1 | Introduction

> There is no more delicate matter to take in hand, nor more dangerous to conduct, nor more doubtful in its success, than to be a leader in the introduction of changes. For he who innovates will have for enemies all those who are well off under the old order of things, and only lukewarm supporters under those who might be better off under the new.
> —Niccolò Machiavelli, *The Prince*

Professor Kazuhiro Hara's idea was as simple to express as it was difficult to realize: improving the quality of perinatal care in Japan while reducing the costs. As a gynecologist, he knew that sharing patient information with professionals in other facilities would significantly reduce child and maternal mortality. But he also knew that getting medical professionals to cooperate was nearly impossible. Japanese society was strongly risk averse when it came to health care innovation. Medical professionals were not keen on experiments; failure could terminate one's career and even result in litigation. Hara understood this well, but the wariness of his colleagues did not deter him from pursuing his plan. In the 1990s he built HelloBaby, his own online platform for perinatal care, and started to enlist participants. Ten years later, HelloBaby was rolled out across the country. Not only did Hara's innovation change perinatal practice, it also changed the perception of risks, costs, and benefits. Now, innovation in Japanese health care is no longer seen as costly, risky, and undesirable—instead, the status quo is.

Around the same time Dr. Hara conceived of HelloBaby, a German member of parliament by the name of Hermann Scheer concluded that his country could no longer afford to postpone the switch to solar energy. But a transition to solar energy would require a profound reshuffle in the entire energy market; the fossil energy sector had been dominant for decades and had considerable influence on key decisionmakers, such as the chancellor and the minister of finances. In Scheer's words, asking fossil energy companies to turn their businesses around was like "asking the mafia to help fight organized crime." Nevertheless, he took his chances and started an ambitious energy

policy program. Within five years of its inception, the program led to a sevenfold increase in solar energy production, making Germany the world's second largest solar energy market. In Germany today, innovation in energy production is no longer an ecological dream; it is an economic reality.

Successful Social Innovation

This book is about social innovation. By *social innovation* we mean attempts to transform the way societies address social problems and produce public goods and services—efforts like Hara's online platform or Scheer's solar energy program. Social innovation is primarily aimed at improving social outcomes and creating public value.[1] The cases presented in this book feature a variety of people (individuals and groups) operating in the public sector, meaning both government and nonprofit sectors. These innovators are all involved in designing, managing, delivering, or overseeing public goods and services.[2] And they all have successfully implemented innovations, meaning that their work has actually changed practices and altered how things are done. In other words, we are interested in how social innovators operating in the public sector have brought about transformative change despite all the difficulties and uncertainties in their institutional environment.[3]

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1. We distinguish "innovation" from "invention" because an innovation does not have to be new to the world; it just has to be new to the local situation. Innovations differ from "ideas" in the sense that they have actually been made operational and have been implemented.

2. Much of the literature discussed here distinguishes between the public sector and the nonprofit sector, between state and voluntary sectors, or between government and citizen sectors. In most distinctions, the defining differences lie in the way actions or activities are authorized and funded. The state or government sector is authorized to act and spend by virtue of its democratic accountability to the public. The nonprofit or voluntary sector features initiatives of private citizens and their associations who spend their own money and time for the common good. The voluntary sector's accountability is to donors, volunteers, or members who support what the initiative has set out to pursue. In practice, however the lines between the two sectors are blurred; in terms of authority we see that many public agencies have gained considerable autonomy and cannot be directly controlled by democratic politics anymore (Pollitt and others 2004). At the same time, many nonprofits are partially or wholly funded by governments that exercise considerable control over their goals and means (Smith and Lipsky 1993; Kruiter and others 2008). But there is a more important reason why the distinction is not useful for the purposes of this book: the innovators defined themselves not in terms of whose payroll they were on but in terms of their mission and their goals. While the substantive area of their work varies from basic government services to health care and from education to sustainable energy, all innovators worked to address social problems within the public sector. Finally, we refer to them as social innovators, irrespective of the institutional form or legal status of the organization they work for, because they aim to improve social outcomes.

