



EMES CONFERENCES

SELECTED PAPERS SERIES

3rd EMES International Research Conference on Social Enterprise
Roskilde (Denmark) - July 4-7, 2011

SCALING SOCIAL IMPACT UNDER DIFFERENT MODES OF WELFARE GOVERNANCE: AN ANALYTICAL PROPOSAL

Silvia Ferreira
Center for Social Studies, University of Coimbra, Portugal

Copyright © 2011 Silvia Ferreira

Any portion of these materials is freely available for information and educational purposes, but cannot be re-published in any format that may entail fees or royalties without the express permission of the copyright holders.

ABOUT THE EMES CONFERENCES SELECTED PAPERS SERIES:

This series aims to ensure that selected papers from conferences in which EMES has been involved will be accessible to a larger community interested in the third sector and social enterprise.

EMES Conferences Selected Papers have not undergone any editing process.

All the papers of the series are available for download at www.emes.net.

INTRODUCTION

One of the distinctive features of the definitions of social innovation in relation to other types of innovation is that it is usually associated to the solution of a social problem and/or to social change. CRISES describes social innovation as "an intervention initiated by social actors to answer to an aspiration, meet a need, bring a solution or to take advantage of an opportunity of action to modify social relations, transform an action framework or propose new cultural orientations" (Lévesque and Lajeunesse-Crevier 2005). If it reaches scale, social innovation may lead to large social transformations and change of the existing development model.

Mulgan defines scaling as "to grow an idea that is proving itself in practice, through organic growth, replication, adaptation or franchising" (2007). Several types of scaling up are described, from organisational growth to forms of indirect impact, including a range of organisational strategies to reach beyond its organisational limits (Taylor *et al.* 2002: 243). Dees *et al.* (2002: 2) argue that there are three possibilities about what to scale: the programme, the organisation or the principle. Uvin *et al.* (2000) propose a taxonomy of scaling up: a) expanding coverage and size of the organisation; b) increasing activities through complementing the original programme; and c) broadening indirect impact through diffusion, implying having impact on other actors which influence the beneficiaries lives. Recently, the discussion on scaling became more oriented to impact than to organisations. Scaling impact means "increasing the impact a social-purpose organisation produces to better match the magnitude of the social need or problem it seeks to address" (CASE 2008). This concern is found in the development literature in the confrontation between the action of NGOs and the limited capacity to address massive poverty and other social problems (Edwards and Hulme 1992). Bradach (2010) argues that the current focus on scale is a result of a set of conditions including the pressure of private funders and their active role in enabling the growth of large impact nonprofits along with the change in the relationship between TSOs and public agencies towards contracts incorporating a focus on performance and results. TSOs themselves are also under increasing public scrutiny relating to their efficiency and pressure to prove their impact.

The traditional model of scaling social innovation normally included an organisation or movement in society creating a new model, or service, or pointing to the need to solve a particular problem, and then taking it to the state to be institutionalized through several types of strategies and actors along the political process. This used to lead to favourable legislation, public resources and even to public provision. National systems of social protection are one of the most successful scaled up social innovation of European social and labour movements since the 18th century. In some countries, the state took over the direct provision of social services while in others it developed specific relationships with TSOs where these were given a special place in national welfare acknowledged as contributing to the state guaranteed (and defined) public interest through special status, benefits, regulations and funding. In the 20th century, the welfare state innovated by rendering universal to their citizens many of these programmes – education, health, social security – often in articulation with pre-existing organisations, but under state principles. The downside of this process was, as Chaniel and Laville (2005) argue, that labour movement's innovations became isomorphic with the market economy or with the state bureaucracy. In the late 1960s civil society experimented again with new forms of organising work, new relations between users and professionals and new combinations of resources influencing both public policies and other TSOs. The social and fiscal crisis of the welfare state of mid-1970s through the 1980s inspired innovations in employment creation and local development, namely with the setting up of social enterprises (Borzaga and Defourny 2001). In the 1990s, as Lévesque and Lajeunesse-Crevier (2005) argue, social innovations became

institutionalized as participant in the re-configuration of the welfare state and of the market economy, and also less associated with social movements as they accept the necessary commitments for their diffusion.

This historically focused literature has been emphasising the close links between social transformations, the emergence of new associations, movements and initiatives and the role of the state as being in charge of society's welfare. Scaling up and diffusion through the state is one typical trajectory of social innovations. Nowadays, however, there are changes on the nature of the welfare state, in the defining features of social innovations, in the relationship between the state and social innovations and in the relationship between the state and the third sector. The concept of social innovation itself was reframed with inspiration from the studies on technological innovation to become less specific and more scale focused. As authors now point out (Moulaert *et al.* 2005; André and Abreu 2006), social innovation is a product and a process insofar that, as a process, it implies a change in social relations and, as a product, it implies a transferable methodology, product or service. The idea is that in order to travel to other places, a social innovation must be designed to retain its main principles and methods abstracted from the details of the contexts where it emerged.

In this paper I propose an analytical framework to understand social innovation and scaling social innovation in the welfare state with attention to the shifts that the welfare state and the organisations and initiatives occupying the third space between state and market economy are undergoing. The background of my theoretical and analytical choices is a consideration of a complex society in need of analytical instruments that account for that complexity. In the next section I present major changes welfare states are undergoing and show the coherence with the current meaning and relevance of social innovation, social entrepreneurship and the emphasis on scaling and diffusion. Then, I present the theoretical background discussing the Schumpeterian contribution to social innovation and social entrepreneurship articulated with debates on institutions. I argue that the existing literature on welfare models shows signs of the persistence of structural differences. I then propose to discuss the cycle of social innovation in relation to the institutions of the welfare state using the strategic relational approach (SRA) and the evolutionary moments as a heuristic device. Finally, I discuss current changes and the evidence of commonalities in many processes of welfare restructuring and scaling social innovation related to a shift from hierarchy to heterarchy. I argue that an analytical perspective capable to grasp the impact of these changes in the possibilities of scaling social innovation must explore the capacity of this concept to provide an insight to current complexity.

