Social innovation at the heart of Australia's national innovation system

A submission to the Review of the National Innovation System from the Working Group for the Australian Social Innovation Exchange, April 2008

1: Introduction

This submission has been prepared by the Working Group for the Australian Social Innovation Exchange (ASIX). A brief overview of the ASIX venture is provided as an attachment to this submission

The submission argues that a growing capacity to effective social innovation should be at the heart of Australia's evolving innovation system. The submission:

- Explains what social innovation is and how it fits with the larger innovation system

- Sets out elements of an Australian social innovation model which is beginning to take shape through the work and investments of the not-for-profit sector, of governments at state and federal level and of the corporate sector as well

- Identifies practical ways in which the development of a social innovation capability in Australia could be accelerated.

2: Executive Summary

Australia needs to devote as much attention to developing a social innovation system over the next 20 years as it has in the past to the more familiar innovation system for science and industry. At the same time, as we develop the institutions and processes that we need in order to prosecute a more urgent social innovation agenda that matches the traditional focus on industrial and scientific R&D, the innovation system itself has to become more collaborative, more open and inclusive and more responsive to the ideas, experience and insights of citizens and consumers.

We define social innovation as the search for new solutions to pressing social needs, problems and opportunities that are often created by individuals or organisations with a social, and not a commercial, imperative and are based on expertise and resources that draw from, and appear at the intersection of, the community, business and government sectors.

Social innovation solutions are prepared to try something different, provide an effective solution and leave behind new and sustainable capabilities, assets or opportunities for wider social change

Social innovation is becoming a more important part of the response to the big dilemmas we face. Global warming, sustainable cities, lifting people out of poverty, improving education and health systems, new models of social care for ageing populations – these are just a few of the large and complex social challenges which we need to deal with. Finding effective solutions will make a big difference to the quality of our lives and to our capacity to achieve sustainable prosperity. Innovation is at the heart of these challenges.

We are learning more about what good practice social innovation looks like and about the mix of institutional, financial, policy and organisational resources and capabilities needed to do it well.

But we are still a long way behind in our search for robust and replicable models and methods that will dramatically lift our social innovation capability. In particular, we need to increase the investment from government, the private sector and from civil society in the search for new models of social innovation that will increase its speed, scale and sustainability.

Our key messages

- Social innovation should be at the heart of Australia's national innovation system

- It will increasingly be key to finding solutions to many of the big social, economic and environmental challenges we face

- Investing in a more systematic and robust social innovation model is a logical next step for governments in Australia, many of whom are already committed to initiatives that make better use of our collective intelligence to think of new ways to address today's pressing issues and those emerging in the future

- Government needs to use the new infrastructure of social innovation to explore ideas, understand current and next practice around the world and experiment with new policy models

- Social innovation investment, whether public, private or community, should extend our tolerance of risk and experimentation as new ideas are road-tested and refined

- Social innovation is an idea and a practice that is attracting interest, and growing support, from many different organisations in government, business and the community sector.

- We believe that social innovation is different to the extent that it:

  - gets little public or commercial attention or resources,
  - is a key priority/responsibility for government and is at least as important as commercial innovation for long-term societal wellbeing
  - suffers from current processes and support within government, the corporate sector and in civil society are minimal which remain 'hit and miss'
  - needs increased attention and resources, including the possibility of establishing an Australian social innovation endowment fund.

- Rising to that challenge will ensure that social innovation is at the heart of Australia's innovation system. The current review can accelerate that outcome by framing the need for a more deliberate and persistent investment in social innovation as an integral part of its recommendations

Some elements of an Australian social innovation model are emerging, including new organisations like the Centre for Social Impact and the work of many not-for-profit and corporate organisations who have been exploring practical ways to take new approaches to difficult social challenges. The emergence too of organisations like Social Ventures Australia signal an important shift in thinking about the best way to match new insights for social change with sustained institutional and financial support.

Governments too are stepping up to new demands for fresh thinking about the best way to tackle the persistent social needs and risks to which mainstream public policy is still trying to find answers that are relevant and sustainable. The federal government's social inclusion agenda, the South Australian Government's initiative to establish a Centre for Social Innovation and the work of other State Governments in different areas of social change and renewal all provide more evidence that, from different starting points, many organisations in government, business and the community are converging on the same social innovation agenda.

What is still missing, though, is a reliable platform on which people can quickly and easily connect, communicate and then collaborate. Renowned information and social analyst John Hagel describes the missing piece in most innovation systems as the "platforms to foster collaboration with others to get better faster than anyone possibly could on their own."

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Creating a platform in Australia for those involved in thinking about, investing in and actually doing social innovation to "get better faster" more quickly than they would on their own is the piece of the social innovation puzzle that the Australian Social Innovation Exchange (ASIX) provides.

The plan to establish ASIX, which is an Australian node in a global "network of networks", is itself further evidence of new investments in the new social innovation infrastructure and the growing community of organisations and people actively engaged in the pursuit of better social outcomes through innovation.

But all of these initiatives, while they signal welcome change, also provide a reminder that, in Australia, we are at the early stage of a long journey towards a more robust and effective social innovation system. Many of the initiatives remain fragile and fragmented, searching often for a connecting network of influence and practice that, for the most part, still doesn't exist.