3. A term similar to *social innovator* used in the literature on innovation in the public sector is *social entrepreneur*. Even though some of the innovators in this book would probably

These undertakings come in many shapes and sizes; our focus is on concrete and deliberate efforts that have been successful within a period of approximately a decade. Success can be interpreted in various ways. One way of evaluating innovations would be to focus on certain performance indicators: one would measure the palpable results that can be attributed to the innovation. For example, success might be expressed in terms of efficiency gains, client satisfaction, or social outcomes. While we are naturally interested in the positive effects of successful innovations, in this book we focus on the success of the innovation process and on what the innovator has done to successfully introduce the innovation in the public sector. By a successful innovation process we basically mean, first, a changed practice—a clear and tangible change from the way things were done in the past, and second, operational capacity to sustain the innovation as well as continued support from crucial stakeholders for the innovation. In other words, at the end of a successful innovation process, the innovator has secured the resources, staff, and other capabilities needed for the change and obtained the necessary permissions and endorsements of all those with the authority to make or break the project.

Tricky Business

Like Hara and Scheer, all of the change agents discussed in this book had a vision, gained support and resources, and delivered results. What makes the successful accomplishments of the change agents particularly remarkable is that they did so in environments that were not conducive—and were sometimes even hostile—to change. Social innovators often do their work under adverse circumstances. If and when they are successful, they may be celebrated. But until that moment, they typically struggle to manage the process. It is therefore interesting and important to look at what innovators actually do and how they do it. What is most intriguing about their stories is neither the inspired beginning nor the successful ending. It is what happened in between. We are fascinated by the question, how did they pull it off?

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qualify as such, we did not think this label adequately expressed what we wanted to analyze. Entrepreneurs typically create enterprises, organizational entities that create and sustain value by pursuing opportunities (Dees 1998). While we are very much interested in innovators' strategies to create and sustain value and pursue opportunities, we do not focus on their organizations as such. Some of them work within large bureaucracies, others in politics; still others do not even have an organization they can call their own. The focus of the work of the individuals featured in this book is innovation that ultimately leads to systemic change, not to a sustainable social enterprise.

How did Hara and Scheer manage to overcome the obstacles in their way? How did they gather the necessary capacity and support? The simple answer is that they were more than just men with a vision. They were masters in strategy and tactics. Key to their success was their ability to understand the nature of the challenge they faced and to influence their context. From the outset, they knew that they would meet resistance, and they prepared for it. They carefully orchestrated actions to generate backing and resources for their plans. They were observers of the world around them and had a keen eye for threats and opportunities. And for all their preparation, their ability to adapt and improvise was among their most important skills.

These talents and skills are essential because social innovation in the public sector takes great effort to succeed. To people who are not familiar with making change in working environments dominated by bureaucratic organizations, it might be hard to understand why.[4] Why are apparently good ideas not met with enthusiasm? Don't we all want more value to be created out of our tax dollars and charitable contributions? Why, for instance, would honest public servants have to go to so much trouble to improve things for the common good? Why does a public sector in need of improvement, in the words of the innovation scholar Sandford Borins, not provide a more "fertile ground" for new ideas and practices?[5] We know from the literature on innovation that a wide range of problems stand in the way.

Innovation Is Destructive

Innovations often render current practice obsolete. Just as machines replace manual labor and put people out of jobs, novel methods pose a threat to existing organizations and their employees. Even if an innovation is a constructive contribution to society from any other perspective, from a status quo perspective it is destructive by definition. Joseph Schumpeter long ago coined the term "creative destruction" to describe this phenomenon. While he referred mainly to industrial innovation and its effect on the economy, there is a strong analogy with social innovation: radical innovation creates value, but it also destroys established organizations and jobs that thrived under the old order.[6] The same goes for social innovations. They can, and often do, threaten to obliterate incumbent interests, interrupt traditional funding pathways, and reassign bureaucratic turf.