1. THE RISE OF THE SOCIAL ENTREPRENEUR AND THE SCHUMPETERIAN WORKFARE POST-NATIONAL REGIMES

Changes are taking place which encompass the state, the economy and the third sector traditional boundaries and relations. Jessop (2002) provides a broad vision of these changes with the concept of Schumpeterian workfare post-national regimes which inspires the present discussion. Schumpeterianism is the new form of macroeconomic policy replacing Keynesianism, basically emphasising a shift from demand-led to supply-led economic growth policies. Underlying this is a paradigm shift which focuses the endogenous capacity of businesses and the economy to generate economic growth through innovation and knowledge in the new knowledge-based economy.

Social policies and, more generally, the role of the state in welfare are usually articulated with economic policies in complex ways. On the one hand, they solve or mitigate problems generated by the normal function of the economy. On the other hand, they support economic growth on whose resources they rely to support this role in social welfare. Since the 1980s, social policies

which were articulated with demand-side policies supporting mass consumption through income maintenance and public services became seen as a cost, hindering the endogenous growth capacity and competitiveness of businesses and the economy. Associated with the pressures on welfare state budgets under its legitimacy and fiscal crisis (Offe 1984), there was a shift from welfare to workfare, implying a change of preference from compensatory policies to social investment or productivist policies. So, social policies needed to become economy-friendly promoting flexibility – flexisecurity – and labour market integration through active labour market policies and, more recently, entrepreneurship. The underlying philosophy of many of these policies is also Schumpeterian as the solutions to social problems are not to be found solely (or preferably) in state responsibility, but in the active participation and capacities of those that experience such problems (communities, groups or individuals) under the enabling role of the state.

Another change is related to the broad range of processes which have been described under the label of globalisation and often indicates the loss of centrality of the scale of the nation-state to scales beyond and below, and a more complex articulation between different spatialities. National state borders now include regions, cities, localities and many other scales and, at the same time, national borders and roles are redefined at a supra-national level. This has been defined as a "relativisation of scale" as struggles to establish new scales arise and the national state is no longer unquestioned as the main arena for political life (Brenner *et al.* 2003). Therefore, the scale of problems to solve, the solutions to find and the reach of social actors are no longer confined to the territory of the nation-state. In a complex globalized world, phenomena originated in one part of the globe can have worldwide impact, complex causalities cannot be fully determined, the solution to one problem may generate other problems and there is no addressee where global society can place its demands, but a complex constellation of public, private and non-profit actors. In the context of globalization, social innovation has also to scale beyond and below the nation-state.

Also associated to these changes – but not only deriving from them – is the so-called shift from government to governance (Pierre 2000), which theoretically has been associated with a loss of preference for hierarchical forms of coordination of social relations – in state bureaucracy and in companies and TSOs –, a growing scepticism about the capacity for central planning and the preference for more reflexive forms of governance. Problems need to be solved with the coordination of a broader range of actors – from the state, the economy and civil society – which are supposed to share responsibilities for governance of the public interest, through networked governance (Sørensen and Torfing 2007) and other hybrid forms. In many spaces and scales, partnerships and other governance mechanisms based on the logic of dialogue and negotiation are introduced by the state, and the third sector becomes a prominent actor in welfare futures (just as civil society gains prominence in democratic futures). A more hybrid landscape emerges where borders between state, market and society are crossed at the same time as these boundaries are kept in place.

It is in this context that social innovation and social entrepreneurship emerge. They are meant to tackle an increasing number of problems and their increasing complexity and systemic nature. Simultaneously, they offer new solutions that are different from those offered by the market, the state or even the traditional social economy and third sector.

2. SOCIAL INNOVATION STRATEGIES IN WELFARE STATE STRUCTURES (AND THE OTHER WAY AROUND)

The fact that the concept of innovation and entrepreneurship as proposed by Schumpeter is having a strong influence in shaping this field suggests the close fit between current transformations in the welfare state and current frameworks on social innovation. There are two main aspects of this approach that are relevant here. One is the idea that entrepreneurship is oriented to systemic change; the other is his proposal about how change takes place. Schumpeter identifies two types of change. One is mere adaptation to impulses which are external, which is not qualitative new, is static and privileges equilibrium. The other means endogenous development, does not allow reaching equilibrium and is a painful process (see Swedberg 2006). It is the true revolutionary change, the creative destruction that keeps capitalism moving, and is originated by the entrepreneur.

This new paradigm on change which fits a complexity perspective can also be found in Luhmann (1995), but with an addition that matters for a discussion on the relation between innovation and institutions. Luhmann proposes three forms of structural change: 1) self-adaptation which is the work necessary to remain stable; 2) adaptation to the environment, which means that one should observe the way the system describes the environment and how it perceives the adaptation needs; and 3) morphogenesis, which introduces unexpected changes and is based in the difference between activation and inhibition:

It assumes that there are systems whose possibilities are to a great extent inhibited, whose meaning references, for example, are exploited to a very limited degree by the structures of expectation necessary for reproduction. In such cases, the relationship between activation and inhibition can be changed by evolutionary variation so that structurally deviant, inhibited possibilities can occasionally be disinhibited, that is, re-activated (Luhmann 1995, p.351).

It is this last type of change that Schumpeter also refers to but, instead of considering the action of an individual entrepreneur, it considers that there are potentialities of change in social systems. In fact, when Simmel refers to the entrepreneur as the "foreign", with deviant behaviour or roles in the societies where he lives (see Swedberg 2006), building bridges between what is usually separated, he is somehow suggesting that it is those same inhibited possibilities that the foreign is going to activate. Stark's discussion on innovation in the economy suggests the same idea. He argues that the conscious mix of different principles of evaluation, or "orders of worth", in modern economies (a concept he draws from Boltansky and Thevenot) open opportunity for action: "Entrepreneurship is the ability to keep multiple evaluative principles in play and to exploit the resulting friction of their interplay" (Stark 2009: 6) So, like Schumpeter, he is not concerned about how social order is possible but how is action possible in "worlds that are already too ordered and rule governed" (2009: 16). Luhmann, on the other hand, wonders how is that all possible actions and interactions don't take place; how is that most of what is possible is not perceived (Luhmann 2006).