Levels of investment in social innovation remain too low and unpredictable, reflecting a lack of confidence in the methods and processes for social innovation which should be able to:

- Offer an array of relevant and respected tools to discover new thinking and fresh ideas
- Test the sparks of insight from which great ideas might grow against what we already know and already do here and around the world
- Create good investment and business cases
- Evaluate potential and track performance
- Draw on and replenish a growing capacity for sound actionable research and analysis

We need more rigour, more robust methodologies and a growing institutional sophistication to extend our ambitions for social innovation and its impact on mainstream policy. That, in turn, means more investment and more sustained attention to the interaction between innovation, policy, investment and implementation.

Rising to that challenge will ensure that social innovation is at the heart of Australia's innovation system. The current review can accelerate that outcome by framing the need for a more deliberate and persistent investment in social innovation as an integral part of its recommendations.

3: A social innovation model for Australia

Defining social innovation isn't easy. That's a concern because any idea whose boundaries and significance can't relatively easily be defined and widely understood is at risk of being ignored.

Our starting point is a definition along the following lines:

> The search for new solutions to pressing social needs, problems and opportunities that are often created by individuals or organisations with a social, and not a commercial, imperative and are based on expertise and resources that draw from, and appear at the intersection of, the community, business and government sectors.
>
> Social innovation solutions:
> - Are prepared to try something different
> - Provide an effective solution
> - Leave behind new and sustainable capabilities, assets or opportunities for wider social change

It hardly rolls off the tongue, but it is a working definition that we think captures some important attributes which we want to emphasise throughout this submission. We have provided a more detailed overview of social innovation and its potential at Attachment 2.

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As we evolve a social innovation model for Australia, we can learn from the ideas and experiences of those around the world who are equally engaged in the same search.

The Young Foundation, for example, believes that social innovation is an approach to problem solving and opportunity creation that demands a particular way of working. Its own practice and research suggests that the model needs to reflect these ideas:

- Leaders who encourage and reward successful innovation and straddle different fields

- Finance focused specifically on innovation

- More open markets for social solutions

- Incubators or accelerators for promising innovative models

- Explicit models for R&D in the public sector

- Ways of empowering users to drive innovation directly

- Institutions to help orchestrate systemic change

- New approaches to innovation that cut across traditional sectoral boundaries

- New institutions focused on adapting new technologies for their social potential

- New ways of cultivating innovators themselves

The Young Foundation's Director, Geoff Mulgan, whose writing and research is a central part of its work on social innovation, is currently thinker-in-residence in South Australia, where he has been instrumental in the establishment of a new Centre for Social Innovation.

Other models for accelerating the processes and impact of social innovation include Ashoka, the US based global supporter of hundreds of 'system changing' social entrepreneurs and innovators (such as Mohamed Unis of the Grameen Bank) and the UK School for Social Entrepreneurs. Major foundations created by business entrepreneurs, such as the Gates Foundation, Omidyar Network have played a key role in supporting social innovators with investment when other sources have been more risk averse.

Disruptive innovation

Another set of insights emerge from the description of "disruptive innovation for social change"[1] In this characterisation, social innovation follows the same basic patterns of disruption and mould-breaking change that describes real transformation in business and other sectors.

> Innovation rarely proceeds down an orderly pipeline from boffin to consumer. Innovation often involves changes to business organisation and consumer behaviour as much as science and technology.
>
> Many innovative organisations in the UK have no formal R&D capability: they innovate on the job, often through interaction with clients and markets. Often innovation is highly networked and interactive, involving a wide range of players, not least the ultimate consumers of products and services.
>
> *Charles Leadbeater*
> *10 Rules for Mass Innovation*

Explicitly, this is a model whose whole purpose is to challenge incumbents, who are often comfortable doing a perfectly adequate job for a well-defined population of clients, "by offering simpler, good-enough alternatives to an underserved group of customers" who can then benefit from "catalytic innovations [that] can surpass the status quo by providing good-enough solutions to inadequately addressed social problems". Think about the hole-in-the-wall computers; hardly a solution to the challenge of information literacy for poor Indian children that would stack up against the usual demands of quality and equity for example.

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[1] *Disruptive Innovation for Social Change,* Clayton M Christensen, Heiner Baumann, Rudy Ruggles and Thomas M Sadtler, Harvard Business Review, December 2006

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This was surely a solution that was "good enough" but which offered enough of a solution not only to break the mould of traditional responses to the problem, but which actually created a whole new dimension of performance as the children who interacted with the accessible, but unfussy new tools achieved astonishing new levels of computer literacy all on their own.

Social innovators who embrace this model share **five qualities of catalytic, disruptive social innovation** as the motive force for their work:

- They create systemic social change through scaling and replication

- They meet a need that is either over served (because the existing solution is more complex than many people require) or not served at all

- They offer products and services that are simpler and less costly than existing alternatives and may be perceived as having a lower level of performance, but users considers them to be good enough[2]

- They generate resources, such as donations, grants, voluntary manpower or intellectual capital in ways that are initially unattractive to incumbent competitors

- They are often ignored, disparaged or even encouraged by existing players for whom the business model is unprofitable or otherwise unattractive and who therefore avoid or retreat from the market segment.

