Open Social Innovation*

Henry Chesbrough and Alberto Di Minin

9.1 INTRODUCTION

Innovations that get to the market create change in society. However, as students of management, we focus primarily upon the private benefits of innovation: to consumers, to producers and to investors; and treat the overall social benefit as an endnote for our papers. The phenomenon of open innovation has also followed this path, as prior research has tended to overlook its impact outside of the private sector.

In this chapter, we hope to start the process of closing that gap in prior open innovation research. We will examine the role of open innovation in organizations that seek to achieve positive social change as their primary mission, rather than private sector organizations who regard positive social change as a byproduct (Drucker, 2001; Porter & Kramer, 2011).

These organizations operate in the public sector and in the non-profit sector (NPO). According to the definition of the World Economic Forum “Social innovation refers to the application of innovative, practical, sustainable, market-based approaches that achieve transformative social and/or environmental change, with an emphasis on under-served populations.”

Social innovations can be the result of the work of individuals, as well as groups and organizations. While innovators in the business world measure their success and effectiveness in a rather straightforward way (i.e. profits and ROI), social innovators by definition need to account social change as the ultimate goal of their strategy. According to a recent report published by NESTA and the Young Foundation (Murray et al., 2010), the innovation process can be characterized by six very distinct phases. In each of these phases, social innovators respond to different actors and stakeholders, and have different targets to achieve, but ultimately social innovation is about achieving systemic change.
What can open innovation contribute to such organizations going through the transitions shown in Figure 9.1? What conditions would allow open innovation strategies to be usefully applied for organizations whose mission is to achieve social change? In examining these questions, we came to a new construct we term Open Social Innovation (OSI).

We define Open Social Innovation (OSI) to be the application of either inbound or outbound open innovation strategies, along with innovations in the associated business model of the organization, to social challenges. To the best of our knowledge this is the first time that the open innovation framework is being applied to the social sector. We therefore take here an exploratory approach to develop the relevance of the Open Social Innovation paradigm. We find that the Open Social Innovation framework is particularly useful to accessing prototypes (stage 3), sustaining innovative efforts (step 4), and scale-up activities (step 5) within either the current business model or a potentially novel business model to meet the needs of under-served target populations that pure-market mechanisms are not able to address.

Given the nature of this study we here present three case studies from the social and public sector. We have sampled for variance, searching for innovative actors within the public and social sector. Thus, we do not claim that our sample is representative of the larger public or social sector. Instead, we seek to uncover some of the processes within organizations we consider to be quite innovative within the social context. Our cases involve two NGOs that share a similar drive for social change, have analogous size, age, budget, global reach, and are both founded and currently led by two charismatic leaders. Also we focus on the City of Birmingham, England and its efforts to reform its government model.

In spite of many similarities, Emergency from Italy, Ashoka from the U.S. and the City of Birmingham, England, operate in very different sectors, address very different societal challenges, and adopt very different strategies.

![Figure 9.1 Social innovation as seen by NESTA and the Young Foundation](image-url)
They also share very little in common in terms of their organizational model and control systems. Yet each organization has adopted certain practices that illustrate the Open Social Innovation framework we develop inductively at the end of this chapter.

Emergency’s mission requires it to deliver top-quality emergency medical care in war-torn environments. At the center of Emergency’s delivery system lies a hospital, or a state-of-the-art clinic, operating according to the best European practices, and providing first class medical treatment. Around this core, consistent with an outside-in OI perspective, various other activities complement what is done in the surgical room, and end up engaging resources available in the local communities. In line with an inside-out OI perspective, the final exit strategy for an Emergency intervention is to become redundant, by transferring know-how and best practices to local institutions and by spurring local imitation. In order to achieve such result, Emergency needs to be extremely embedded in the local community it serves.

Ashoka’s mission is to catalyze social change in developing countries through the cultivation of indigenous social entrepreneurs. Ashoka actively recruits, trains, funds, and supports these social entrepreneurs (Ashoka fellows), who operate in a wide range of problem areas. These entrepreneurs are in turn responsible for implementing Ashoka’s mission. Ashoka’s fellows receive direct financial support from Ashoka, and at the same time they become part of a tightly connected network, which can constitute a formidable asset to implement their ideas.

In describing Ashoka’s model from an OSI perspective, we argue that its strategy combines various projects, people, resources and ideas, with the result that Ashoka does not only financially support, but also ends up co-creating the initiatives of its fellows.

When one thinks of innovation, large urban cities usually do not spring to mind. The typical public bureaucracy is not generally considered to be a well-spring of social innovation. The City of Birmingham is quite typical of many large cities. Its citizens confront a variety of social challenges, and its children in particular often find themselves in abusive situations at home, or themselves demonstrate antisocial behavior in school or in the city. Yet the City of Birmingham has managed to innovate some novel initiatives to address the social problems of child neglect and child abuse. In so doing, the City transformed its business model, employed some state-of-the-art data analytics, and realized superior outcomes for its citizens. It even offers this transformation as a service for other public agencies, a classic inside-out open innovation approach.

