

## Book Review

Danielle Logue

*Theories of Social Innovation*

Northampton, MA: Edward Elgar Publishing Inc., 2019

Reviewed by David Barrows

The Merriam-Webster Dictionary defines Social as: “of or relating to human society, the interaction of the individual and the group, for the welfare of human beings as members of society” and says that Innovation “can refer to something new or to a change made to an existing product, idea, or field or the act or process of introducing new ideas, devices, or methods”. One might assume that social innovation would be a combination of these two definitions: something new or a change made to an existing product idea, or field or the act or process of introducing new ideas, devices or methods, for the welfare of human beings as members of society.

Unfortunately, things are never that easy. In an important new book, *Theories of Social Innovation*, Danielle Logue identifies 76 definitions of social innovation. The author argues that the concept of social innovation has not been explicitly defined. Common across all definitions of social entrepreneurship is the fact that the underlying initiative is to create social value rather than personal and shareholder wealth. Social innovation results in value creation capture and distribution. The European Commission concludes that:

There is no single, commonly agreed definition of social innovation. This reflects the fact that social innovation is predominantly a practice led field in which definitions and meanings have emerged through people doing things in new ways rather than reflecting on them in an academic way (TEPSIE, 2014: 10).

The author provides a comprehensive literature review to examine the theories of social innovation. The book is theoretical and addressed to scholars. Logue notes that much of the early public discussion of social innovation is in the grey literature published by think tanks, government bodies and other private entities. This book is for organizational and management scholars. In this context the book is successful. The literature review is comprehensive and will provide a great resource for the academic community. The author argues that her contribution to the literature is a focus on the distribution of social value. I believe the book is also of value to practitioners. As Myrdal (1957: 160) noted:

Theory ... must always be a priori to the observations of facts. Indeed, facts as part of scientific knowledge have no existence outside such a frame. ... If theory is thus a priori, it is, on the other hand, a first principle of science that facts are sovereign. Theory is, in other words, never more than a hypothesis. When the observations of facts do not agree with a theory ... the theory has to be discarded and replaced by another one which promises a better fit.

## **Definitions**

The author argues that social innovation is concerned with the pursuit of both economic and social progress. Innovation can be both an improvement on a current application or new for a user. Social innovation seeks to address social problems producing shared value that would otherwise not be an outcome of a free market. It is often associated with responses to wide-scale, wicked problems and social transformation or systems change. Social innovation is seen as a process and/or an outcome. As well, social innovation refers to problem-solving: large-scale and multi-generational problems such as obesity and homelessness.

How should policy makers decide which problems are priorities? Power becomes important in the prioritization process. Issues such as homelessness can be multi-dimensional (housing, transportation, economic opportunity, physical and mental health, etc.). Homelessness is not a problem, it is an issue. Problems, such as transportation congestion can be solved; issues must be managed.

Logue notes that Drucker provided the initial reference to social innovation in an organizational context. Individuals are agents for social change; for example, Florence Nightingale was a social innovator. The concept of social entrepreneurship is an integral component in the study of social innovation (Drucker, 1964).

Logue makes a very important assertion (p. 82):

...that the study of social innovation has transitioned towards processes and systems and away from the cult of individual personalities. There is a shift from market-oriented innovation and entrepreneurship to greater focus on cross-sector directions and broader institutional change. There is less focus on hero social entrepreneurs due to the necessity to scale impact.

Henry Kissinger, however, reached a different conclusion. Kissinger is both a scholar and practitioner. Based upon his experiences, he concluded:

- Intellectuals analyze the operations of international systems; statesmen build them;
- I have been a professor, and I have been a policymaker, and as a professor, you think in terms of truth or absolutes. (Kissinger, 1995).

## **Value**

The author assumes that value can be observed, captured and distributed. Logue argues this eliminates the distinction between processes and outcomes for social value creation and capture. Logue also acknowledges that social innovation is based upon assumptions of morality and what it means to do good and right by others. In contrast, Pue, Vandergeest, and Breznitz define social innovation as a: “process encompassing the emergence and adoption of socially creative strategies, which reconfigure social relations in order to actualize a given social goal”. As a result, they do

not tautologically define social innovation as its own outcome and normative. They argue a successful implementation of a social strategy may result in an outcome which leaves the target population worse off (the war on drugs, perhaps). They disagree with Logue with respect to the normative/subjective/do good imperative of social innovation. Their definition of social innovation facilitates a distinction between the main actors, their institutional environment, and the interactions amongst them. (Pue)

Logue argues that institutional theory provides a compelling framework to analyze social innovation. The author asserts that there is a move away from attributing significant agency to individuals and towards considering institutional entrepreneurship. As a result the author proposes a Weberian approach where the fully developed bureaucratic apparatus compares with a machine. Interpersonal relationships are based upon systems of public law and rules and requirements. Official views are free from any personal involvement, emotions and feelings.