In much the same way as, in the commercial world, innovation is increasingly seen as the motivating force opening up new dimensions of performance, the same insight is driving the search for better social outcomes.

Many communities and countries around the world are trying to accelerate the innovation cycle for answers to the challenges of social inclusion, sustainability, education, health, community safety and harmony and the eradication of poverty.

What do these, and other insights offer as a guide to entrenching the art and practice of social innovation as a real motive force for change in Australia? What are the conditions that might make that happen faster and more predictably?

There are many but these six are chief amongst them.

Speed, scale and sustainability

The great innovation three-card trick is to accelerate the rate at which good ideas and brilliant insights into solving a problem can connect with the money and organisational capacity they need to be tested and then scaled so they quickly become a new dimension of good practice. Whether it's a new drug or a new industrial process or a new gear box the instinct is the same – to get the good idea into "production mode" as quickly as possible.

As well as the ability to "get better faster", the challenge is to take the idea to scale so that it makes a difference not just in a few trials but becomes widely available to millions of people.

The same instincts apply in the social space. Finding a way to improve conditions in a few poor neighbourhoods or turnaround a cluster of failing schools is good, but the good idea becomes great if and when it spreads.

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[2] See *The Fortune at the Bottom of the Pyramid - Eradicating Poverty Through Profits*, C K Prahalad, Wharton, 2006

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The growth of the social innovation sector

The spark of invention or the new insight can emerge from anywhere – a government agency, a non-profit organisation, the research program of a university or from within a commercial organisation large or small. But it is equally true that taking that insight and doing something with it demands an approach that will inevitably cross organisational and professional boundaries.

Community organisations are often closest to the problem and can draw on deep reserves of trust and credibility. Banks and financial institutions have access to financial skills and capital, governments can bring the policy and often the orchestration skills to stitch large projects together. Also, they can provide money and institutional 'grunt'.

What we need to see is the steady emergence of a social innovation sector that does not belong in any of the existing sectors with which we are familiar – community, business, academia and government. It will be a resilient hybrid that draws on the best of each and, in the process, adds value of its own. In that sense, the social innovation challenge in Australia is partly a task of institution building - steady, pragmatic, purposeful.

Social innovation and public policy

A third task for an Australian social innovation model is to work out how it impacts and influences public policy. That is particularly important as the new Federal Government sets out its broader social inclusion and social policy objectives, which demands a renewed spirit of innovation.

> We construct meaning and roles in a social context. Once again, executives often misunderstand the role of pull platforms – they tend to view these platforms as interesting ways for people to access and mobilize the physical resources they need. They miss the fact that pull platforms are designed to help people connect and collaborate with other people in ways that are very difficult to anticipate in advance and in ways that accelerate learning through these interactions.
>
> .... We cannot hope to accelerate learning without an explicit consideration of the social context and the ways that it both inhibits and enhances learning.... magic, in the sense of pushing the frontiers of performance and capabilities beyond expectations, requires an integration of three very different elements – environments architected to foster "hard fun", enchanted objects to amplify the capabilities of mere mortals and platforms to foster collaboration with others to get better faster than anyone possibly could on their own...
>
> I would go so far as to assert that our ability to apply this kind of magic and fun in our enterprises will make the difference between the companies that survive and thrive and those that fall by the wayside.
>
> John Hagel III
> http://edgeperspectives.typepad.com/edge_perspectives/

The question, though, is how exactly does the mainstream social policy agenda infect and, in turn, become infected by, the instincts and practice of innovation. How do they meet and what is the process by which they converge to work as distinct, but mutually influential players?

That challenge works at several levels. It is partly about making it easier for innovators who do not work in the formal structures of the bureaucracy to be heard and to engage in policy conversations where their views often conflict with conventional wisdom It is partly about finding more productive ways for innovative ideas to engage with the mainstream institutional processes of government including policy formulation, budgeting and performance management.

It is about working out new regimes of investment and risk taking that can test new thinking for complex social problems and accelerate the innovation cycle. There are plenty of questions to resolve. How does government fund and support the innovation process? How much of the work should we expect to be done inside government and how much will be done outside? **Given we know that, for the most part, innovation tends to spark at the edge of large organisations and systems and not at the centre, how do we systematically connect the small organisations, the individual entrepreneurs and, increasingly, the expert and motivated service users and citizens, to a larger process of investment and institutional support?**

Just as importantly, it is about new policy frameworks in which social innovation is not just tolerated but expected and actively encouraged.

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As Klaus Schwab, the founder of the World Economic Forum, puts it "what set of incentives will lead to the deep diffusion across society of the capability to innovate and the inclination to respect and value innovators?"

Social financial services

There are examples in Australia of the search for new, more flexible financial tools and capabilities that fit the contours of the social entrepreneur and provide a flow of funding that is predictable and sufficient, given the often complicated and long-term nature of the new approaches to be funded.

One recent analysis (William Drayton *Everyone a Changemaker*) puts the need for new social financial services as one of the two or three most urgent institutional reforms needed to support the work of a surging 'citizen sector' of social entrepreneurs and innovators. There are opportunities for the "enormous, highly competitive, client-focused for-profit financial industry" to step up to the task of crafting a whole slew of new financial instruments and services that can live with the needs social innovation and still make money.