We turn now to a more detailed discussion of each organization’s innovation challenges, and how they were met. As we shall show below, each employed aspects of an Open Social Innovation framework.
It all started from an idea, originating from an informal network of Italian professionals, who realized that it was necessary to bring surgical help where both standard HMOs and international organizations were not able to intervene. This was particularly relevant in areas of prolonged civic and military conflicts, and the hundreds of informal wars that are plaguing the world. Emergency was founded as an Italian NGO under the leadership of Gino Strada in 1994, as it entered the campaign against antipersonnel landmines.

The original mission of Emergency was to treat victims of war, creating the facilities and the organization that were necessary to deliver world-class quality surgical treatment, even in areas that were in the center of wars and conflicts. The functioning model of the organization was based on a large voluntary basis, donations and the involvement of trained physical doctors and nurses. Today Emergency, whose 2010 budget was EUR 30 million, has subsidiaries in the U.S. (established in 2005), UK (since 2007), Switzerland and Japan (as of 2011). Emergency has worked in 16 countries and has provided medical and surgical treatment to slightly less than 5 million individuals. At present the NGO is running its own hospitals in six countries: Afghanistan, Cambodia, Central-African Republic, Iraq, Sierra Leone, and Sudan. In the past, Emergency had also run operations in Chad, Congo, Djibouti, Egypt, Eritrea, Ethiopia, Iran, Rwanda, Somalia, and Uganda.

It is part of Emergency’s style to understand and adapt to the rules, traditions, and culture of the region where it is located. While remaining absolutely neutral with respect to the conflict, and tenaciously firm when it comes to preserve conditions of safety for its employees, Emergency enters in a negotiation with local civilian, military or religious authorities, to establish clear rules of conduct, and boundaries that both parties agree to respect. Quite challenging had been in particular the case of Afghanistan, Emergency’s second largest program (16% of the total budget for 2010), where we can clearly see the advantages of Emergency’s strategy. Emergency is present in Afghanistan since 1999, it runs now three surgical centers, a maternity clinic, a network of 30 first-aid posts, health centers and a medical point in the largest prison in the country. In the medical center of Anabah, Emergency employs 214 local staff, and performed so far over 17,000 surgical operations. Opening and running a free maternity service under the Taliban regime had also been challenging, but right now approximately 300 babies are born every month, and parents can take classes and free consultations. Cecilia Strada, daughter of the founder, Gino, told us that these results were achieved exactly thanks to Emergency’s ability to interpret the situation on the ground, and to blend in with a type of intervention that was both respectful of norms and customs, as well as safe for medical staff and patients.
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With operations scattered around the globe, Emergency remains a centralized organization, which tightly controls activities from the Milan and Rome headquarters. The rules of engagement in very complex conflict zones are to be understood by everyone in the organization. Both volunteers and professionals need to be conscious of local traditions and respectful of religious and cultural norms. Emergency currently employs 260 people in Italy and it is supported by a network of approximately 4,000 volunteers worldwide. Doctors and nurses deployed internationally, are trained, supervised, and paid directly by Emergency. Emergency is extremely strict when enforcing procedures and rules of conduct: not only when negotiations are concluded with local authorities, but also with its own staff. What is at stake is not only the reputation of Emergency but also the safety of local employees. Hence room for maneuver is extremely limited.

Within this framework, which seems not to allow much room for innovation, Emergency had been on the contrary able to adopt various forms of open social innovation. One core principle of open innovation is embodied in Bill Joy’s expression, “not all the smart people work for you.” In order to provide free, high-quality medical treatment to everyone who is in need, Emergency does not only deploy nurses and doctors but it has to identify and rely on local suppliers and staff to support its activities. Hiring and sourcing to external contractors in certain areas of the world, and within extremely unstable environments is a complex endeavor, which requires advanced operation management. Still, relying on external resources is a quintessential component of Emergency business. Local competencies are acquired through trusted intermediaries with an in depth knowledge about the local environment. The deep and extensive involvement of local external resources allows Emergency to become deeply rooted in the complex fabric of communities in war-torn conditions, and that often are plagued by high levels of corruption.

A second aspect of Emergency’s organization, which can be linked back to the OSI framework, can be defined as business model flexibility. Open innovation requires careful consideration of one’s business model, and how a successful model can sometimes limit the ability of an organization to innovate (as Chesbrough, 2003a showed in the case of Xerox). Emergency must constantly examine its business model in light of the conditions it encounters in every new conflict. Political consent and legal regulations are the boundaries within Emergency needs to operate. Trust between Emergency and external partners is quintessential, especially when society and politics in the country are in heavy turmoil. Emergency has to respect fragile cultural rules and habits with care, without compromising aspects that are necessary for its operations (i.e. hygiene, safety, etc.). In the course of her interview, Cecilia Strada emphasized that flexibility and steadiness are extremely difficult to balance. Under certain conditions it turns out to be impossible, and Emergency had to give up its ideas and objectives for certain regions of the world. Or it was forced to take
strong stands, such as closing down the operations of its women’s clinics in Afghanistan, on issues related to the employability of its female staff.