Institutions are usually to blame. They are the stable elements on the systems and contribute to shape the possibilities of action. Path dependency stresses the impact that past events and trajectories have in shaping the future possibilities for change. Pierson (2000) uses the concept of increasing returns to describe the idea that the longer we remain in a particular course of action the more likely it is to stay in this course of action, as the benefits of staying and the costs of exit tend to rise. Crouch (2005) disagrees with the idea that there is only a single possible path in institutions but also considers, like Stark, the effect that institutional heterogeneity and institutional mixes have in facilitating institutional innovation and change. The persistence of

contradictory or non-coherent elements in particular institutional settings may play the role of institutional redundancy, making available a range of alternative solutions to produce the same outcomes and the dominant solutions that institutional entrepreneurs may turn to, particularly as the dominant solutions do not perform anymore. These solutions may remain latent until they are activated.

However, having in mind the several types of change pointed out by Luhmann and his question regarding order, one may also consider, as Lawrence *et al.* (2009), that just like we need agency to change institutions we also need agency to reproduce them. So they propose the concept of "institutional work" as the work of creating and maintaining institutions through sets of political, normative and cognitive practices. On approaching institutions through a SRA, Jessop (2001) advises us to consider that institutions must be analysed as "complex emergent phenomena, whose reproduction is incomplete, provisional and unstable, and which co-evolve with a range of other complex emergent phenomena".

The SRA (Jessop 2001; 2008) claims that specific structures selectively reinforce specific forms of action, tactics and strategies, and discourage others, i.e., they have structurally inscribed strategic selectivities and, thus, have path-dependent and path-shaping aspects. On the agency side, the concept of structurally-oriented strategic calculation emphasises that individual and collective social actors can reflect about structural selectivities and orient their strategies and tactics in light of the opportunities to advance their interests that they perceive in a specific conjuncture. The recursive selection of strategies depends on learning capacities and past experience of these actors. In the SRA, the co-evolution of structures and strategies happens simultaneously.

The SRA draws from complexity approaches to articulate the idea of contingent necessity (there are causes but we cannot know them and control them all) with an evolutionary approach, privileging the analysis of path-dependent and path-shaping trajectories and focusing on the evolutionary mechanisms to explain both path-dependent and path-shaping strategies. In specific contexts, the structurally-inscribed strategic selectivities and structurally-oriented strategic calculations generate both reflexively reorganised structural configurations and recursively selected strategies and tactics.

In this paper I discuss social innovation in relation to welfare state's agency and structures, those same which have been approached by institutionalists with concepts such as path dependency, path shift, institutional stickiness among others. One relevant aspect I want to emphasise is the persistence of a limited range of models, worlds, varieties or regimes which tend to be described as favouring particular modes of governance or coordination, particular ways to organise production and reproduction (Streeck and Schmitter 1985; Jessop 2002; Esping-Andersen 1999; Ferrera *et al.* 2001; Hall and Soskice 2001). Under the famous Esping-Andersen typology of worlds of welfare capitalism (and others which built on this typology and complemented it¹), social-democratic countries tend to favour statist solutions freeing people both from dependency on the market and on the family for their welfare; liberal countries (mostly Anglo-Saxon) favour market solutions and social policies intervenes as last resort; and conservative-corporatist countries of Continental Europe favour the family as the first source of welfare and in the stronger welfare states (not in Southern Europe) social policies support this role of the family.

Although Esping-Andersen's typology was designed to explain the emergence and differences of welfare states, it seems to resist to recent policy reorientations towards an emphasis on its

¹ For instance, see review of the "welfare modeling business" by Powell and Barrientos (2011).

productivist dimensions instead of its protective functions and the development of a social investment state that fits the post-industrial knowledge economy. When variables to measure these new dimensions are considered, many authors claim that the welfare typology still makes sense. A study by Powell and Barrientos (2004), clustering the welfare states according to their spending in social security, education and active labour market policies, concludes for the maintenance and even reinforcement of these regimes. Bernard and Boucher (2007) find that social policies in the social-democratic model are oriented to "high social investment activation" promoting a well-educated and healthy population, with women participation in the labour market. On the other side, in the liberal model, there is also high participation in the labour market, but those that can afford it buy quality education and health and care services in the market while the rest has to accept lower quality services. Continental Europe is where we find the weakest investment state as there is a lower participation in the labour market, passive welfare measures are important, and benefits tend to benefit only a part of the citizens, those in the core of the labour force. Studies on welfare state tend to describe these countries as more resistant to change and varieties of capitalism theories point to these countries as less prone to innovation (see discussion in Crouch 2005). As for social services, which also have a strong productivist emphasis.

The existence of these ideal types must not be confused with the full features of the cases, being instead a standard with which to compare different cases for better understanding both the coherent elements and the contradictory elements existing in subordinate fields of welfare institutions that Crouch (2005) describes. Nevertheless, the persistence of these models has both an empirical use, insofar that it indicates the persistence of these institutions, and an epistemological use, insofar that it helps discussing social innovation in welfare.