Decisions are solely made on the basis of rational factors, rather than personal factors. Logue assumes a strong version of the rational model of public policy development. There is no discussion of incrementalism, public choice, models of exploitation based upon race, religion, gender, etc. This simplifies the theoretical analysis at, I would argue, the expense of realism and program implementation.

Logue asserts there is growing evidence that the neoliberal experiment in the provision of public goods has failed. The book has no data, charts, graphs or case studies. The author simply states that inequality is a result of the New Public Management. There is no attempt to prove that inequality is a direct result of the NPM. Logue references a recent book by Norman (2019) to support this assertion. There is no definition of what constitutes inequality or why inequality is undesirable. The Stoic philosopher Marcus Aurelius argued:

- Was it for pleasure, then, that you were born, and not for work, not for effort?
- We're not put on earth to feel pleasure. You don't exist to eat delicious foods, to see exotic places, or to 'feel good.' You exist for your fellow man and woman.
- What brings us true happiness in life? It isn't just filling us with pleasure. Rather, it is helping others and doing what we were made for. A man's true delight is to do the things he was made for (Kamtekar, 2018).

Two Harvard philosophers debated the configuration of a just society in the context of inequality. John Rawls was a proponent of contemporary liberalism. Citizens do not deserve to be born into a rich or poor family or to be born more or less gifted than others. The initial distribution of natural assets is undeserved. Wealth creation is a cooperative enterprise, and all social goods are to be distributed equally. Wealth and power would be distributed equally except where inequalities work to the advantage of all. Rawls theory of justice is within the social contract tradition of Locke, Rousseau and Kant (Kamtekar, 2017).

Robert Nozick believed in the minimal state. In this philosophical approach legitimate use of power by the state is limited to preventing fraud or the use of force. It does not include the power to tax or to confiscate property. Taxation by the state to finance projects other than protection violates individual rights to decide how one's property is disposed of. Taxation without

consent is equivalent to forced labor. Socialism and liberalism redistribute wealth to achieve social justice. This imposes the redistribution of goods which ignores the history of how goods have come to be produced and distributed through trade, labor, purchases, gifts, etc. To take those goods away from people would be unjust, as long as the initial acquisition of the goods was just (e.g., one's own labor, inheritance). The state has the obligation to protect property and to punish those who violate property rights. (Mack, 2018).

We enjoy inequality in inherited attributes. Cristiano Ronaldo is a Portuguese professional soccer player with a net worth of \$460 million. Ronaldo earns a base salary of \$64 million. Off the field he earns an additional \$40 million from endorsements. He is 34 years of age. He kicks a ball. Is that fair? How much should he be paid for kicking a ball? How will this value be determined? Jeff Bezos established Amazon on July 5, 1994. Amazon has created market value of over \$ 1 Trillion for shareholders. Amazon has created jobs for 750, 000 employees. Bezos is worth \$103 billion. Is that fair? What is a better number and why? In Economics 101 we learn that the marginal value of labour is the marginal product of labor multiplied by the value of the items produced. Why is that not applicable here (Barrows, 2010)?

Empirically the elimination of inequality is impossible. In 1573, Tusser observed: “A foole and his monie be soone at debate, which after with sorrow repents him too late “This is the earliest known version of the proverb: A fool and his money are soon parted. Two great American philosophers noted:

- Never Give a Sucker an Even Break by W. C. Fields (comedy film, 1941);
- There's a sucker born every minute by P.T. Barnum (Saxon, 1989).

The numbers do not work. The Pareto distribution is a power-law probability distribution that is used to describe a number of social, scientific, geophysical and actuarial observations. With respect to the distribution of wealth in a society, the fitted trend indicates that a large portion of wealth is held by a small fraction of the population. This Pareto distribution has become known as the Pareto Principle, or 80-20 rule. This rule states that 80% of the wealth of a society is, generally, held by 20% of its population.