A third aspect of Emergency operation can be linked to the inside-out OSI framework. Let’s consider the case of Iraq. Emergency had been present in Iraq since 1996, going through wars, a regime change and a never-ending conflict. Emergency had to negotiate with local authorities, identify potential local partners, and run its operation in a very difficult and unstable environment. Still, early results and commitment positioned Emergency in a privileged position to expand its mission in the country, and address the pain of more than 10,000 unemployed victims of war. Treating patients, perhaps with prosthesis, artificial legs or arms, might not be the solution if the environment around these amputees does not allow them to go back to an active life. Even though medical rehabilitation gives a patient physical autonomy, undesirable consequences of their mutilations or disabilities prevent these people from contributing to their communities or simply going back to their job. The network of relationships established by Emergency in the country allowed the organization to identify almost 300 cooperatives and associations that could provide assistance and help find new jobs to its patients, starting with six months training courses, and continuing with other forms of help. In Iraq, Emergency is really going beyond the surgical room, realizing that some of its relationships and assets allow the organization to address pain in a more complete way.

Let us focus on a fourth aspect of Emergency’s model: its exit strategy. The ultimate goal for Emergency’s intervention is to become redundant, and to contribute to the improvement of a local health system that can function once Emergency no longer operates in the area. Transferring knowledge, training doctors, nurses, and technical staff, is therefore part of Emergency’s mission, and critical to its ability to exit eventually. In this regard, Emergency is able to report significant success stories. For example, while the organization is still active in Iraq, various local health units are now completely autonomous and run independently of Emergency. Local employees maintained their job, and in most cases the quality of the service provided did not suffer, once Emergency made its exit.

Emergency started from an idea: that even in the most desperate, war-torn areas, access to medical care remains a critical human right. The organization went through incredible growth that was unprecedented among Italian NGOs. Emergency is now recognized worldwide as a leading provider of medical treatment and it is well regarded in some of the most troublesome areas of the world. Commitment to the ideals and the guiding principles of the organization has allowed Emergency to engage resources well beyond the surgical room. Through its embrace of external resources, its careful revision of its business model, and its ability to transition itself out of conflict environments, it demonstrates the value of open social innovation in a rather extreme environment.
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9.3 ASHOKA

When in 1980 Bill Drayton set off to start Ashoka his goals were very ambitious. He wanted to make the difference into society through the activities of a network of social entrepreneurs.

Social entrepreneurs, rather than international organizations or the public sector have the motivation and the knowledge, understand the local context to tackle crucial problems plaguing communities, but often lack the scale and access to complementary assets needed. How to engage a potentially global and dispersed network of people of goodwill?

Ashoka was founded in 1981 with a clear mission: “to shape a global, entrepreneurial, competitive citizen sector, one that allows social entrepreneurs to thrive and enables the world’s citizens to think and act as changemakers,” as we can still read on Ashoka’s website. Still, what makes the Ashoka case such an interesting example of OSI is that its success arrived later when the organization truly opened up its original functioning model. Let us consider the details of such transition from a fellow-centered to a collaborative-entrepreneurship based model.

Since the very beginning, at the core of Ashoka’s operations we find a fundamentally open innovation idea. Indeed, Ashoka accomplishes its mission providing direct financial support to its fellows, rather than building a permanent staff of employees. This fits well with Bill Joy’s admonition above that not all the smart people work for you. In Ashoka’s case, they look for people already active in social entrepreneurship, and then seek to support and enhance their work.

Approximately 30% (i.e. $10.8 million) of Ashoka’s budget is still today allocated to provide financial support to its 3000 fellows operating in 70 different countries around the world. The initial focus was on Bangladesh, Brazil, India, Indonesia, Mexico, Nepal, Thailand, and African countries to support the start-up phase of social enterprises. In the 1990s, Ashoka introduced new initiatives, and in a couple of years tripled its size. Recently its programs expanded also in Western Europe, East Asia, and the Middle East (Meehan, Koehane & Levenson, 2012).

The original tool to assist fellows had been a two years stipend provided directly by Ashoka. Such support allows fellows to devote themselves completely to the realization of their social ventures. Also, during the 1990s, Ashoka focused on providing individual services to each one of its fellows, and on guiding them through to make sure their activities were successful. Ashoka was providing direct support with special training, fundraising practices, managerial consulting. Although this model brought sound results, and Ashoka’s reputation grew significantly, still the system was too expensive, not scalable, time-consuming, and its impact on Ashoka’s fellows work was intermittent.
rather than continuous. In the language of Figure 9.1 above, Ashoka’s initiatives too often were stuck at stages 3 and 4.

As time passed, the Washington-based organization realized it was possible to organize its activities in a different way and Ashoka turned into a truly open social innovator. While the financial support continued to be the main form of assistance, Ashoka realized that it was able to provide other services, tapping into what was becoming the organization’s main asset: its constantly growing crowd of social entrepreneurs.