Governments and larger foundations rarely have the necessary skills, flexibility and discipline and are often too slow and cumbersome to meet the demands of smaller entrepreneurs.

We have to draw on work around the world to rapidly build the capacity of the financial sector to enable the social innovation capability in Australia.

Everyone a changemaker

The same analysis makes a powerful case for the spread of the innovation ethic to embrace and empower not just an elite of entrepreneurs or social leaders but whole communities. The challenge is not just to solve problems that press on our capacity for open, fair and inclusive societies but to "increase the proportion of humans who know that they can cause change."

This is a radical idea, of course, reducing reliance on an elite, usually external few bringing change into communities and setting ourselves instead the task of engaging and extending a much wider instinct and capability for self-directed change. This is not just a task confronting the traditional international development and aid community in areas of the world seeking to escape the constraints of absolute poverty and persistent economic disengagement. It applies equally to developed societies where the business of "multiplying society's capacity to adapt and change intelligently and constructively and building the underlying collaborative architecture" is, unequivocally, "the world's most critical opportunity now."

Look, listen, learn – and lead

The final task for Australia is to dramatically lift our capacity for social innovation leadership, whose defining characteristics will be a capacity to look, listen and learn. We have to find better ways to really see what is happening in specific communities and to understand what they are experiencing.

We have to listen carefully to people's experience and their aspirations. We have to pick up the signals from within communities and from across the world so we have powerful access to the best and smartest thinking and experience that relates to the issues we're trying to solve. That requires new tools that offer quick and simple access to people, to ideas, to projects that have worked elsewhere around the world that can lead and influence our thinking.

And we have to fashion new opportunities to learn not only in the sense of educating ourselves about what works and who has the skills and experience we need to draw on but also in the sense of quickly processing the signals we pick up from the wider environment that helps us to adjust and change when we need to.

None of these challenges is new. Nor are some of the instincts for reform and invention especially original either. Australia has done its fair share of innovation when it comes to new social capabilities – aged care, surf life saving and the flying doctor service would be obvious candidates.

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But the instinct for invention linked to social change has to be renewed and reframed for contemporary conditions. We need a social innovation model that is "fit for purpose" given the world we live in, the problems we want to fix and the opportunities we want to create.

4: An innovation system for Australia - open, inclusive and creative

Social innovation is part of, and is set to make an increasingly significant contribution to, an Australian innovation system.

In many respects, the attributes of a national innovation system are similar to those that characterise an effective social innovation system. In that sense, social innovation is a sub-set of the larger innovation endeavour in Australia, animating its ambitions and performance with a strong focus on new thinking and new approaches to the big social risks and opportunities we face.

Many aspects of our current innovation practices are not well suited to contemporary needs and circumstances. We need to develop an innovation system that is open, broad and inclusive and connects people, ideas, knowledge, institutions and resources in new patterns of collaboration, influence and action. [3]

We need to shift the way we think about innovation away from an ego-centric or institutional model to a network-centric or social model.[4]

Ego-centric systems focus on institutions and hierarchical systems. Power and authority is institutionalised and concentrated at the top. Access to information is a source of power and knowledge sharing is limited or reluctant. Communications tends to be from the 'members' – staff, customers, stakeholders – to the centre.

By contrast, network-centric organisations or systems are built around the authority that comes from the members of the community – an organisation, a social system - and the way they interact. Information is shared promiscuously because "the network knows more than we do". Structures tend to be collaborative and transparent and the communication patterns are as often between members as with the centre.

It is exactly this kind of network-centric thinking that has fuelled the rise of regions like Silicon Valley as a hub of technology innovation. One well know analysis of Silicon Valley's success notes that central role of "complex networks of social relationships within and between firms and between firms and local institutions".[5]

In many respects, it is the social capital in communities like Silicon Valley – the rich networks of connection and collaboration – that becomes as important to the innovation process as the presence of venture capital and access to institutional support.

These changes are being enabled and accelerated by new tools and capabilities of what the OECD is describing as the "participative web", which are rapidly improving our ability to establish and manage open systems of exchange and information, should be our starting point.

These tools – such as blogs, wikis and the profusion of collaborative spaces for work and entertainment - erode, or at the very least challenge many of the assumptions and models on which our policy institutions and innovation systems are based.

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[3] This section draws on some of the ideas and insights from the submission by Cisco's Internet Business Solutions Group to the National Innovation Review (April 2008)

[4] *Network-Centric Thinking: The Internet's Challenge to Ego-Centric Institutions* Jed Miller and Rob Stuart (http://journal.planetwork.net/article.php?lab=miller0704);

[5] *Inside-Out: Regional Networks and Industrial Adaptation in Silicon Valley and Route 128*, AnnaLee Saxenian, Cityscape: a journal of policy development and research, Vol 2 No 2 May 1996

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In particular, they offer a platform on which innovation ceases to be an essentially elite, exclusive and largely institutional process and instead takes on the characteristics of a large, inclusive and open community.