4. The term *bureaucratic organizations* as used here refers here to public, private, and nonprofit sector organizations. In his seminal description and analysis of bureaucracy, Max Weber (1976) saw little difference between the sectors: large organizations in the private sector can be just as bureaucratic as public sector organizations.

5. Borins (1998).

6. Schumpeter (1942).

The public sector political economy involves frequent—and often fierce—fights to protect the status quo.[7] For example, it can be administratively difficult and politically risky to defund government programs or organizations and redirect resources toward an innovation. Social innovations also pose the threat of embarrassment. They may produce outcomes so obviously preferable to the current situation that those responsible for the status quo cannot accept the new situation without acknowledging their failure.

To make matters worse for innovators, there is no rigorous market mechanism that decides whether a novel product or service is preferable to the ones currently provided by other producers. The aggregation of consumer preferences can be an efficient mechanism to judge the value of innovation. For example, consumers can stop buying bulky TVs when elegant high-definition flat screens with equal performance become affordable. The absence of such a mechanism gives established organizations or practices in the public sector much more power to actively resist destruction in their fight for survival.

Innovation Is Hard to Account For

Anyone who attempts to reallocate budgetary funds, bend rules, or change procedures in the public sector will immediately feel the constraints of public accountability. Budgets in the public sector are usually allocated for specific tasks and organizations; rules are designed to govern current practices and guide current operations. Even if the benefits of innovation are quite clear, a social innovator will find that public sector organizations and individuals derive much of their legitimacy from the fact that current rules and budgets have been established and allocated by formal authorities. There are accountability frameworks in place, which are based on the way political overseers originally envisioned the mandates and responsibilities of those entrusted with taxpayers' money and public authority. Deviating from current practice can only be tolerated—let alone appreciated—if the new situation is officially legitimized.[8] Summoning sufficient legitimacy, however, may not be easy, because it is not always clear what the benefits of an innovation will be, nor that the innovation will succeed. The burden of proof is on those who want change, since the status quo is already accounted for.

Innovation Is Not Rewarded

In his classic, *Bureaucracy: What Government Agencies Do and Why They Do It,* James Q. Wilson explained why the public sector is not disposed to change

7. Goldsmith (2010).
8. Moore (1995); Borins (1998).

and innovation. Based on an analysis of schools, armies, and prisons, he argued that these environments put certain constraints on the work of operators, managers, and executives. This encourages behavior that is distinctly "bureaucratic" and that can be understood as rational behavior within a context that places bounds on rationality. In other words, embracing innovation may seem rational from an outside perspective, but within a system controlled by politics, scrutinized by the media, and confronted with difficult problems and demanding clients, other considerations may prevail. Dealing with these forces is a challenge in itself, leaving little time and energy—let alone rewards—for innovating.[9]

Many others, including Michael Lipsky and Borins, have pointed out that innovative behavior can be discouraged not only by external pressures.[10] The way in which public sector organizations are managed often lacks incentives to improve performance or go beyond the call of duty. If an organization does gain some efficiency, its budget will simply be reduced, and it will need to manage the same workload with less money in the next year. Thus success is not rewarded. Meanwhile, failure is punished, and the media will be only too happy to expose it,[11] while high-performing officials and organizations are neither rewarded financially nor praised for exceptional service. After all, the public expects the public sector to do the best possible job with the money and authority entrusted to it.