Obviously, comradeship and collaboration among fellows had always been a very important component of Ashoka’s model, but the organization felt it needed to go beyond the sporadic support and exchange of suggestions. In the course of the years, Ashoka perfected the concept of “collaborative entrepreneurship” (Drayton, 2011), whose implementation was based on access to resources beyond the network of donors and fellows, and revolved around a close interaction with companies and public institutions (the very same organizations which Drayton claimed were not successful at addressing social problems). The key was to realize that social entrepreneurs and companies or public institutions could complement each other and had clear incentives to work together. Indeed, on one hand that most of the fellows were embedded in their own regions, deeply passionate and open to learn from other examples, share information, but still extremely busy to carry on their operations in their chosen regions, and with little to no time nor resources to expand their operations, and hence scale-up to what Figure 9.1 suggests is the final goal of a social innovation. At the same time, private companies or institutions might be interested in seizing an opportunity or solving a social problem, but they were not able to do so, lacking the very valuable and context specific information in the hands of social entrepreneurs on the ground. Ashoka shifted its focus from individual support to system integration, discovering new opportunities for fellows, achieving linkages and collaboration beyond the network of 3000 fellows, with the society at large, and engaging fellows in collaboration with all the various components of the local environment where they were operating.

Collaborative entrepreneurship’s goal was identified as the definition of solid partnerships between the business sector, NPO, and public sector, in order to align business models and serve a common goal. Under this new perspective, Ashoka’s global network not only comprised its fellows and donors, but also corporations, entrepreneurs, policy makers, academics, and journalists, sharing interest in social problems, but with very different goals in mind.

In other words, according to the fellows-based model, Ashoka was impacting society through its network of fellows. Under this new collaborative entrepreneurship-based model, Ashoka was addressing social needs through a larger coalition. At the center we still find the direct effort of a social entrepreneur (and Ashoka’s fellowship system), that is however empowered through more cohesive forms of interactions. The ultimate goal becomes to change the
social/political/business infrastructures through collaboration within the citizen sector.

In Figure 9.2 inbound and outbound OSI blend together in Ashoka’s concept of the Hybrid Value Chain.

Through the Hybrid Value Chain (Figure 9.2), Ashoka claims that its role is to help social entrepreneurs to close the gap between corporations and civil society, address a social problem and eventually scale up the operations on a local community to reach a much broader constituency. Let’s see how, starting first with the type of collaboration between social entrepreneurs and the business sector.

As we have already suggested, Ashoka fellows tend to have a deep knowledge necessary to tackle a local social problem. These correspond to levels 1 and 2 in Figure 9.1 above. From a business perspective they have the potential to significantly lower transaction costs and barriers to enter a new market. They have the time and the energy to explore the needs of a new market segment, which at this point sits outside the reach of any single business organization. Working with them, entrepreneurs and corporations get access to new knowledge and talent, necessary to turn a market failure into a real market opportunity and hence into profit (for a recent analysis, see Drayton & Budinich, 2009).

![Figure 9.2 Ashoka’s Hybrid Value Chain.](http://fec.ashoka.org/)

**Source:** Ashoka’s website (http://iec.ashoka.org/)
This corresponds to levels 3 and 4 in Figure 9.1. At the same time, tapping into the resources and infrastructures of large corporations, social entrepreneurs have the opportunity to get access to those complementary assets to scale their operations, and eventually to deliver value much beyond their individual reach. They can empower their idea, maintaining loyalty to their values, but still operating through the mechanisms of the market economy. This corresponds to levels 5 and 6 of Figure 9.1. At the same time, companies are in a better position to replicate a successful model in other regions, where they perceive similar needs and opportunities.

These alliances require close monitoring, screening of potential partners and fine-tuning in the implementation phase. Multinationals and social entrepreneurs speak very different languages, and some form of intermediation is needed. At the same time, it is important to stress-test the level of commitment to a social cause of business organizations, and to identify potentially hidden agendas, which might be in sharp contrast with the fellow's ideals. Individual fellows are not in the bargaining position, they don't have the scale, or the skills to screen adequately partners and projects. Here is where Ashoka comes into the picture. Ashoka becomes the trusted intermediary for both partners, the shared platform where social entrepreneurs and the private sector can attempt to align models. Ashoka provides fellows a rich selection of pre-screened alternatives, and engages even the largest multinational as a peer, sharing a common language. Not only is Ashoka able to convince the industry to consider a new business opportunity based on its fellows’ knowledge, scouting and connections on the ground, it is also in the position to negotiate the rules of engagement between a business partner and potentially interested fellows.