For social innovation especially, the focus on users and consumers is paramount. Many of the social innovations described in this submission were sparked by a sense of frustration, or a sense of possibility, from people close to the point where services and systems actually deliver. The social innovator's passion for users and consumers, and the ethic of promiscuous collaboration and openness that sustains them in conditions that can often be tough and unforgiving, needs to infect the wider innovation system itself.

5: Investing in social innovation

To conclude by briefly restating the argument – social innovation should have a place at the heart of Australia's innovation system as it evolves to confront the risks and opportunities we face over the next 20-30 years.

They are likely only to be susceptible to solutions if the innovation process itself embraces a model infused with the same values around which social innovation good practice is forming – open, collaborative, rigorous and systematic, inclusive and cross-sectoral.

The question then becomes what can we do to foster the growth of social innovation and lift its speed, scale and sustainability? These are some of the issues that need to be confronted in the development of Australia's social innovation capabilities:

Funding and investment

Australia needs to lift the rate and level of investment – public, private and not-for-profit – in social innovation tools, methods and platforms. That investment should flow to programs within government, to specific projects being developed by new coalitions of business, civil society and government organisations and to the new and emerging infrastructure of social innovation.

Innovation and policy making

We have to explore more urgently the best way to bring the work of social innovation, which often occurs at the edge of larger systems and organisations and often in small and very local settings, into the mainstream of policy making.

Policy makers at the political and bureaucratic level need to learn more about the social innovation process and about how to respond to its insights and potential. We need better and more predictable ways of engaging with the social innovation community to create clear and predictable pathways that connect them to the larger institutions of public and private investment and policy.

> Innovators...focus on creating things the world has never seen. They systematically disregard boundaries – whether of nation, academic discipline or social status – to the predictable annoyance of those who consider it their responsibility to keep boundaries in place.
> An irony results: while the world clamours for innovation, it tends to deprive innovators of the resources and recognition that would maximise their potential to transform society for the better. The challenge of innovation in the 21st century is therefore also about reshaping societies to be not only tolerant, but actually welcoming, of innovators.
>
> *Klaus Schwab and Pamela Hartigan, Social Innovators with a Business Case*

One thing that governments can do is make demands on the existing and emerging social innovation infrastructure that is emerging. For example, when a particular social issue is being dealt with in government, an initial response might be to task the Social Innovation Exchange to use its proliferating communities of knowledge and practice both here and around the world to search out current practice, new thinking and available evidence. **The Exchange can provide a valuable platform on which to quickly connect a much richer mix of practitioners, researchers and thinkers around a particular problem than would otherwise be easily accessible. This is about more than a traditional literature search or the quick review of a few interesting websites.**

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This is about engaging a growing and lively community of thinking and doing to speed up the process of discovery and analysis.

The more the mainstream policy process makes these kinds of demands on organisations like ASIX or CSI, for example, not only will they lift the speed and reliability of the innovation conversation, they will add to it themselves. In that sense, the process holds as much value for Australia's capacity to contribute to and sometimes to lead the innovation debate in a particular area as it does for our ability to learn quickly from the experience and insights of others in this growing global community.

The willingness to use networks like ASIX to feed into policy making will also spur the instinct to experiment with different possible approaches to meet social need or responding to social challenges that can test out different policy approaches. We should also reduce the barriers to participation by the not-for-profit sector in business innovation and research programs, including R&D tax concessions, ARC grants, CRC programs and other business incubation and growth initiatives and growth initiatives. At present many of these Commonwealth and state programs have real barriers, and sometimes prohibit, participation by the nonprofit sector.

Research, rigour and replication

We need to invest in the development of new methods, models and metrics to create a strong and robust tool kit for social innovation in Australia.

We have to become more rigorous and systematic in our search around the world for what's been done and what has worked and not worked as a natural part of our own social innovation practice.

We need more rigorous data and analysis to build up credible evidence of impact and cost-effectiveness in social innovation investments, although it will always be hard to prove some of the links that connect investment with outcomes that can be complex, contingent and long-term.

We have to learn how to learn from others and adapt their experience so that we don't miss opportunities to innovate by taking what has already been done somewhere else and making it work in our conditions and for our needs. Innovation isn't always about the brand new. In many situations, it is about new ways of doing what someone else has already either done or started. The innovation often stems from the insight that connects an existing solutions or capability to a problem or need where that connection hasn't been thought of before.

We have to learn how to scale and replicate where that is appropriate, so that local knowledge and expertise can be shift to "production" level if that makes sense.

Investing in public sector innovation capacity

Within the public sector itself, we need to invest more deliberately in lifting the innovation capacity and vision of those directly involved in steering policy and program development. Specific budgets for innovation and risk-taking as well as more frequent and more confident exchanges between social innovators and public policy makers should increasingly be the hallmarks of the public service.

Sharing information as part of more open knowledge sharing systems should fuel the conversations around specific innovation opportunities. The information systems should be as accessible and as collaborative and porous as possible. They should include platforms on which to share the results and intellectual property involving government investment in innovative programs.

Social innovation endowment fund

One option to consider is a model that picks up the experience of NESTA in the UK, the National Endowment for Science, Technology and the Arts.

The largest single endowment devoted exclusively to supporting talent, innovation and creativity in the UK, NESTA was launched by the Government in 1999 with a £200 million investment. It's mission is to transform the UK's capacity for innovation.