3. STRATEGIES AND STRUCTURES ALONG THE CYCLE OF SOCIAL INNOVATION

Elkington *et al.* (2010) propose a model of *Pathways to scale* describing a cycle of social innovation with the idea of scaling up in sight: 1) "Eureka!", the discovery moment; 2) "Experiment", the test moment; 3) "Enterprise", when an organization is set up; 4) "Ecosystem of change agents", with new markets, incentives, new cultural codes; and 5) "Economy", which implies mainstreaming towards systemic change. To look into these different moments and render evident the commonalities between different approaches, next I describe the stages proposed by Kanter's (2000) cycle of organisational innovation, the cycle of social entrepreneurship according to Ashoka (see in Oliveira, 2008) and the cycle of social innovation proposed by Murray *at al.* (2010). Synthesising these proposals, I suggest articulating in each moment of the cycle an analysis of how it relates to welfare state institutions using an evolutionary perspective as an heuristic device to observe how structural selectivities and structurally oriented strategies produce path shaping trajectories leading to scaling social innovation. The evolutionary moments are: 1) variation of discourses and practices, adaptability, new challenges and crises and other causes; 2) selection among available practices and discourses; 3) retention of some discourses and practices in institutions, personal identities and organisational routines in articulation with existing structural selectivities; 4) reinforcement through specific dispositive which privilege the retained discourses and practices; 5) and selective recruitment, inculcation and retention by relevant social groups, organisations and institutions. While the first three are typical in the literature on organisational evolution (e.g., Aldrich and Ruef 2006), the latter two are also discussed in Jessop (2008) as an element of the SRA. As the intention here is to present an analytical framework, I do not go into empirical detail which would require data collection in particular contexts.

3.1. Variation

First of all, almost all schools of thought on social innovation and social entrepreneurship start with a problem. In a first moment of this cycle, Ashoka individual entrepreneurs are described as undergoing skills and experience acquisition as well as having a deep knowledge of the field, of the existing problems and existing solutions. They are involved in the perception of a social problem and the search for solutions through exploring new ideas. In the cycle of social innovation there is also idea generation through understanding needs and identifying possible solutions. This includes two phases, one where problems are rendered visible, with crisis, budget cuts, poor performance and strategies which render visible the need for innovation. A second moment is idea generation where possible solutions are explored drawing from experiences and inspirations from many sources. In Kanter's framework of organizational change, the organisation is close to the existing needs and is structured in a way which allows cross-fertilization, interdisciplinarity, contacts between departments and functions, a broad range of functions and a positive attitude to change.

In an evolutionary perspective, one could describe this first moment as *variation* of practices and discourses, adaptability, new challenges and crises and other causes, where different cultures and experiences, forms of coordination, methods and ideas emerge or become accessible to potential social innovators. In variation, there is randomness and predictability, chance and spontaneity. Intentional variations emerge from the attempts at finding new solutions while blind variations happen through chance, accidents, conflict etc. (Aldrich and Ruef 2006). There is a variety of actors and experiences which happen to be connected to new problems or new solutions and possible futures and, crucially, are able to learn with these.

In linking this first phase with the welfare state structures, one should consider what are the particular problems and needs emerging and being formulated, some of these as a consequence of the operations of these same institutions and others emerging from their articulations with other institutions or from their impacts in individuals and groups. Different welfare regimes and different societies have particular problems and particular areas where neither the state nor the market is able to answer existing needs. The availability of solutions and experiences from where the potential entrepreneurs may learn means that innovation is more likely to emerge where there is requisite variety (see Jessop, 2003), which broadens the way innovators perceive the possibilities and opportunities in the environment. Different welfare states (and varieties of capitalism) have also different selectivities in terms of how actors may have access to knowledge and cross-fertilization between public, private and non-profit agents. Knowledge and networks of actors allow the circulation of discourses and experiences which may constitute an inspiration to social innovators.

3.2. Selection

A *second moment* is the identification of the solution and its testing. Ashoka individual entrepreneurs spend their time and energy in launching the new idea, attracting support and testing and refining their models. Through demonstrating that the solution is feasible and adequate they are able to gather supporters. Likewise, in the cycle of social innovation the new solution is developed and tested, often through learning by error, establishing coalitions and agreeing for measures of success. Murray *et al.* (2010) name it as prototyping and pilots. In Kanter's (2000) innovative organisation, there is alliance building and the main instruments are information, knowledge, resources, support and legitimacy as the solution is built. She describes this organisational structure as being network shaped, and contrasts it with the moment where the idea is developed requiring physical isolation and border management.

In an evolutionary perspective this is the moment of *selection*, when, among the varieties of problems and solutions, specific problems and solutions get selected and others are discarded. This selection takes place as a result of both endogenous and exogenous forces which shape the possibilities of success of certain solutions and the failure of others by affecting existing routines and capacities. As this uses to be described as a moment of trial and error by social innovators, this is not a clear-cut process but one where the structural selectivities and structurally-oriented strategies co-evolve to retain a given solution.

On taking welfare models as point of reference, one can also consider that solutions which are selected relate to the preferences which are inscribed (discursively and materially) in welfare state institutions concerning how social problems should be solved and welfare attained. For instance, Mair (2010) argues that different varieties of capitalism will shape the emergence of social entrepreneurship both because of the differential volume of social needs that different states are able to solve and because of the differing entrepreneurial mindsets.

It is also here that it becomes clear whether a solution is merely an adaptive answer which reproduces existing solutions or offers path-breaking solutions. Institutional work following an adaptive strategy will tend to make use of these preferred solutions, thus reinforcing a path-dependency trajectory. Innovative solutions such as those which propose a path-breaking potential tend to combine different principles. Therefore, innovations in one type of welfare state may not be so in another. The path-breaking aspect of the innovation will be so in relation to existing institutions.

3.3. Retention

In a third moment, of institutionalization, Kanter (2000) emphasises the balance that needs to be created between the autonomy of the group developing the innovation and the need to be accountable to its stakeholders. This is also found in the Ashoka entrepreneur in the consolidation of the model. This requires some organisational capacity and more support. In the cycle of social innovation the solution becomes everyday practice, funding is searched and the form gets fixated. In order to be replicated and to evolve it needs to be formulated as a model which retains its structuring principles, but is able to be implemented in other contexts.