From an OSI perspective, we can see Ashoka acting as an intermediary, between different social entrepreneurs and between social entrepreneurs, companies, and institutions. Ashoka’s brand and reputation does not only become useful for interactions with the business sector, but also when an entrepreneur enters in negotiations with the public sector. Fellows are addressing true social needs, and they are working under extremely difficult conditions in very troublesome areas. They are addressing situations characterized not only by a market failure but also by a policy failure. In these scenarios, an alliance among corporations and social entrepreneurs might be the solution only if the public sector intervenes and provides some basic infrastructures and allows operations to run smoothly. Once again, fellows might be in a very good position to grasp the fundamental issues at stake, but they might not be in the right position to negotiate with the public sector, or worse, they can fall victims to incompetence and corruption. Ashoka’s role here is to smooth the process, identify the key policy makers, and to facilitate the flow of information for the hybrid value chain to work properly.
The Housing for All project can clearly exemplify the process. Housing for All worked successfully in various countries such as Brazil and India, and proved that this OSI strategy could clearly be applied under very different local contexts. Many were the stakeholders involved in a process, which ended up providing clean water, decent housing and new jobs in some of the poorest slums of these two countries. Ashoka fellows were indeed at the center of the network. They identified the opportunities and acted as the main social entrepreneurs, devoting full time to the completion of the project. Their role was functional to point everybody’s attention on the little details that could hamper the completion of the project. The collaboration with local planning authorities was also very important to clear land and review zoning, and political authorities shared the success for improved quality of life of their constituencies. A new market opened up for construction companies, real estate developers, financial institutions, and local craftsmen. With transparent rules of engagement, and a clear commitment, business thrived under the guidelines of Ashoka’s hybrid value chain. The program was first successfully introduced in Brazil and then expanded in India, Colombia and Egypt.

The OSI approach and the hybrid value chain in the Housing for All project led to scalable and replicable solutions. The role of the partners involved was to understand the local environment and to address the needs through a strong network. While solutions were tailor-made, the processes applied in the various countries were similar and supervised by Ashoka through a global team of entrepreneurs and support staff.

Fundraising for Ashoka is a complex operation to run. While corporations and large foundations are responsible for 35% of Ashoka’s budget, more than 65% of the budget comes from individuals and small business contributions. As a consequence, Ashoka’s financing model is extremely distributed. Operations of a $39 million organization are managed from the global HQ in Arlington (Virginia), and Ashoka is present in 40 different countries with 25 regional offices. Ashoka is currently employing around 450 staff members, 125 located at the HQ. Fundraising, support to fellows and other operations are highly decentralized, but still the level of integration and control of operations is necessarily extremely tight.

In a recent piece on the Stanford Social Innovation Review (Clay & Paul, 2012), Roshan Paul, who joined Ashoka in 2003 and helped running some of the most successful initiatives of the organization, identifies Open Innovation as an enabler for community participation and more in general for scaling the operations of NGOs. Together with Alexa Clay, Paul writes about turning beneficiaries into co-creators, moving from an enterprise-centered view of a project to an ecosystem view, identifying free licensing schemes to replicate innovation in the social sector, sparking entrepreneurial spirit within and beyond a single organization, and finally allowing for the emergence and evolution of business models. The potential is huge, as founder Drayton suggests
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in a recent article in *Harvard Business Review* (Drayton & Budinich, 2010, p. 58): “collaborations between corporations and social entrepreneurs can create and expand markets on a scale not seen since the Industrial Revolution.”

Ashoka is now becoming an example for other NGOs to follow and, as a true Open Social Innovator, is not shy to share its views and models with other partners around the world. Quoting once again Bill Drayton: “the more eyes we have on society’s problems—and opportunities—the better our chances of coming up with valuable solutions.”

9.4 CITY OF BIRMINGHAM

The City of Birmingham (COB hereafter) has a proud municipal history of social innovation, dating back to the nineteenth century, when Birmingham became known as “the best governed City in the World.” However, by 2003 Birmingham was a long way from being the best local government. Under a UK inspection scheme, which rated all local authorities on a scale of one to four “stars,” Birmingham was deemed to be just one star, with uncertain prospects for improvement. It had fallen from the top to near the bottom in the century that had elapsed. The spark of social innovation lit in the late nineteenth century appeared to have gone out.

What changed to ignite a new cycle of social innovation? The leadership of the COB decided to embark on a bold project to improve and eventually transform its provision of public services. This led to a fundamental re-thinking of the organization’s business model, one of the core constructs of open innovation. An offsite meeting intended to discuss the mission of social service provision in just an hour or so turned into an all day debate instead, which led to a fundamental distinction: instead of delivering services, the new COB mission was to improve the health and well-being of its citizens. That shift subtly changed the focus from inputs (delivering services) to outcomes (health and well-being). Focusing the mission on outcomes, in turn, prompted some radical thinking.

In the area of childcare services, the COB realized that it was expensive and inefficient to wait to provide services once child abuse had arisen. Instead, the COB worked closely with an external vendor of database software, and utilized the wealth of data it had collected on its clients over many years. Working with independent outside experts, they then developed algorithms that predicted which households were at high risk for abuse. These data allowed the City to create new service offerings for these high-risk households *before* any abuse had been reported. In this way, the chances of parents abusing children was reduced by addressing underlying causes, and providing alternatives (such as
anger management programs for the parents) that reduced the chance of incidences of abuse in those households.

Most importantly, these programs allowed the children to remain in their homes (since no abuse had yet occurred), rather than enter into foster care or other institutional care arrangements. The data analysis had shown that children who were taken out of their homes into these more institutional arrangements were also at higher risk of later antisocial behavior. These were important changes in the way COB did business, really a change in its business model. They were precipitated by the decision to intensify collaboration with external software and analytics vendors, delivering results the City would not have obtained if it relied solely on its internal resources.

