant resources that are needed to deal with pressing societal challenges. In the case of a shift towards scenario 3, when confronted with pressing societal challenges, citizens begin to organize themselves around specific issues, especially in local communities. Usually, this only happens if these challenges are affecting their personal wellbeing and are not picked up by government

Another advantage is that working with these scenarios draws our attention to a number of vital implications which have to be addressed when citizens and governments intend to embark on the social innovation journey. These will be discussed in the last section.

5. Institutional implications

In section 2 we addressed a number of drivers and barriers which are derived from the empirical research that has been carried out within the scope of LIPSE. These drivers and barriers were linked to a number of recommendations. In doing so, an *instrumental perspective* on how to implement social innovation in the public sector can be developed. However, our scenario study – taking into account a number of fundamental environmental challenges – also stresses the importance of developing an *institutional perspective* on social innovation in the public sector, because vested practices in which specific values are embraced have to be critically examined.

Active citizenship

First, while social innovation touches upon existing practices that put forward specific values, it also challenges conventional interests and values. The four scenarios show that social innovation challenges the existing role of citizens and governments in service delivery. This role is rooted in the dominant state and governance traditions which can be discerned around a specific societal challenge. It provides the institutional context in which social innovation practices emerge. However, it presupposes that society and government do perceive each other as valuable partners. It also presupposes that both governments and citizens themselves consider citizens not only as law abiding

citizens or benefit-driven consumers, but as citizens that want to be involved in public issues that really matter to their lives. It stresses the importance of *active citizenship*. Therefore, it is important to acknowledge the participatory value of social innovation practices in the public sector as well as the idea that citizens can bring in new and other perspectives (in terms of knowledge, expertise, information and contacts) on how to uplift, for instance, the vitality of a neighbourhood. As a consequence, it also presupposes a *more bottom up, instead of a top down, view on the role of government* in how to deal with societal challenges.

Democratic anchorage

Second, the importance that is attached to the participation of citizens in developing new approaches beyond a traditional view also has important democratic consequences. In the four scenarios, the role of citizens in relation to the primacy of politics was assessed differently. The involvement of citizens and citizen groups in social innovation can be seen as an expression of a strong, participatory democracy, which may conflict with the grown practices of liberal representative democracy and the primacy of politics, which is defined as a 'weak' or 'thin' democracy. However, social innovation in the public sector implies that it is important to explore how both democracy models and traditions can be linked to each other in a fruitful way. Hence, it is important to address *the democratic anchorage of social innovation practices*, given these two traditions. Several scholars have argued that both democracy traditions can reinforce each other (despite all kinds of tensions) if, for instance, the involved politicians (coming from the representative model) are able (in collaboration with citizen groups) to develop a set of game rules that address the most important issues that could be relevant (e.g. how to deal with access and representation, accountability, and possible inequity issues). Not addressing these issues in advance may generate disappointments, which might frustrate future initiatives.

Meta-governance

Third, the future of social innovation in the public sector seems to depend on the willingness of citizens and governments to participate in common problem-solving. The discretion that is given to citizens as co-creator or initiator requires a more *meta-governing role* of the involved governments. This implies that governments try to stimulate and make use of the (existing or potential) self-organizing capacities of society and societal groups. However, it is not only important that governments and their political representatives facilitate and stimulate citizen initiatives, but also protect them (against critique, by providing political support and by safeguarding access to relevant financial and other resources). This touches upon the role of the political leadership. At the same

time, this implies that social innovation practices still take place in a possible ‘shadow of hierarchy’ that is provided by the central role of government (although perhaps retreating) in dealing with a number of societal challenges. However, it is important that this shadow (which is always present) is a benevolent instead of threatening one. Such a benevolent shadow focusses on facilitating and protecting citizen initiatives instead of trying to influence the outcomes of the social innovation process by leading from behind (e.g. by making use of the legal and financial resources that governments have).