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NESTA invests in early stage companies, informs innovation policy and encourages a culture that helps innovation to flourish. NESTA is increasing its investments to encourage social innovation (http://www.nesta.org.uk/informing/policy_and_research/policy_briefings/social_innovation.aspx).

A challenge from the current review might be to take the NESTA model and adapt it as the basis of an Australian Social Innovation Endowment Fund that combines investment from government, from the business and nonprofit sector and from Australia's philanthropic sector.

As another example, a new report in the US from a major think tank has called for the establishment of a National Innovation Foundation, which it describes as "a nimble, lean and collaborative entity".[6]

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[6] *Boosting productivity, innovation and growth through a National Innovation Foundation*, Information Technology and Innovation Foundation, Metropolitan Policy Program, Brookings Institution, April 2008

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The Australian Social Innovation Exchange is a new not-for-profit association of social innovation practitioners and thinkers, creating a platform for collaboration that will accelerate the success of social innovation in Australia.

ASIX has no direct conflicts or affiliations in relation to the subject of the review and the representations submitted.

This submission draws on ideas developed over the last 12 months as part of the establishment of the Australian Social Innovation Exchange. In particular, it was discussed at a recent workshop, whose participants included:

- Martin Stewart-Weeks, Chair ASIX Working Group and Director; Public Sector (Asia-Pacific), Cisco Internet Business Solutions Group

- Steve Lawrence, Executive Officer ASIX; Founder & Social Entrepreneur WorkVentures

- Alex Varley, CEO, Media Access Australia

- Dr Mark Bagshaw, CEO, Innov8Group

- Prof Vijoleta Braach-Maksvytis, Deputy Vice-Chancellor, University of Melbourne

- Stephen Ward, Lecturer, Industrial Design, UNSW

- Thomas Feeny, Strategic Research Manager The Smith Family

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Australian Social Innovation Exchange (ASIX)

The Australian Social Innovation Exchange is a "network of networks" that links people and organisations interested in, and actively engaged with, social innovation in Australia.

ASIX will operate initially as a small hub that provides leadership, project management and technical support for the network.

Its primary purpose is to **lift the profile of social innovation** as an idea and as a contributor to new thinking about the way we deal with complex and unmet social needs and to **accelerate the innovation process** that turns smart new thinking into viable solutions.

> The ASIX mission is to raise the profile of social innovation as a key contributor to new thinking about sustainable solutions to unmet social needs in Australia, to lift the speed of the social innovation cycle and to increase the scale of its impact.

ASIX will lift the profile and understanding of social innovation and embed successful innovation practices into the culture, practice and methodologies of the public policy process and, more broadly, into the way people and organisations across all sectors think about and respond to major social challenges.

ASIX will **provide a platform on which people and organisations involved in social innovation can connect, communicate and collaborate more effectively.** ASIX is not a new and competitive player in the social innovation space. Rather, it's instincts are those of the Web 2.0 world of social networking and the collaborative Internet from which it will inevitably draw much of its strength and its basic operating model. In that world, the focus is on:

- User participation and 'co-creation' of content and value

- Openness of systems and knowledge

- Harnessing the network effect to realise the potential of powerful new ways to connect and collaborate.

ASIX will **harness the collective intelligence of the social innovation community in Australia to make it more effective and powerful**. It gives effect to the notion that value and insight increasingly is a function of "small pieces, loosely joined", being able to quickly locate and connect 'small pieces' of intelligence, insight and experience into a shared process to achieve common goals and aspirations.

ASIX will form part of the proliferating global network of social innovators which is being connected by the Social Innovation Exchange (SIX), which is being led by The Young Foundation in London.

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What is social innovation?

What do these ideas and organisations have in common:

- The Open University in the UK

- Bringing the prospect of cataract operations within the range of the poorest people in the world as a commercial operation

- Finding a way to make a viable business out of making and selling drip irrigation systems to poor farmers in Mexico

- The *Big Issue* organisation that helps homeless people to make money by selling magazines

- A program that uses the internet to connect volunteers and funding to help a village in Africa to install and maintain a pump for clean drinking water and another village in Sri Lanka to set up a new bee and honey-making business

- The Grameen Bank, a pioneer of microcredit for poor, rural people

- Putting computers in a "hole in the wall" of some of the poorest slums of India and waiting for children as young as 6 without any education to teach themselves Web browsing and computer skills

- A plan to teach former child soldiers in Mozambique to collect and destroy weapons, counsel former child solders and offer ideas about preventing crime?

At one level, the only thing that unites them is their temerity, confronting profound and apparently intractable disadvantage with an idea that couldn't possibly work. And they are so different too – some large and global, some small and intensely local, some in health, some in economic resilience and jobs, some in education.

But at another level, they share some important attributes:

- They invent a capability to confront and overcome complex social problems that didn't exist before

- They grew from an entrepreneurial capacity not just to look but to see, bringing to bear a "tenacity of observation" to a set of problems that appeared to be intractable (why on earth would you think the way to eradicate poverty was to lend money to poor people when everyone knows that poor people can't repay loans?)