In evolutionary terms, this moment corresponds to the *retention* of the social innovation, where it gets inscribed in existing (or new) organisations, legal frameworks, actors' practices and routines. Selections are reproduced and become available for repeated use in the future. The solution gets standardized and routinised, roles and skills are more clearly defined. The experience also gets institutionalized in available beliefs and practices or is able to retain its own beliefs and practices to those existing in institutions in their environment. This is where existing institutions as structural selectivities play an important role as they help (or not) the possibility of the social innovation to be retained and shape the way it is retained. So, for instance, the development of an innovation in a form of commercial business or non-profit organisation depends on what forms are available and what meets the needs (and horizons) of the entrepreneur. In turn, the selection of these forms will shape the trajectory of the social innovation. Jessop says "institutionalization involves not only the conduct of agents and their conditions of action, but also the very constitution of agents, identities, interests, and strategies. Institutionalization co-constitutes institutions as actions contexts and actors as their institutional supports" (Jessop 2001: 1230).

Therefore, the capacity for social innovations to be institutionalized without losing their property as a new solution relies in the capacity that structurally-oriented strategies have to take advantage of the latent and contradictory elements in institutions. It is at this moment that structural selectivities are rendered visible to social innovators. They may be able to operate in a micro-favourable environment which they could find at the margins of existing institutions or they may look for larger impact.

3.4. Reinforcement

The fourth moment is scaling up, replication, transfer or diffusion and can be associated with *reinforcement*. It implies the availability of organisations, institutions, practices, identities and models which privilege the retention of the social innovation to a broader set of actors, places, activities. It is a condition in Ashoka social entrepreneur that the innovation is broadly accepted and becomes a new pattern in society, and the social entrepreneur a history maker. For an organization, Kanter (2000) says that this moment of transfer and diffusion requires strategic alignments and the establishment of structural links (with users or the authorities), proper communication structures and actors to make the links between the innovation, the organisation and the environment.

Most of this literature on organisational scaling seems to follow an adaptive model of the relationship with the environment. However, increasingly, the literature on scaling social innovation and impact tends to leave the limited focus of observing the organisational capacity (mission, structure, mode, values and norms, resources and leadership) to look at aspects of the environment. Dees *et al.* (2004), for instance, provide a checklist of "Five R's" (readiness, resources, receptivity, risks, and returns), where the organisation should observe in the environment, for instance, how the problem is felt or whether there are similar conditions for replication. A step further, the SCALERS' model by Bloom and Smith (2010) considers the organisation agency in the environment including alliances, lobbying and social and political capital.

Discussions on scaling up and diffusion lead to the consideration of the environment of social innovators and innovations beyond the considerations of the path-breaking aspects of the first moments of the cycle of social innovation. Scaling up is a different process from creating an innovation. Even the choice on how to scale depends on structural selectivities shaping the possibilities to replicate the conditions of the initial innovation and the way strategic actors perceive and orient their strategies to these structures. It also depends, of course, on what to scale.² Scaling or diffusing an innovation implies new actors, a new relationship with the environment and a new organisational structure. Elkington *et al.* (2010) say:

Moving from individual business models to broader ecosystems requires collaborative forms of leadership. And addressing the barriers to scaling social innovations necessitates not only investigating the linear value chains of the new business models created by entrepreneurs, but also involves systemically mapping and engaging all key actors in the relevant parts of the economy (2010: 93).

In fact, the scaling up moment is paradoxical because the innovator has to find in the environment the conditions which are not in place and which justified the social innovation in the

² Taylor *et al.* (2002: 243) show that the decision on how to scale depends on what to scale. Services are more adequately scaled through dissemination and learning networks of shared principles whereas a program is better scaled up if packaged and sold to other organisations in other communities.

first place. It is certain that s/he will meet environmental resistance (Mulgan 2006). Thus s/he will need to create these conditions through: "transformation of political priorities, governance process, market rules, and cultures." (Elkington *et al.* 2010: 93). Bloom and Smith (2010) point out that, whereas early literature focused on internal conditions for scaling up, more recently there is an attention to the external ecosystems capacity to help scaling up, namely through alliances, resources and political support, impact on the behaviour of beneficiaries and capitalising economic and social trends to attract attention for entrepreneurs causes. This includes, as Murray *et al.* (2010) notice, acting in order to make the problem and the needs widely perceived, which implies advocacy, awareness raising and campaigning. It implies selecting different strategies according to its institutional targets in society, the economy and the state and also to operate in the links existing between these.

The scaling possibilities of social innovation and the successful strategies also depend on the structural selectivities of the different welfare states. Different European welfare states also have different preferences regarding scaling/diffusion of social innovations. Regarding social enterprises, Defourny and Nyssens (2010) point out that the Anglo-Saxon type is more reliant on the market mechanisms for scaling up whereas in continental European traditions the recognition and support by public policies play a relevant role through favourable legal frameworks and subsidies.³ Furthermore, one can expand on this suggesting that in the social-democratic model scaling up takes place preferably through public services, and in the conservative-corporatist and Southern European models scaling up takes place in the context of the corporatist relations between the state and TSOs, thus leading to the development of large TSOs and powerful umbrella bodies. If one looks at countries in Latin America, on the other hand, one can argue that society has been playing a strong role in scaling social innovation, particularly as under favourable political conditions the state takes up these innovations as public policy.

3.5. Selective recruitment, inculcation and retention

The last phase of a social innovation is when it effectively accomplishes systemic change. It implies the transformation of political priorities, cultures, governance processes, and market rules through adoption by a broad range of actors and inscription in institutional structures. It includes "new technologies, supply chains, institutional forms, skills, and regulatory and fiscal frameworks" (Murray *et al.* 2010:13). This is when the social innovation becomes the status quo. Since the invention of the welfare state we haven't seen anything similar able to reach systemic change. However, current conditions seem to demand this scale of social innovation. In presence of the current crisis, there is potential of social innovations to achieve this by proposing a new relationship with the environment, a plurality of types of economic relations, new forms of political participation, new ways of conceiving the relationships between state, the economy and society etc.. These models, discourses and experiences are available to be scaled.

