
What are we talking about when we talk about social innovation?

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This is the first article [in our series](#) about social innovation. The series is published as a collaboration between The Philanthropist and McConnell Foundation.

In British Columbia, dozens of Lower Mainland fishers operating family-owned boats no longer have the size to sell to wholesalers. Instead, they band together to create a membership-driven club; subscribers can purchase fresh catch right off the dock. The result: sustainable food production, improved self-sufficiency for a traditional community, and experiential consumerism with a social benefit.

Across the world, in some remote regions of sub-Saharan Africa, low-income households use a new mobile banking app that allows them to lease inexpensive rooftop solar panels using a rent-to-own scheme. The result: reduced greenhouse gas emissions from generators, improved school participation by children who have light to do their homework, and the accumulation of equity in families with few assets.

Amidst the industrial precincts of New York City and Chicago, grassroots community organizations eye decommissioned elevated rail spurs and begin to envision them as potential new green spaces in these concrete jungles. These groups raise funds locally for planning and design studies, which eventually create the political momentum needed to secure serious funding. The result: linear parks like the High Line and The 606 revitalize working class neighbourhoods and produce new public spaces frequented by locals and visitors alike.

Somewhere in between, in high-needs suburban communities, the Toronto Community Foundation underwrites a new type of after-school program, Beyond 3:30, that brings recent

teachers' college grads and local non-profits right into the schools to provide non-traditional activities geared specifically to middle-school students. The result: improved nutritional practices and physical activity for the kids, and valuable experience for new teachers.

All these projects could plausibly be described as examples of social innovation: undertakings that don't neatly fit into conventional boxes, but deliver multiple social or environment benefits and even profits, all while holding out the potential for the sort of scalability that promises broader transformation.

Indeed, those working in the non-profit sector are more than familiar with the phrase. After all, "social innovation" seems to have attained the kind of ubiquity that "sustainable development" achieved after former Norwegian Prime Minister Gro Harlem Brundtland released her era-defining report challenging nations to find ways to reconcile economic growth with environmental stewardship.

But while funders, policymakers and even companies with active corporate social responsibility (CSR) divisions are eager to describe the initiatives and institutions they support as socially innovative, many of those who work in the non-profit world characterize this aspirational term as both nebulous and trendy: easy to spot with the benefit of hindsight, but tricky to operationalize and difficult to measure. "The challenge I see for this concept is that no one knows precisely what it means," muses World Wildlife Fund Canada President David Miller. "Honestly," adds James Tansey, executive director of the Centre for Social Innovation and Impact Investing at the University of British Columbia, "there's an endless debate about what's in and what's out."

The discussion, which has played out in recent years at numerous international conferences and in the pages of academic and philanthropic publications, is hardly a matter of definitional nit-picking. Most non-profits are now under intense pressure to cast their proposals and grants in the language of social innovation, which is to say outcomes, impact, deliverables, and even social enterprise subsidiaries. Moreover, following game-changing developments in the United States and the United Kingdom, provincial and federal governments in recent years have sought to hitch their policy wagons to a social innovation agenda that could encompass everything from tax incentives and dedicated funds to new legal structures designed to enable social investment. But for those familiar with such policy debates, the persistent lack of consensus has produced a mixed record – some movement on certain elements of a broad agenda, but also back-sliding and stasis.

What's clear is that the answer to the question – what are we talking about when we talk about social innovation? – could re-shape the relationship between governments, private investors, and civil society for a generation to come. Which makes the case for finding common ground that much more compelling.

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In Waterloo, in the years following Blackberry's near collapse, hundreds of former Research In Motion engineers and managers began setting up tiny tech outfits, most of them minimally financed, bootstrap businesses whose founders were driven by ideas that responded to some problem or friction they'd identified. Some had to do with optimizing a technological system, but many others had a more social focus – for example, a firm called D2L, which provides students

and teachers with a novel way of sharing information about assignments, readings, tests, etc.

As in other tech hubs, like Boston and Silicon Valley, Waterloo's innovation scene encompasses a community of entrepreneurs driven more by a desire to solve problems than make mega-bucks; dense social networks of patient funders willing to invest in early stage firms, and fleet-footed companies that know how to make rapid course corrections and withstand the occasional mistake. They also tend to be global in outlook: more than anything, innovation-driven firms aim to scale.

In some respects, the start-up universe has some interesting similarities to the world of successful social innovation: a search for novel solutions to longstanding problems, funders with long horizons, and an outlook that prizes collaboration and new alliances over proposals that emerge entirely from within well-established institutions, be those governments or non-profits. "It's about doing things differently than were traditionally done in our sector," says Miller.

Okay, but surely that's easier said than done. Yet those who have closely examined successful examples of social innovation can identify clear patterns, such as projects or policies that require cross-sectoral collaborations that go beyond traditional funding or philanthropic arrangements. "If you're going to move the needle on homelessness, climate change, or reconciliation and you're just in your own vertical, think again," says Ken Gauthier, president of Urban Matters CCC, a Kelowna-based social enterprise.

Cherise Burda, the former director of the Pembina Institute's Ontario division, offers the example of how that organization, an Alberta-based environmental group, made a conscious choice to establish partnerships with the energy companies that often find themselves in the crosshairs of other ecology advocates. Pembina's approach was to negotiate research and even advocacy partnerships with multinationals like Royal Dutch Shell, on the understanding that the environmentalists wouldn't pull their punches or doctor their results.

