

## **USC Sol Price Center for Social Innovation: Social Innovation Seminar Series**

---

*“Social Innovation in Cities: More Necessary and More Likely Than Ever”*

Professor Stephen Goldsmith  
Daniel Paul Professor of Government, Harvard Kennedy School  
Director, Innovations in American Government Program

### **Summary:**

Social innovation is the spark that brings government, business, nonprofit, and philanthropy together to help people in their everyday lives. Social innovation does not necessarily come from nonprofit/social sector organizations. Government can be the source of innovation or the force that stifles innovation. Social innovators (i.e. civic entrepreneurs ) are helping communities to rethink education, housing, health care, and other core safety net programs. They take risks on new or existing ideas to ignite policy change, drive results, and give people real choices. They cut through bureaucracy and eliminate ineffective programs. They demand more of themselves but also of the citizens they serve. In the coming years, cities will see lots of social innovation, but it not yet clear if/how innovation creates enough disruption that it forces a repurposing of existing dollars. To achieve scale, social innovation cannot be limited to new programs that solve problems for a particular community.

### **Governing (and Innovating) by Network**

Government has come to rely on a vast complex of nongovernmental partners to do its business, a phenomenon we call governing by network. It's a model that is growing—and will continue to grow. Government cannot solve complex horizontal problems with vertical solutions, nor by simply accomplishing bureaucratic activities better. Government needs partners to do its job. There are huge advantages to this model—flexibility, speed, innovation, the ability to tailor services more closely to customer demands. But it is not yet known how to manage this new form of government well. Until we learn how to better manage a government comprised more of networks, than government employees, we simply will not get the results taxpayers expect and deserve.

In this model, the role of government is transformed from direct service providers to generators of public value, in which it transforms existing social conditions in collectively desired directions. Social innovation often emerges from a more refined sense of desired outcomes and public value. Demonstrations of public value creation lie in evidence showing changes in social conditions. The problem is that not everyone sees public value in the same way. In order to achieve value- and outcome-driven governance, it is critical to articulate the goal of every activity in terms of the value being created for citizens. For example: Improve public health, not make Medicaid better; Educate children, not improve public schools; Increase mobility, not build new highway lanes or transit lines. Notably, New York City, under the direction of Linda Gibbs, shifted its focus – as well as money and manpower – from providing good, decent shelter to homeless populations to preventing homelessness. It is also important to determine if the public good sought is a natural by-product of another, more fundamental good (e.g. better jobs create affordable housing as a by-product).

### **Social Innovation and the Public Sector: Barriers and Opportunities**

Despite being the dominant funder of social services, government is constrained as a force for social innovation for several reasons. There is no market for innovation and a status quo bias. There are powerful, professionalized bureaucracies. There are also challenges when using public dollars to

innovate, particularly politicians' aversion to high rates of failure and perceived waste. Government contracts with nonprofit organizations tend to be highly prescriptive, limiting their ability to innovate. An iron triangle of funding in local communities around social services – made up of politicians, business leaders serving as nonprofit board members, and well-intentioned nonprofit staff – also exists. Interestingly, business leaders on nonprofit boards do not demand performance. There is also reluctance on the part of politicians to hold well-intentioned organizations accountable. And in the social sector, organizational legitimacy is not dependent upon performance or accountability. Community foundations/local philanthropies that are willing to challenge the status quo in an energetic and precise way can make a big difference (e.g. Bradley Foundation had a disruptive influence by funding both the school vouchers and research in Milwaukee).

Innovative jurisdictions – in which social outcomes are healthier and more effective for dollars being spent – nurture conditions that facilitate social change. Government can build capacity for innovation by: 1) facilitating/encouraging efforts to improve collaboration across sectors; 2) providing platforms that encourage new innovators and new ideas, new funding, and more volunteer service; and 3) supporting the operational capacity of innovators and the development and adoption of their promising ideas. Government can develop a culture of innovation by: 1) empowering clients to participate in their own progress through choice and active feedback; 2) mobilizing community awareness and the public will for change and innovation; and 3) rewarding and protecting risk taking activities and recruiting employees with the appropriate disposition. It is also necessary for government to rethink public policy and open space for innovation by: 1) leveling the playing field for new ideas or new providers by addressing rules and administrative hurdles in government spending; 2) creating new funding mechanisms to address risk such as an innovation fund and leveraging private resources; and 3) utilizing data to better understand problems, track results, and direct funds to proven policies and programs.

### *An Expanded Notion of Social Innovation*

A transformative innovation does not have to be a new tool or program model; it can be any catalyst that dramatically improves performance across a system. Innovation can happen through civic realignment – the development of a rationale for new roles, bringing people to the table, and creating culture of collaboration. Social impact bonds – in which the government pays for outcomes instead of effort – is a promising social innovation being used in New York City to reduce adolescent recidivism. With social impact bonds, private investors fund initial years of a social program, and the government provides a return to investors based on program success. Technological glue – the infusion of technology that releases latent potential within a system and becomes integrated into routines – can also be a source of innovation. Filling management gaps can ignite transformative innovation, particularly when it encourages resource sharing, knowledge creation, talent development, and capacity building. Finally, engaging new volunteers and tapping the donor goodwill pipeline can unleash energy and bridge barriers necessary for transformative innovation. Social innovation is about disrupting a system or creating a system where one did not exist before. Some of the most exciting points of inflection are when someone takes existing assets within system and rewires them to work better (e.g. Communities in Schools, Wraparound Milwaukee).

Social innovation can be an initiative that changes the ecosystem by giving those in need of help with more power/tools or replacing patronizing systems. But our definition of innovation is primarily a supply-side definition. People with limited financial resources or voice who are in need of services do not get to make decisions about how/where they get help. This, in part, explains why innovation does not move across the country very well. Innovations diffuse when people buy it in positions of authority – and public officials are restricted by entrenched interests. While devolving access to information from “experts” to citizens can be helpful, as in the case of parental notification of school performance, it only has an impact if service recipients can make choices.