The author argues that social innovation and its fundamental relationship to morality have not been adequately researched. The concept of social innovation is, ultimately, a question of values. Jeremy Bentham defined happiness as the maximization of pleasure and the minimization of pain. Utilitarianism is based upon consequentialist moral theory:

- Act consequentialism – in which the morality of an action is determined by that action's effects;
- Rule consequentialism – in which moral behavior is derived from following rules that are intended to achieve positive outcomes;
- Motive consequentialism - an act cannot be wrong if the decision to act was based on a right motive irrespective of the outcome.

How to assess the Nobel Peace Prize? It can be argued that based upon act consequentialism the Nobel Peace Prize is meritorious. However, many would argue this is a

classic example of motive consequentialism. Alfred Nobel's attempt to atone for the invention of dynamite and as a major manufacturer of armaments. This conundrum is resolved by defining social innovation as process rather than outcome.

## **Decision making**

Logue suggests the use of phronesis and moral-rational judgment as an approach to decision making. Phronesis is a type of wisdom relevant to practical action, implying both good judgment and excellence of character (practical virtue or practical wisdom). This methodology is consistent with Plato's philosopher king/queen. This approach works when the right philosopher king/queen is selected. How are they selected? Do they even exist? Should moral judgments be relative to time and place or absolute?

Taking an alternative approach, Dominic Cummings (the Chief Adviser to Prime Minister Boris Johnson) proposes a transformation in the decision-making process of the United Kingdom Civil Service (Whitehall). He argues that this requires an examination of the intersection of decision-making, technology, high performance teams and government. "There is very powerful feedback between: a) creating dynamic tools to *see* complex systems deeper (to see inside, see across time, and see across possibilities), thus making it easier to work with reliable knowledge and interactive quantitative models, semi-automating error-correction etc, and b) the potential for big improvements in the performance of political and government decision-making". Cummings proposes the use of mathematical, computational and hybrid methods to allow for the analysis of interaction over time (e.g. agent-based modeling, dynamic network analysis and iterated games) and link macro patterns with interaction at the micro level. (Cummings, 2019).

Charities are more successful at raising funds than hybrids. For example a traditional charity running a social enterprise may sacrifice social outcomes in order to achieve monetary returns. There is the question of what is to be measured and recorded. There may be difficulty in establishing the relationship between inputs that correspond to the mission. Blended value and a blended return on investment require a new approach to accounting and capital allocation.

Logue argues that the focus is now on social return on investment. The usual tools are presented and evaluated (there is no attempt to select a preferred option):

- cost-benefit analysis;
- social return on investment to monetize outcomes;
- cost savings;
- stated preference (what would they pay);
- revealed preference (evidence on behaviour).

There are many other assessment techniques. For example, the Stanford University Graduate School of Business' Center for Social Innovation utilizes randomized control trials (<https://www.gsb.stanford.edu/faculty-research/centers-initiatives/csi>) to assess social and

environmental outcomes (Stanford). The Center utilizes an Outcomes Matrix, developed by Big Society Capital (2015).

The matrix is based upon three criteria:

1. some interventions have no impact at all;
2. some interventions may have a negative impact on society;
3. some interventions violate ethical principles. Of course, deciding what is and is not acceptable is, ultimately, personal and may engender difficult ethical questions.

The matrix has six Impact Dimensions:

1. Address a dire societal need;
2. Design effective interventions;
3. Address the issue in depth;
4. Deliver at scale;
5. Anchor their mission through organizational features that will carry them for the long haul;
6. Operate in a way that adds value to all constituents involved.

## **Final thoughts**

The author “is all theory all the time” and, therefore, asserts the case for the further development of theories of social innovation. The use of market mechanisms is useful but cannot be paramount. Logue argues for an enhanced role of the State in establishing direction and the pace of change. The book will be of great value to scholars. It is not an easy read for practitioners. Practitioners need to understand context. The field of social innovation requires more than collections of case studies. Theory and facts are crucial to the development of the field.

## **About the Author:**

*David Barrows* has extensive global experience in public administration, education and training, business- government relations and economic analysis. For over twenty years he was a senior executive in the government of the Province of Ontario with responsibility for industrial and trade policy. He retired as the Associate Director of the MPA program at the Schulich School of Business, York University. He has won numerous teaching awards. David has consulted and trained for the Commonwealth of Nations, the OECD and the World Bank. He has trained senior public servants in China, Botswana, Vietnam, Thailand, Malaysia and Sri Lanka. David has forty publications and conference presentations in business, public sector and economic journals around the world.

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