In Open Innovation terms, the COB reconceptualized its business model it employed to redefine its service offerings, and alter the way and the timing to deliver its services to its “customers,” the residents of the city. This required a new definition of its value proposition to its clients, and it required a governance process to accomplish the changes.7

The governance of this business model transformation was also challenging. The COB decided to take the governance of business transformation outside its existing departmental structures. A special set of Program Boards was established to oversee the individual transformations (the shift in child care services was only one of a number of initiatives; each had its own Program Board). These Program boards were accountable directly to the Cabinet (the most senior decision body in the COB), reporting annually on progress and plans. Only the Cabinet could establish a new program or close down an existing one.

Further, it was recognized that a program of this degree of change would require a significant level of coordination across the different initiatives. A new role was therefore created on the corporate management team to oversee the whole business model transformation, to manage inter-program interactions, to be responsible for the transformation process “roadmap,” and to monitor the delivery of benefits from each initiative.

As a result of these efforts, the COB has developed a process capability for managing these transformations. In the best inside-out open innovation tradition, the COB decided to enable other municipalities and public sector organizations to learn from its experiences. It now offers its methodology under the name of CHAMPS2 (CHAnge Management for the Public Sector). This methodology is now mandated by the COB to be used for all business transformation programs in the city. It is illustrated in Figure 9.3. In summary, it is an eight-phase approach to transformational change. Each phase consists of a number of stages, and each stage of a number of activities. In total, the methodology comprises over 500 activities, each with supporting information including examples, templates and “how to” guides.
One of the distinguishing characteristics of CHAMPS2 is that it has been developed for the public sector, where it is essential to balance increased demands from citizens for improved services with the need for public sector efficiency savings.

The whole CHAMPS2 methodology has been placed in the public domain and is available at www.champs2.info. It is shown in Figure 9.3, and maps closely to the six stages of social innovation detailed in Figure 9.1. However, this is more of a process map for how a public agency can realize a strategic innovation.

9.5 DISCUSSION

In contrast to Emergency and Ashoka, which are non-profit organizations, the city of Birmingham is a public entity. There are many aspects of its mission that differ from these other two organizations as a result. Emergency and Ashoka are focused organizations, dedicated to a single issue, or a narrow scope of issues. The City of Birmingham must respond to all of the demands of its inhabitants, as expressed through its city council, its elections, and its governing institutions.

There is a second aspect to this difference as well. Both Emergency and Ashoka position themselves at the front end of social change, corresponding to levels 3 and 4 in Figure 9.1. Emergency is often the first organization on the ground in a new conflict. Ashoka seeks out and supports entrepreneurs who are testing new approaches to create social change. Public entities like the COB, by contrast, follow behind such organizations in the progression of social change. These public entities are the ones who administer programs for millions of people on a daily basis, often for decades. In many ways, they are the final repository of systemic change sought by the non-profits as shown in the sixth stage of Figure 9.1. If and when a social change becomes part of an
established program by a public entity like the COB, the cycle of social change has fully run its course.

A third difference lies in the sustainability and scalability of these organizations. Non-profits like Emergency and Ashoka depend on donors to cover their expenses. Their “business models” imply that the recipients of their services cannot and do not pay for the full cost of their provision. In many cases, the recipients pay no money towards the costs of providing services. Donors must make up the rest of the funds required. As such, these organizations need to cultivate long-term donor relationships, and must protect against “donor fatigue,” as we are seeing now in Haiti. There, after years of charitable support to rebuild Haiti after the devastation it received from a hurricane in 2010, donors are now shifting attention to other crises in other places, such as the devastation from the more recent Hurricane Sandy. These factors limit the ability of non-profits to sustain their missions, and likewise limit their ability to scale the provision of the services offered within their mission.

Public agencies, by virtue of their power to tax and the monopoly they hold on service provision, do not have these worries. They can sustain their programs more readily, and can marshal the resources to scale up their program offerings. But they have a requirement that the non-profits do not. No one expects Emergency to provide health care services throughout Iraq. Ashoka entrepreneurs initiate new services where they can, with no expectation of universal coverage. But public agencies do face this expectation; to provide their services to everyone at scale. In many ways, it can be worse for a public agency to have services available for some, but not all, of the residents of a city than not to provide those services at all. The partial availability means that the agency must have a process to determine who does, and does not, receive the services. Residents who hear about the availability of services, but find they are not able to receive them, are disappointed or even angry. And news media are only too happy to publish such stories, to the embarrassment of the public authorities. Voters can and sometimes do punish public representatives for these errors. So public agencies face unique political pressures to scale up their offerings for universal access.