- They betray a knack for connection and collaboration, snapping together the pieces in a social change value chain, if you like, that links people, communities, money and institutional capacity

- They start from the premise that change has to be sustainable, create new economic opportunity and, in the process, give people a chance to connect to mainstream economic activity

And they tend to break the mould of what is possible by using constraints and inherited barriers as a spur to purposeful invention and deep, often radical social change.

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This is the world of **social innovation, a collaborative search for new solutions to pressing social needs, problems and opportunities often fuelled by the ambition to find mould-breaking ways to create new and sustainable capabilities, assets or opportunities for change.** The driving ambition for change is often social rather than commercial and thus some different enabling resources and processes are often required to increase the level of activity, improve success rates or focus effort in specific directions.

There's a school of thought that suggests that, over the next 20 years, the things that will impact most on our ability as individuals, as communities and as a nation to survive and prosper will not be economic but social. Our ability to fix the big social problems that impact us as people and communities – improving education and skills, preventing illness and improving the productivity and quality of health care systems, eradicating poverty, improving opportunities for people with disabilities, designing and managing more liveable cities – will have the greatest impact on how well we live and how successful we can expect to be.

The key to sustainable prosperity turns out to have two dimensions – a strong and resilient economy and a society that holds out the prospect of a decent life for everyone in communities that are inclusive, fair and rich with opportunity.

So, just as we have spent the best part of the last 30 years refining many of the tools, capabilities and policies on which we now rely to guide our economic thinking and action, we increasingly need to turn our attention to a similar program of purposeful investment and reform that will sharpen our capacity for deep and sustained social innovation.

Defining social innovation

One of the problems with the concept of social innovation is that when you press harder to pin the idea down, its inherent appeal is tested by conceptual ambiguity and frustrating definitional flexibility.

So, what is this idea of social innovation all about, why is it important right now and how does Australia get better at it as quickly as possible?

Like innovation in any other area – science, industry or commerce – social innovation is about creating a new dimension of performance. Why it has become so important in recent times is the growing realisation that failure to deal effectively with the large social problems we face undermines our ability to pull off an elusive trifecta of policy outcomes - individual opportunity, social cohesion and sustainable economic growth. The longer we leave these problems unattended, the more we will continue to waste money, time and energy, fail to offer people a chance to make the best of their lives and, importantly, erode the commitment to keep trying.

The debate about social innovation has reached an interesting point. In many ways, it has been a something of a "poor cousin" in many of the big debates about how we should tackle difficult social challenges that impact our life in common.

That's not to say that people have not recognised and often welcomed the input to these debates from the non-profit sector or from those ventures supported in various forms of charity, corporate philanthropy or the more contemporary corporate social responsibility movement. But while those contributions have been encouraged, they have often remained peripheral to the main game of big public policy decisions and spending. At worst, the real significance of these contributions has been rendered invisible through a mixture of ignorance, lack of profile and misunderstanding.

In recent years, fuelled by an often dispiriting mix of frustration, anger and even despair, individuals and organisations have been driven to try something new in their response to the social need they witnessed or, in many cases, directly experienced.

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And often, these new ventures thrived in the spaces between many of the larger and more traditional players – big government programs, corporate philanthropy or social responsibility and the tireless and often thankless work of the voluntary community sector.

In many cases, these new responses, labelled with a variety of titles including social entrepreneurship, social enterprise and social innovation, deliberately set out to create responses that combine compassion and social action with hard-headed plans to put a business model in place that take these initiatives from charity to sustainable venture.

Social innovation is becoming a more important, but still contested idea that is impatiently demanding a more significant role in public policy, motivated by the promise that its successful practice can have a growing impact on the ability to achieve social inclusion, better public services and economic resilience.

Social innovation is an idea that is sometimes easier to recognise than it is to define. For example, when New Delhi physicist Sugata Mitra was thinking about the best way to bring the next generation in India into the information age, he had what seemed to be a very silly idea. He decided to put a PC with a high speed internet connection, almost literally into a hole in the wall in the slums and waited to see how the children would do respond. An article in *Businessweek* describes what happened:

> What he discovered was that the most avid users of the machine were ghetto kids aged 6 to 12, most of whom have only the most rudimentary education and little knowledge of English. Yet within days, the kids had taught themselves to draw on the computer and to browse the Net. Some of the other things they learned, Mitra says, astonished him.

> The physicist has since installed a computer in a rural neighborhood with similar results. He's convinced that 500 million children could achieve basic computer literacy over the next five years, if the Indian government put 100,000 Net-connected PCs in schools and trained teachers in some basic "noninvasive" teaching techniques for guiding children in using them.
> http://www.greenstar.org/butterflies/Hole-in-the-Wall.htm

Another example is microcredit, most famously exemplified in the work of the Grameen Bank. Again, the response to a pressing problem – how to lift people out of extreme poverty – seemed a little reckless. Why not lend money to those very same people and especially to poor women as a way of investing in their ability to create small enterprises that seed new wealth and new capacity in poor communities? The statistics of success are well known and often rehearsed – founded in 1976, the bank is 94% owned by the borrowers (mostly women from poor communities), over $6 billion in loans with nearly $US730 million in the last year alone, and a loan recovery rate of over 98%.