New forms of publicness

Fourth, the collaboration between citizens, citizen groups, civil society organizations and governments also generates *new forms of publicness* when delivering new services or changing existing service provision models. In doing so, the monopoly that governments have generated (also in relation to the extension of the welfare state since World War II), is replaced by new and other institutional arrangements. As such, more hybrid arrangements in which government, civil society, and the market participate and contribute can and will be witnessed. Given the grand societal challenges that are depicted in the environmental scan that has been presented, we expect that these challenges are too big for governments to deal with alone. Collaboration with other societal sectors (civil society and the private sector) seems to be a necessary condition. As a result, new public service delivery models will be developed in which the adjective ‘public’ will go beyond the public nature of government. However, this will raise some important questions: who will have access to these new forms of publicness, how will the decision-making in these new public arrangements be organized and controlled, and who will benefit from the outcomes?

Trust

Fifth, when looking at the four scenarios, it can also be witnessed that an important issue in all the scenarios seems to be the trust that exists between citizens, citizen groups and government. On the one hand, this seems to refer to the *role of social capital* within citizen groups as well as within the relationship between government and citizens. On the other hand, trust seems to play even a more profound role in the relationship between government and society when *opportunistic behaviour* and *arbitrariness* may play a role, such as corruption. Past experiences as well as future expectations regarding the intentions of people and organizations (which are of course closely linked to each other) seem to influence the willingness of citizens and policymakers to embark on the innovation journey. These experiences and expectations refer not only to the trust that people have in other people (on the individual level) and in specific organizations (on the organizational level), but also in

the way that government or societal sectors as institutions seem to behave (on the institutional level). To some extent this also refers to the role of state and governance traditions in a country or in a policy sector. Hence, it is important to look at the trust disposition of countries and sectors (e.g. in terms of high versus low trust societies) when discussing the importance of social innovation practices in which citizens and civil society groups may play a role. In order to deal with these issues, it can be important to link the issue of especially low trust to the *development of capacity building programmes* focussing either on enhancing the governance capacity of governments or the self-governance capacity of society and societal groups.

Capacity building

When looking at the different scenarios, we noticed that the change from one scenario to another depended on the question of how to increase the willingness of citizens or government officials to participate in societal problem-solving. In order to improve this, a substantial investment seems to be needed. Hence, *capacity building programmes* (e.g. in relation to former Eastern European countries or countries which suffered severely from the budgetary crisis, such as Greece and Spain) may play an important role in uplifting the potential of social innovation in these countries. These capacity building programmes do not only refer to the trust issue (as previously explained), but also to the provision of relevant resources that are necessary. Social innovation requires '*slack*', which also refers to the provision of additional time, knowledge, expertise, information and money. In many countries, or in many sectors, these resources are not present. That is why it is important to assess the *social innovation capacity* of these countries (see also the social innovation indicators work package 6) and policy sectors in relation to the development of capacity building programmes.

Agenda setting

When we look at the challenges with which many EU member states are confronted, which range from a growing ageing of the population to how to deal with the refugee crisis, new approaches to these problems seem necessary. As argued previously, government does not have a monopoly on how to deal with these issues. Moreover, given the nature of these challenges, one could even ask if governments are able and capable of dealing with these issues on their own. Hence, collaboration with citizens, citizen groups and the private sector seems to be a necessary step. However, this requires new ways of thinking about how to increase the collective problem-solving capacity of society as a whole, thereby reaching out to the creativity, knowledge, expertise and other resources that can be found in all parts of society (government, civil society and the private sector). The concept of social innovation may be an interesting strategy, but it requires that this concept is linked

to societal challenges. That is why it is important that citizen groups, government officials, politicians and the media help to create a *policy window* in which the possibilities of social innovation can be linked to the challenges with which governments and societies are wrestling. That is why the future of social innovation in the public sector depends on influencing the political and societal agenda in such a way that collaboration between government, citizen groups and the private sector seems to be perceived as an appropriate way to proceed. This implies that the social innovation challenge of the public sector also generates an *agenda setting* challenge. Questions, such as who is able to open the policy window for social innovation and what are political circumstances that can be used to open this window, become very important.

However, it is important to have *realistic expectations* about the blessings of social innovation in the public sector, given the fact that *the institutional context really matters* (taking drivers and barriers, state and governance traditions and trust into consideration). That is why we should be critical regarding the degree in which the concept of social innovation can be seen as a blueprint for all kinds of challenges all over the EU. We think that the potential of social innovation is served best when we are able to adopt a realistic perspective.

Project Identity

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Learning from Innovation in Public Sector Environments (LIPSE)

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