In fact, such environmental-corporate engagement strategies have delivered game-changing results in the past, for example, in the 1990s, when a consortium of environmental NGOs led by Forest Ethics re-wrote the traditional advocacy playbook during a dramatic showdown over clear-cutting the Great Bear Rainforest. Led by one-time Greenpeace activist Tzeporah Berman, the group focused on consumers and high-visibility print publications like the Victoria's Secret catalogue.

The campaign, as Berman later explained to *The Globe and Mail*, sought to encourage large logging interests to adopt certified sustainable forest practices, which they could then promote to their customers and other shareholders. "We're pretty good at saying 'No, this is wrong, we oppose this,'" she told [reporter Doug Saunders in 2011](#). "But identifying solutions that we can support is a very difficult thing." The result, a historic accord that protected tens of millions of hectares of old growth, stands as not only a great achievement in Canadian environmental politics, but, as importantly, an enduring case study in socially innovative advocacy.

The learning is that engagement with non-traditional allies is critical and a hallmark of this sort of work. Moreover, the participants in that drama succeeded in re-conceptualizing and reframing a well-established dynamic. For funders looking for evidence of social innovation in proposals, evidence of this kind of thinking is critical.

Tansey points to BC and UK organizations that re-wired the thinking about recidivism. Typically, about 85% of former prisoners return to jail for offences committed upon release. Drawing on prisoner per diems, these groups [showed](#) that it was more cost-effective to invest in programs that help ex-convicts re-establish themselves than on incarceration. They proposed that the funding for such programs come from savings to prison budgets. The innovation is that they established a virtuous circle, with a financial incentive for prevention strategy with social benefits.

The same logic underwrote one of the most innovative experiments in social policy to have emerged in Canada in recent years: Housing First, an idea pioneered in some US cities. In 2008, the federal government provided the Mental Health Commission of Canada with \$110 million to run a multi-city pilot that examined how the outlays on the costs associated with homelessness – shelters, law enforcement, etc. – compare to the funding required to provide permanent supportive housing for homeless individuals. Subsequent [research](#) showed that [each dollar spent on such housing saved two dollars](#) in downstream costs – both direct and indirect -- associated with homelessness.

While these examples of social innovation reveal the crucial importance of finding new ways to unpack old problems, the question of finding fresh sources of funding or investment to underwrite such initiatives or other socially-minded, non-commercial activities increasingly dominates contemporary debates about how to use philanthropy policy to spur more and better social impact.

Toronto charity lawyer Linda Godel, a partner at Torkin Manes, points out that Canada is almost a decade behind the US and the UK when it comes to the introduction of new legal frameworks that create entities that operate in that limbo between charities and non-profits, on one hand, and private for-profit enterprises on the other. The UK government in 2014 also enacted measures allowing certain limited liability organizations to receive 30% tax breaks if they used their capital for social investments.

Besides the specifics of policy reform, the relationship between funding and innovation is complex, and some observers point out that more money can have unintended consequences. Gauthier notes that after former Alberta Premier Allison Redford launched a \$1 billion social innovation fund, in the spring of 2014, the promise of a geyser of grants quickly attracted an army of consultants. The funds “took our eyes off the issues,” he says. (Redford’s short-lived successor Jim Prentice axed the fund eight months later as part of sweeping budget cuts.)

Certainly, in the world of entrepreneurial start-ups, seed funding is important but angel and venture investors also understand the importance of so-called “patient” capital: many successful tech firms have early backers who know better than to agitate for immediate revenues and profits; their investment horizons may stretch out as far as a decade. Indeed, tech investors prefer to underwrite firms led by innovation-minded founders who build companies by bootstrapping, experimentation, and making small course-corrections as they learn from mistakes. Geoff Kistruck, the Ron Binns Chair of Entrepreneurship at York University’s Schulich School of Management, says: “If you want to spur innovation, you need to provide slack.”

Rahul Bhardwaj, the former president of the Toronto Foundation, says as a funder, his group looked to back projects that were experimental and approached familiar issues in novel ways.

While applicants were expected to measure a project's outcomes against a range of social impact metrics, such as obesity rates, Bhardwaj also looked for organizations that understood how to adapt their projects if they'd missed a target, or scale them if they'd hit on something that worked. "Sometimes you have to suspend the fetish for outcomes," he says. "You never know if what you're doing will work 25 or 50 years from now."

Godel, for her part, is optimistic about the prospect for more innovation in the non-profit world in the years to come. She, like others, points out that idealistic millennials are flocking to the non-profit sector, often with plans to set up their own non-profits or socially-minded businesses that aren't burdened by the traditional or risk-averse ways of long-established charity boards.

As happens with large institutional backers of small start-ups, Bhardwaj says, policymakers would be well-advised to offer the next generation of social innovators a modest financial jumpstart and a policy framework that provides them with the time to incubate their ideas. But if our governments truly want socially innovative ideas to surface, he adds, they should then "fade into the background."

The Philanthropist is working in partnership with the J.W. McConnell Family Foundation to produce a special series about social innovation that will run throughout 2017. We encourage readers to share this article and contribute to the conversation in the comment section or on social media – and please [subscribe to our newsletter](#) to receive subsequent articles in this series.