Hole-in-the-wall PCs and lending money to poor rural women are just two many examples that illustrate the instinct for **mould-breaking fresh thinking to address entrenched social problems** that seem to animate real social innovation.

Three key attributes

They also have something to say about other attributes that distinguish social innovation from other ideas that appear to be the same – charity, philanthropy, corporate social responsibility and the "business as usual" work of the wider not-for-profit sector. Those attributes include:

- An interest in *developing capabilities* by investing in people's skills and resources

- Adopting what is essentially an *'investment'* rather than a 'deficit' model

- Becoming concerned with *scale and sustainability*

Social innovation, in that sense, is about creating a new level of performance or capability that actually shifts the way we think about the problem in the first place.

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There is also something profoundly transformational about the instinct for change that motivates social innovators, anxious to confront some of the deeper causes of poverty, disadvantage or the availability of, and access to, opportunities to create new assets and sustainable wealth.

By one definition of social innovation[7], it is not unique to the non-profit sector. It can be driven by politics and government (for example, new models of public health), markets (for example, open source software or organic food), movements (for example, fair trade), and academia (for example, pedagogical models of childcare), as well as by social enterprises (microcredit and magazines for the homeless).

The same definition goes on to note that many of the most successful innovators have learned to operate across the boundaries between these sectors and innovation thrives best when there are effective alliances between small organisations and entrepreneurs (the 'bees' who are mobile, fast, and cross-pollinate) and big organisations (the 'trees' with roots, resilience and size) which can grow ideas to scale. Innovations then scale up when the right mix of environmental conditions (including effective demand to pay for the innovation) and capacities (managerial, financial etc.) are in place.

The Young Foundation's definition rests on a 'connected difference' theory of social innovation which emphasises three key dimensions of most important social innovations:

- They are usually <u>new combinations or hybrids</u> of existing elements, rather than being wholly new in themselves

- Putting them into practice involves <u>cutting across organisational, sectoral or disciplinary boundaries</u>

- They leave behind <u>compelling new social relationships</u> between previously separate individuals and groups which matter greatly to the people involved, contribute to the diffusion and embedding of the innovation, and fuel a cumulative dynamic whereby each innovation opens up the possibility of further innovations.

It is a characterisation that reinforces the importance of avoiding the risk of substituting the definition of social innovation for the community sector. Social innovators don't just live in the not-for-profit or voluntary sector. In that sense, social innovation betrays its promise to the extent it is simply an exercise in re-branding. This is not to suggest the community sector does not have a significant role to play in social innovation but to make the point that all sectors and citizens need to be contributors.

Social innovation is a relatively new or emerging concept in Australia, although what it describes – the search for new solutions to pressing social needs, problems and opportunities – clearly is not. But here and around the world, it is a field of practice that demands more attention to its processes, levels of investment and impacts.

Social innovation is an important driver or enabler of public well-being. Some nations, especially in Scandinavia, have recognised it as an important area for public investment as it should - reduce outlays in ameliorating the negative impact of social problems; increase public wellbeing; and make the nation a preferred destination for skilled immigration, at times of high international competition for skilled personnel.

From around the world and here in Australia, it is not hard to identify ventures whose instincts and, in some cases longevity, illustrate what can be achieved when a social innovation takes hold. These are just a few:

Wikipedia – a free web-based encyclopedia produced by volunteers across the globe with 10 million articles in 253 languages. It is the fastest growing, largest and most popular general reference work on the internet

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[7] *Social innovation: what it is, why it matters and how it can be accelerated,* The Young Foundation, 2006

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Reach Out - a web based service which seeks to reduce youth suicide and depression by providing information, support and resources to improve young people's understanding of mental health issues, develop resilience, increase coping skills, and facilitate help-seeking behaviour.

Royal Flying Doctor Service - not-for-profit charitable service established in 1928 and providing aeromedical emergency and primary health care services together with communication and education assistance to people who live, work and travel in regional and remote Australia.

Australian Job Network - Federal government program introduced in 1997 which commercialised the delivery of employment services to recipients of government income support by creating a competitive market where business share and fees are directly related to success in job placement and retention plus service quality achieved by providers

No Dole program - addressing the issue of youth unemployment and family welfare dependence, as well as improve the school to work transition by creating a community support commitment between year 10 students, their high school and local businesses to ensure each student has a job or training place on leaving school.

Home Hospice - A free program that enable people to die with dignity in their own homes by providing mentor support to carers

Micro-lending – lending funds in small amounts to the poor through a peer group accountability network to enable self employment or acquisition of important assets without exorbitant interest rates charged by local money lenders

As it grows more confident, the social innovation impulse is likely to manifest itself in different ways. For some, social innovation is about discovery, invention and experimentation. For others, it is born of pure frustration and the need to protest and demand higher standards of service or care. Generally, it is likely to be open and transparent.

It may often be contrarian and counter-intuitive, obsessive and stubborn in the search for an idea that hasn't been tried or a perspective that makes no sense but just might work. Most of all, it will be an impulse that understands the power of connectedness, building powerful networks of thinkers, customers and citizens, researchers and policy leaders whose combined strength is fundamentally a function of their ability to connect, communicate and collaborate.

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