9.6 HOW OPEN SOCIAL INNOVATION CONTRIBUTED TO SOCIAL INNOVATION

Having discussed about the differences between these three organizations, let us now consider how the Open Social Innovation (OSI) framework can be used to interpret the strategies implemented. The table offers an overview of these strategies, which we are going to discuss below.
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Table 9.1 Open social innovation in the three non-profit organizations

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<tr>
<th>Outside-in</th>
<th>Ashoka</th>
<th>City of Birmingham</th>
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<tbody>
<tr>
<td>Identify and rely on local suppliers and staff to support its activities.</td>
<td>Shift its focus from individual support to system integration, discovering new opportunities for fellows.</td>
<td>Use external technology to develop a comprehensive database of social services provided to citizens.</td>
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<td>Hire and source to external contractors.</td>
<td>Extend linkages and collaboration beyond the individual fellows to a larger network of past, and present peers and other resources.</td>
<td>Use externally sourced analytics vendor and methods to obtain insights about factors that were associated with higher risks of child abuse.</td>
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<tr>
<td>Acquire local competencies through trusted intermediaries with an in depth knowledge about the local environment.</td>
<td>Engage fellows in a collaboration with all the various components of the local environment where they were operating.</td>
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<td>Obtain permissions from local power brokers required to operate in the conflict region.</td>
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<thead>
<tr>
<th>Inside-out</th>
<th>Ashoka</th>
<th>City of Birmingham</th>
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<tbody>
<tr>
<td>Establish a network of relationships that allows the identification of local cooperatives and associations.</td>
<td>Build a global network that not only comprises its fellows and donors, but also corporations, entrepreneurs, policy makers, academics and journalists, sharing interest for social problems.</td>
<td>Offer its methodology under the name of CHAMPS2 (Change Management for the Public Sector).</td>
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<tr>
<td>Exit Strategy: transfer knowledge to local partners, training doctors, nurses and technical staff.</td>
<td>Become the trusted intermediary for both partners, the shared platform where social entrepreneurs and the private sector can attempt to align models.</td>
<td>Enable other municipalities and public sector organizations to learn from its experience.</td>
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<tr>
<td>Exit Strategy: ensure that local employees will maintain their job, and the quality of the service provided will not suffer upon departure.</td>
<td>Become able to negotiate the rules of engagement between a business partner and potentially interested fellows.</td>
<td>Authorize this methodology to be used for all business transformation programs in the city.</td>
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Emergency’s Open Social Innovation strategy combines inbound and outbound Open Innovation to create tightly controlled but deeply embedded platforms to achieve the twin objectives of first-class treatment and locally
Open Social Innovation

supported and sustained services. Its Inbound Open Innovation happens as most of the skills and resources outside the surgical room have to be sourced locally and they constitute a fundamental part of Emergency’s job. The core staff of Emergency comes from the West, and they act as the coordinators, integrators, and quality control for the range of services delivered. But the actual delivery of services, outside of the intensive care surgeries, is provided by local partners. This increases the employment Emergency provides to the local community, and likely increases its support within the community.

Emergency’s Outbound Open Innovation happens at various levels. First of all, Emergency seeks to transfer back to society an active citizen, self-sufficient and ready to contribute to the renewal of a devastated community, rather than an amputee. Also, Emergency provides extensive on-the-job training to its local partners in the course of its mission. As a result, some of these partners leave to engage their newly advanced skills outside Emergency’s facilities. In this way, Emergency becomes a role model for other local healthcare institutions, which is entirely consistent with Emergency’s mission. (Indeed, it helps the community prepare for the time when Emergency withdraws from its facilities.) While these spillovers are difficult to control, when for example trained nurses or technical staff leave to join local profit-oriented private clinics, they help generate consensus among different factions in the local community around the entire operation. Indirectly, they help protect Emergency from the caprices of local warlords.

In the case of Ashoka, OSI strategy combines inbound and outbound elements of Open Innovation, and this is made possible by an organization running a centrally administered but globally dispersed network. Ashoka’s presence throughout the world, and in the community it reaches, is mediated by Ashoka’s fellows. Inbound Open Innovation at Ashoka is clearly witnessed by the diversity of projects supported by the organization. For Emergency, and also for Ashoka, the absorptive capacity to incorporate external ideas and technologies into their offerings is extremely important. Constantly seeking to expand the network of fellows, Ashoka is looking for ways to attract the most talented social entrepreneurs out there. Instead of bringing in young volunteers from the West (think of the Peace Corps, for example), Ashoka has determined that it is best to focus on local, indigenous people to become the agents of change. Once these fellows are chosen, they embark on training by Ashoka, much of it provided by previous fellows who have direct experience in social change themselves. In addition, the fellows are introduced to a large network of current and former fellows, who become valuable resources for these entrepreneurs as they seek to enact the proposals for change that Ashoka selected.

Outbound Open Innovation happens in Ashoka as the organization acts like an intermediary. Ashoka transfers its value not only by selecting and financially supporting fellows, but also through combining ideas present in the network, creating linkages across organizations and between fellows,
professional staff and institutions, around individual projects. Armed with the results, both good and bad, from the many entrepreneurial initiatives of their fellows, Ashoka can accumulate and then disseminate effective social entrepreneurship practices in developing country environments.

The City of Birmingham did not play the role of an intermediary. Instead, it was the provider of the services. Nonetheless, it too followed elements of the OSI framework. With regard to outside-in open innovation, the City needed external technology to develop a comprehensive data base and associated analytics necessary to obtain insights about factors that were associated with higher risks of child abuse. This helped the City decide where and when to intervene, and in turn stimulated the provision of new, preventive services that were more likely to keep families intact and reduce the incidence of child abuse.