4. FROM HIERARCHY TO HETERARCHY

One finds many types of scaling in the third sector and social enterprises from one pole of control and autonomy to the other, from organisations which spread branches through a country or the world or to the broad circulation of an innovative model (see Anheier 2005). Forms of collaboration between TSOs are not new (umbrellas, federations, networks, partnerships etc.)

³ The authors also say that whereas in the case of Europe there are issues related to the narrowing of the initial innovations and instrumentalisation of social enterprises by public policies, in the Anglo-Saxon countries there are debates related to an excessive reliance on market mechanisms.

and have played a central role in the relationship between TSOs and the welfare state, namely at the level of institutionalisation. More recently, forms of collaborations have been seen as increasingly important for strategies of scaling, particularly in scaling impact. According to Murray *et al.* there is a preference for collaborative networks and innovation sharing instead of organisational growth: "scaling is a concept from the mass production age" (2010: 13). It implies inspiration emulation, support and sharing of know-how between initiatives and organisations. It's a more fluid process implying greater interaction and modification.

Dees *et al.* (2004) describe *dissemination*, *affiliation* and *branching* as three possibilities of scaling up, in a continuum from less to more control and organisation by the innovation source and original principles and purposes. In *branching*, the organisation adopting the innovation is part of the initiator, in *Affiliation* the organisation is autonomous but there is some formal agreement between the parties and a long-term relationship. In *dissemination*, there is sharing of models and knowledge and learning although the organisation taking up the innovation is free to adapt. Scaling here takes place through the spread of models, ideas and knowledge over which the innovator does not have full control except that which is in the formulation of the prototype or the principle. As the traditional hierarchies get diluted, or better, tangled, this form of scaling may show more effective than the attempt at focusing scaling strategies in a single centre. In noticing that these various strategies may be followed by the same organisation, Sezgi and Mair (2010) argue that templates are the preferred instrument in dissemination and also with some relevance in affiliation, while in branching, training, communication and workers mobility are the preferred instruments to ensure value consistency alongside the more formal instruments of operational consistency. As the authors claim, the dissemination mode is less apt to guarantee value consistency. Thus, "informal mechanisms help establish a base of attitudes, habits, and values that foster cooperation and minimize the divergence of preferences among group members by exerting culture control through socialization instead of formal performance evaluations as control mechanisms" (2010: 42).

In considering changes taking place in the welfare state, I argue that there is coherence between a scaling strategy oriented to shaping the structural selectivities of the environment through heterarchy and the changes taking place in the welfare state and the new landscape that the third sector (renamed as social enterprise) is now facing.

It is shared by many authors that an international trend for marketisation has taken place changing many aspects of the environment of TSOs, namely public administration. New public management (NPM) introduced contracting and competition between different providers from the three sectors, performance controls based on cost-efficiency and customer satisfaction, and tighter control mechanisms over the provision of services. The relationships established between TSOs and public agencies are being replaced by control mechanisms that deal with profit and non-profit in the same stands. This trend was more marked in the countries of the liberal model, but it also affected the conservative-corporatist regimes of Germany and France (Phillips and Smith 2011). The trend towards marketisation and managerialism is identified in the third sector as organisations have to answer accountability and performance demands typical of business and need to look for resources in the market. However, this also seems to lead to TSOs reinforcing their political role and increasing their activities of political campaigning as organisations look for resources and influence outside the state. Likewise, having to look at the economy for resources or for solving social problems of labour market integration we see a reinforcement of social enterprises and social entrepreneurship with a variety of discourses and practices which establish borders with business at the same time as drawing from business

practices. Thus, alongside isomorphism with the market economy, we also see discourses and practices concerning alternative economic relationships.

Combined with NPM or as an attempt to replace the fragmentation created by NPM (depending on perspectives) is the shift from government to local governance and from the ideal of uniformity and standardisation to variation and asymmetry within the national state, described by Loughlin (2009) as a hybrid state. The national state and its institutions are combined with a greater plurality in governance and in the organisation of welfare at sub-national level, where different welfare regimes and different models of democracy may exist within the national welfare state and the national liberal representative democracy. This local flexibility is supposed to bring more flexibility and capacity to innovate in the state.

At the concrete level, TSOs are supposed to participate in governance on the side of the government and are, at the same time, service providers under competition with other TSOs, businesses or/and public agencies, also government watchdogs and spokespersons for their publics. The government is supposed to occupy a central position as the ultimate responsible for the success of welfare and governance and is at the same time an equal in partnerships while public services may have to be subject to evaluation criteria and competition proper of market discipline. Businesses are supposed to take up some part of the social responsibility that previously was left to the state, become providers of public services in contracts with the state, while participating in the definition of the common good in partnerships and pursuing its private interests. Thus, dissonance is likely to describe the normal condition of these organisations. Heterarchy describes this new way of coordinating social action (Jessop, 2003).

In contrast to the vertical authority of hierarchies, heterarchies are characterized by more crosscutting network structures, reflecting the greater interdependencies of complex collaboration. They are heterarchical, moreover, because there is no hierarchical ordering of the competing evaluative principles (Stark 2009: 19).

However, I argue that the use of the metaphor of network to describe these broader processes, like hybridity, must be done carefully, insofar that it does not allow to comprehend current complexity and to help both understanding this complexity and designing strategies for scaling up. Crumley (1995: 3) defines heterarchy as "the relation of elements to one another when they are unranked or when they possess the potential for being ranked in a number of different ways", and Bondarenko *et al.* (2011: 213) add: "It is clear that the second version of heterarchy is more relevant for the study of the complex societies" and "we rather deal with a system of heterarchically arranged hierarchies".