Innovation May Actually Work

Sometimes public sector organizations are not supposed to work. There can be certain—often hidden—motivations *not* to be effective, efficient, or equitable. This may come across as a cynical view, but it is not unrealistic, and it is based on evidence. Michael Lipsky coined the term *bureaucratic disentitlement* in 1984 and defined it as a way of using flawed bureaucratic procedures to deprive people of their entitlements. The phenomenon has been further investigated by Deborah Stone, Jorrit de Jong, and Gowher Rizvi.[12] They found that bureaucratic disentitlement is most commonly manifested in the underfunding of agencies. These agencies need to find a way to balance the budget and ration services, and they do so by making services less accessible for citizens entitled to them. After all, if their clients do not pick up their entitlements, less money flows out—and budgets are met. To meet budgets, agen-

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9. Wilson (1989).
10. Lipsky (1980); Borins (1998).
11. Mulgan (2007); Mulgan and Albury (2003).
12. Stone (1984); De Jong and Rizvi (2008).

cies can reduce office hours, reduce call center employees, tighten eligibility criteria, or make application forms for clients more complicated. Arre Zuurmond observed that service agencies often fail to address underenrollment in social services for the same reasons.[13] Many governments know (or have a hunch) that certain groups (for example, those with less education, immigrants, the elderly) are not claiming their benefits but do not actively approach them to make them aware of their rights. After all, this would only weigh on their already tight budgets. So innovations that would increase the efficiency and effectiveness of operations intended to discourage rather than assist individuals who would like to use them can be threatening—and may very well be unwelcome. Of course, the resistance would never be articulated in explicit terms, but very few bureaucrats from such underfunded agencies would support the change, and that alone would suffice to prevent an innovation from going anywhere.

Innovation Is at Odds with Bureaucratic Structure

The most fundamental challenge for change agents in the public sector may be the nature of the organizations they find themselves working with and within: bureaucracies. Bureaucracy is a system of administration that almost everybody loves to hate. But the truth is that despite all the criticism, most of the world's organizations (public, private, and nonprofit—all the same) still function—or aspire to function—in accordance with Max Weber's ideal definition of bureaucracy. Weber's basic principles of bureaucracy can be clustered into six categories, each of which presents at least one challenge to innovation.[14]

PRINCIPLE 1: REGULATED CONTINUITY. The bureaucratic office must be organized in such a way as to ensure the continuity of its tasks through regulation. Work is not dependent on individuals but is perpetual in nature. Although this principle does not preclude innovation, it makes disruption of the status quo—which innovation inherently creates—an undesired event.

PRINCIPLE 2: FUNCTIONAL SPECIALIZATION. The tasks of bureaucracy are divided in a manner that appears rational. With every task come specific authorities, resources, and sanctions. Whenever an innovation involves or requires reassignment of tasks or a reallocation of resources or authority, this will mean much more than a simple reorganization of the work process. It means that functions are redefined and that people who occupy certain

13. Zuurmond (2008).
14. Weber (1976); Albrow (1970); Etzioni-Halevy (1983).

positions, with certain powers and perks, based on certain expertise, will have to adjust to the new situation. Not everyone will be willing and able to do so.

PRINCIPLE 3: HIERARCHICAL ORGANIZATION.   There is an elaborate hierarchical authority system within each bureaucracy that assigns duties to every official. The functioning of this system depends on obedience to higher levels of authority. As long as the top of the organization instigates and supports innovation, there is no immediate problem, but if frontline or middle-management employees come up with ideas for changing practice, they may face the dilemma of either spending a long time obtaining approval or putting the innovation in place without approval, with all associated risks.

PRINCIPLE 4: EXPERT OFFICIALDOM.   Because bureaucratic work is structured through regulation and functional specialization, officials must be experts in applying rules technically and legally. The problem with this principle with regard to innovation is that it makes employees focus on the rules rather than on the social problem or opportunity at hand. Expertise is defined in terms of the current mandate, rule, or operation—not in terms of adaptability to new realities or creativity and flexibility vis-à-vis a changing environment.