Another aspect of the OSI framework is the need for a business model to sustain the provision of services. In the case of Birmingham, they refocused their business model from that of a supplier of inputs (social services) to a provider of outcomes (enhancing the well-being of Birmingham citizens). This shift in focus highlighted the need for a deeper understanding of the causes of child abuse, and what the City might do to address those causes (in other words, addressing the causes of abuse, rather than managing the resulting symptoms of that abuse). As private sector firms shift from product-based businesses to service-based businesses, they often shift their focus from inputs (products) to outputs (services) as well.

A third part of the OSI framework is the inside-out branch of open innovation, where stranded or unused internal ideas and technologies are allowed to go to the outside. This is a potentially powerful part of the OSI framework that could dramatically boost the impact of social change. Since public agencies like the City of Birmingham often don’t face the same kind of competition that private sector (and in some cases, social sector) organizations do, they can afford to be quite open about sharing successful methods and practices that have proven to be effective. We see this in the COB from its methodology for managing its change process to arrive at these new outcomes. This CHAMPS methodology is now available for other public agencies to use in their own initiatives. As other agencies embrace these methods and perhaps further improve upon them, a community of learning could emerge that could drive the social impact of these changes to new heights.

9.7 CONCLUSION

The Social Innovation Council at the 2013 World Economic Forum in Davos posed a very distinguished panel a challenging question: how can
social innovation generate impact? The answer was: social entrepreneurs, companies, institutions, NGOs, and the public sector need to scale-up their operations. Partnerships are tremendously important to achieve positive social change.

In this chapter we have argued that the ideas of in-bound and out-bound open innovation, and the integrating role of the business model, are relevant well beyond the business world. At the heart of the Open Innovation framework lies the idea that for an alliance to work, partners need to align their business models (Chesbrough, 2006a). In so doing, incentives and goals are declared, and the definition of shared-resources codified. As for the business world, a comprehensive view of open innovation strategies can be very relevant for social entrepreneurs, for at least three reasons. First of all, as the cases shown in this chapter suggest, tapping into the resources of partners beyond a single organization’s borders is quintessential for implementing the mission of the social enterprise. Second, social entrepreneurs seek to achieve a goal, which is not possible to measure merely through financial accounts, and therefore aligning different objectives is fundamental and difficult for the organizations involved. Finally, in order to achieve systemic change, models and practices need to be sustainable economically as well as socially, even when serving the needs of segments of the population that the market is not able to address.

NOTES

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1. We also note that more and more frequently, for-profit organizations are interested in the social impact of their operations and identify strategies to maximize the positive social impact of their activities. In a special report by *The Economist* in 2001, Peter Drucker claimed that today more than yesterday and even more in the future, the key challenge for corporations worldwide will be to prove their social legitimacy. Ten years later, Harvard professors Porter and Kramer (2011) also called for creating shared values to rethink capitalism, and focused exactly on the social impact of an organization’s activities.

2. See here the work of the Global Agenda Council on Social Innovation 2012 (http://www.weforum.org/content/global-agenda-council-social-innovation-2012). Authors are grateful to Prof. Peter Russo and Dr. Susan Muller at the Center for
Social Innovation and Social Entrepreneurship at EBS for guiding our first steps in understanding social innovation.

3. In Iraq, for example, Emergency is retraining amputees, introducing them to new professions; in Afghanistan, Emergency provides a complete range of services and support to mothers and their children. This is only possible by engaging a local community into a dialogue, and into a negotiation respectful of local habits, rules and religious mandates.

4. Emergency also must guard against too much labor mobility. This can happen when Emergency-trained local staff depart Emergency and set up or join competing private practices in the area. While this is to be desired in the long run, it can seriously disrupt Emergency operations if not carefully monitored.

5. While today the concept of social entrepreneurship has become mainstream, Dayton's intuition, more than 30 years ago, during his studies in Harvard University, was that there was a highly unexploited potential in the civil sector. New models had to be identified to correct disparities created by the ups and downs of a turbulent economy, and enter into areas where real needs existed, but no clear market solution was addressing them effectively. Social entrepreneurs, if properly guided could provide such solutions.

6. The numbers of the Housing for All project are impressive. The first pilot ran in Brazil in 2007, and the organization today realizes this was a very important test to achieve the right balance between grassroots commitment and technical support. By 2011, $1.6 million were invested to provide new housing, and the plan is to serve by 2014 between 40,000 to 60,000 families. The project has expanded in India in 2010, and more than 10,000 new housing units were available by mid 2011, with an estimated market of $100 million. Sales of $11.7 million are estimated in Colombia with 28,000 new homes; and finally more than 18,000 units are now being improved or constructed in Egypt.

7. This business model change process was itself controversial with the COB. The subject of public administration differs in many important respects from running for-profit businesses, and even differs from running non-profit businesses as well. Many city workers see themselves as working for a public interest, not for a business. Their self-image and sense of identity means that one must tread carefully when advising a public agency to “be more like a business.” Moreover, there are significant objective differences between a business and a public agency. The COB has the power to tax, and wields a monopoly over the provision of its services. There is no direct competition to speak of, and service recipients have little recourse if they are unsatisfied with the services they receive—except to the ballot box and the next election.