In heterarchies, social actors may be organised and connected in horizontal ways and have different rationalities (or skills, or resources, or modes of coordination, or systems, or interests, or criteria of success and failure, or valuation principles etc.), but these networks may themselves be parts of other networks or even of hierarchies⁴. Thus, the metaphor of the network is effective to allow perceiving these relationships that sometimes lay beyond the borders of the network itself (as blurred as it may be) and that influence the organisation of the network.

A clear understanding of heterarchical forms of organisation may be a condition to understand and design scaling strategies suited to the existing structural selectivities instead of treating the new context as flat and floating networks.

⁴ See Jessop (2003) on governance failures.

CONCLUSION

In this text I propose to re-articulate the discussion on social innovation with the transformations undergoing welfare states. I show that there are coherent aspects on these transformations and the emergence of the current meanings of social innovation and social entrepreneurship. Both indicate a substantial shift on the way the third sector and the state are related. Although we can also discuss social innovation within the public sector – and there are signs that these shifts are also intended to bring more flexibility to the state – I focused the discussions on social innovations emerging from the third sector and civil society.

Articulating social innovation and the welfare state is relevant for two reasons. First, because the perspective on social innovation implies observing the institutional context for the emergence and scaling up in terms of the way they facilitate or block these. Second, because social innovation should address the problems that are being created by current social and economic changes, and also those which are emerging as a result of the retrenchment and the rigidities of the welfare state.

While social entrepreneurship and social innovation scholarship focuses strongly on the action, social welfare literature, particularly that focused on welfare modelling, is concerned with structures and institutions. I draw from the SRA to propose an articulation which serves as basis for establishing communication between the two literatures and which helps developing a framework that accounts for the way structure and agency are related.

Social innovation and the scaling up of social innovation are taking place in a seemingly new context full of incongruous aspects with a plurality of multiple scales, temporalities, modes of coordination and actors in an institutional landscape which, although showing some signs of flexibility, also shows elements of permanence. Just like the new forms emerging from the mixes of market, state and community which have no new properties besides their hybridity.

Associated with this are new forms to describe the social world and new considerations regarding how one can act meaningfully and consequently in an increasingly complex environment. The answer to this seems to be that of requisite variety offered by heterarchy. However, it is yet not clear how scaling and diffusion strategies aiming at social impact and systemic change may be effective in a less institutionally stable welfare state.

REFERENCES

- Aldrich, H. & Ruef, M. (2006) *Organizations evolving*, London: Sage.
- André, I. & Abreu, A. (2006) "Dimensões e espaços da inovação social", *Finisterra: Revista portuguesa de geografia*, 41, 81, pp. 121–141.
- Anheier, H.K. (2005) *Nonprofit organizations: Theory, management, policy*, London and New York: Routledge.
- Bernard, P. & Boucher, G. (2007) "Institutional competitiveness, social investment, and welfare regimes", *Regulation & Governance*, 1, 3, pp. 213–229.
- Bloom, P. & Smith, B. (2010) "Identifying the Drivers of Social Entrepreneurial Impact: Theoretical Development and an Exploratory Empirical Test of SCALERS", *Journal of Social Entrepreneurship*, 1, 1, pp. 126-145.
- Bondarenko, D.M., Grinin, L.E. & Korotayev, A.V. (2011) "Social Evolution: Alternatives and Variations (Introduction)", in Korotayev, A.V., Carneiro, R.L. & Spier, F. (eds.) *Evolution: Cosmic, Biological, and Social*, Volgograd: Uchitel, pp. 211–250.
- Borzaga, C. & Defourny, J. (2001) *The emergence of social enterprise*, London: Routledge.
- Bradach, J.L. (2010) "Foreword: from scaling organizations to scaling impact", in Bloom, P.N. & Skloot, E. (eds.) *Scaling Social Impact: New Thinking*, New York: Palgrave Macmillan, pp. iv-xiv.
- Brenner, N., Jessop, B., Jones, M. & MacLeod, G. (eds.) (2003) *State/space: a reader*, Oxford: Blackwell.
- CASE (2008) *Developing the Field of Social Entrepreneurship*, Durham: Center for the Advancement of Social Entrepreneurship [available online at: <<http://www.caseatduke.org>>], accessed June 2011.
- Chaniel, P. & Laville, J.L. (2005) "L'économie sociale et solidaire en France". In Laville, J.P., Magnen, J.M., França Filho, G.C. & Medeiros, A. (eds.), *Action Publique et Economie Solidaire: une perspective internationale*. Toulouse: Éres, pp. 47–74.
- Crouch, C. (2005) *Capitalist diversity and change: recombinant governance and institutional entrepreneurs*, Oxford: Oxford University Press.
- Crumley, C.L. (1995) "Heterarchy and the analysis of complex societies", *Archeological Papers of the American Anthropological Association*, 6, 1, pp.1–5.
- Dees, J.G., Anderson, B.B. & Wei-Skillern, J. (2002) "Pathways to Social Impact: Strategies for Scaling Out Successful Social Innovations", *CASE Working Paper No. 3*, August [available online at: <<http://www.caseatduke.org/knowledge/scalingsocialimpact/articlespapers.html>>], accessed June 2011.
- Dees, J.G., Anderson, B.B. & Wei-Skillern, J. (2004) "Scaling social impact", *Stanford Social Innovation Review*, 1, 4, pp. 24–32.
- Defourny, J. & Nyssens, M. (2010) "Conceptions of social enterprise and social entrepreneurship in Europe and the United States: convergences and divergences", *Journal of Social Entrepreneurship*, 1, 1, pp. 32-53.
- Edwards, M. & Hulme, D. (1992) "Scaling-up the developmental impact of NGOs: concepts and experiences", in Edwards, M. & Hulme, D. (eds.) *Making a difference: NGOs and development in a changing world*, London: Earthscan, pp. 13–27.
- Elkington, J., Hartigan, P. & Litovsky, A. (2010) "From enterprise to ecosystem: rebooting the scale debate", in Bloom, P.N. & Skloot, E. (eds.) *Scaling Social Impact: New Thinking*, New York: Palgrave Macmillan, p. 83.
- Esping-Andersen, G. (1999) *Social foundations of postindustrial economies*, New York and Oxford: Oxford University Press.
- Ferrera, M., Hemerijck, A. & Rhodes, M. (2001) *The future of social Europe: recasting work and welfare in the new economy*, Oeiras: Celta.