PRINCIPLE 5: DISTINCTIONS BETWEEN PUBLIC AND PRIVATE SPHERES. The resources of an organization and of the particular office a bureaucrat holds may never be appropriated for personal use. The requirement that officials maintain strong distinctions between private and public spheres discourages bureaucrats from bringing their individual interests or opinions to the job. This principle is helpful to the extent that it clearly rejects corruption of power. However, discouraging employees from bringing in their own experiences and personal reflections on their work can keep them from exercising their better judgment and questioning the status quo. To introduce innovations, employees sometimes need to speak truth to power, use their common sense, or blow the whistle on their superiors. Innovators in the public sector are not just cogs in the machine but human beings serving humanity who are at times driven by a deep personal motivation to do better. That involves some blurring of the lines between public and private.

PRINCIPLE 6: FORMALIZED DOCUMENTATION.   Administration in bureaucracies depends on written documents and formal communication. These are the cornerstones of accountability in the public sector. At the same time, everybody knows that it is hard to account for innovation, precisely because it requires investment without the certainty that it will yield results. Innovation is experimentation and therefore hard to record as a regular expense paid out in exchange for a certain result. Although it is not impossible to formally account for experiments with uncertain outcomes, the practice of formaliz-

ing and documenting decisions often makes it hard for innovators to pursue a novel and untested idea.

Innovation Is at Odds with Bureaucratic Culture

If we want to understand why it is so hard to innovate in the public sector, we must pay attention not only to the formal features of bureaucratic institutions but also to the culture of the bureaucratic world and the people who inhabit it. Bureaucracies have a persistent learning disability and cannot adjust to performance problems by learning from their errors.[15] There is a tendency among many bureaucrats to avoid risks and to perceive risk in making even minor changes. Research in the Netherlands has demonstrated that many civil servants, from top managers down to those on the front line, tend to interpret laws and regulations in the most conservative way—even more strictly than perhaps was intended, thereby impeding progress.[16] They also tend to put utmost emphasis on accountability procedures, creating such a heavy administrative workload that it frustrates professionals in the front line. The reason was that the bureaucrats wanted to make sure they stayed within the regulative framework as much possible; the effect of their conservative behavior is that it discourages experiments and innovation on the work floor.

The Amazing Reality

Given all these impediments in the public sector to change, it is amazing that social innovation happens at all. This raises the question of how people who are successful at the job actually operate and deal with the particular challenges they face. It is clear that to be successful, social innovators need to be not only passionate, smart, and agile but also reflective and sensible—capable of adapting to their bureaucratic environment even as they seek to reshape it. They must have the proper attitude and sufficient courage to change the status quo and the skills and determination to do so in a constructive manner. They have to anticipate the resistance that changes may provoke and adequately adapt to anything that might compromise the plan. To successfully maneuver through the institutional obstacles, innovators need to combine the deep strategies of chess masters with the quick tactics of acrobats.

This book asks the question, how do social innovators actually do it? What strategies do they devise and what tactics do they employ? How do they gather the resources and get the go-ahead? It tries to answer these questions by discussing and analyzing what it took for innovators in wildly different situations

15. Crozier (1964).
16. Kruiter and others (2008).

to succeed. We look into various cases: redesigning local government in Denmark and public higher education in Virginia; improving a broken public school system in New Orleans and care to Alzheimer patients in the Netherlands; changing the approach to financial illiteracy in Canada and homelessness in Louisiana; and creating systems to exchange patient data in Japan and stimulate investment in solar energy in Germany.

Drawing lessons from original case-study research, as well as from the literature on public management, social innovation, and change management, we aim to offer crucial considerations with regard to strategies and tactics for social innovation. This book does not offer a golden formula or a silver bullet; the reader will not be handed a list of the seven steps to success. Rather, we offer compelling stories in enough detail for readers to begin to comprehend what made the difference and descriptions of the thought-provoking choices and maneuvers social innovators made in the context of their institutional environments. We hope to help practitioners and students deepen their understanding of the nature of the challenge that change agents face, while making a contribution to the art and science of social innovation.