- Hall, P.A. & Soskice, D.W. (eds) (2001) *Varieties of capitalism: The institutional foundations of comparative advantage*, Oxford: Oxford University Press.
- Jessop, B. (2001) "Institutional re(turns) and the strategic-relational approach", *Environment and Planning A*, 33, pp.1213–1235.
- Jessop, B. (2002) *The future of the capitalist state*, Cambridge: Polity.
- Jessop, B. (2003) "Governance and Metagovernance: On reflexivity, requisite variety, and requisite irony". In Bang, H. P. (ed). *Governance as social and political communication*. Manchester: Manchester University Press, pp 142-172.
- Jessop, B. (2008) *State power: a strategic-relational approach*, Cambridge: Polity.
- Kanter, R.M. (2000) "When a thousand flowers bloom: structural, collective, and social conditions for innovation in organization", in Swedberg, R. (ed.) *Entrepreneurship: the social science view*, Oxford: Oxford University Press, pp. 167–210.
- Kickul, J., Griffiths, M.D. & Gundry, L. (2010) "Innovating for social impact: is bricolage the catalyst for change?", in Fayolle, A. & Matlay, H. (eds.) *Handbook of Research on Social Entrepreneurship*, Cheltenham: Edward Elgar, p. 232.
- Lawrence, T.B., Suddaby, R. & Leca, B. (2009) *Institutional work: actors and agency in institutional studies of organizations*, Cambridge, UK: Cambridge University Press.
- Lévesque, B. & Lajeunesse-Crevier, F. (2005) "Innovations et transformations sociales dans le développement économique et le développement social: approches théoriques et politiques publiques", *Cahiers du CRISES*, coll. «Études Théoriques» [available online at: <<https://depot.erudit.org/id/001607dd>>], accessed June 2011.
- Loughlin, J. (2009) "The 'Hybrid' State: Reconfiguring Territorial Governance in Western Europe" *Perspectives on European Politics and Society*, 10, 1, pp.51–68.
- Luhmann, N. (1995) *Social systems*, Stanford: Stanford University Press.
- Luhmann, N. (2006) *La Sociedad de la Sociedad*, Ciudad de México: Editorial Herder.
- Mair, J. (2010) "Social entrepreneurship: taking stock and looking ahead", in Fayolle, A. & Matlay, H. (eds.) *Handbook of Research on Social Entrepreneurship*, Cheltenham: Edward Elgar, pp. 15-27.
- Moulaert, F., Martinelli, F. & Swyngedouw, E. (2005) "Towards alternative model(s) of local innovation", *Urban Studies*, 42, 11, p.1969.
- Mulgan, G. (2006) "The process of social innovation", *Innovations: Technology, Governance, Globalization*, 1, 2, pp.145–162.
- Mulgan, G. (2007) *Social innovation. What it is, why it matters and how it can be accelerated*, London: Young Foundation.
- Murray, R., Caulier-Grice, J. & Mulgan, G. (2010) *The open book of social innovation*, London: The Young Foundation/NESTA [available online at: <www.nesta.org.uk/library/documents/Social_Innovator_020310.pdf>].
- Offe, C. (1984), *Contradictions of the welfare state*, Cambridge, MA: MIT Press.
- Oliveira, E.M. (2008) *Empreendedorismo Social: da teoria à prática, do sonho à realidade: ferramentas e estratégias*. Rio de Janeiro: Qualitymark.
- Phillips, S. & Smith, S.R. (2011) *Governance and Regulation in the Third Sector: International Perspectives*, New York and London: Routledge.
- Pierson, P. (2000) "Increasing returns, path dependence, and the study of politics", *American Political Science Review* 94, 2, pp. 251-267.
- Pierre, J. (ed.) (2000) *Debating governance: authority, steering, and democracy*, New York: Oxford University Press.
- Powell, M. & Barrientos, A. (2011) "An audit of the welfare modelling business", *Social Policy & Administration*, 45, 1, pp. 69-84.
- Sezgi, F. & Mair, J. (2010) "To control or not control: a coordination perspective to scaling", in Bloom, P.N. & Skloot, E. (eds.) *Scaling Social Impact: New Thinking*, New York: Palgrave Macmillan, pp. 29-44.

- Sørensen, E. & Torfing, J. (eds.) (2007) *Theories of Democratic Network Governance*, Basingstoke; New York: Palgrave Macmillan.
- Stark, D. (2009) *The sense of dissonance: accounts of worth in economic life*, Princeton and Oxford: Princeton University Press.
- Streeck, W. & Schmitter, P.C. (1985) "Community, market, state-and associations? The prospective contribution of interest governance to social order", *European Sociological Review*, 1, 2, pp.119–138.
- Swedberg, R. (2006) "Social entrepreneurship: the view of the young Schumpeter", in Steyaert, C. & Hjorth, D. (eds.) *Entrepreneurship as social change—A third movements in entrepreneurship book*, Cheltenham: Edward Elgar, pp. 21–55.
- Taylor, M.A., Dees, J.G & Emerson, J. (2002) "The Question of Scale: Finding an appropriate strategy for building on your success", *Strategic tools for social entrepreneurs*, New York: John Wiley.
- Uvin, P., Pankaj, J. & Brown, D. (2000) "Think large and act small: toward a new paradigm for NGO scaling up", *World Development*, 28, 8, pp.1409–1419.