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Intermediaries to support the scaling of social innovation¹

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What does it mean “scaling”?

To talk about “intermediaries to support the scaling of social innovation” we need to define the meaning of “scaling” and “intermediaries”.

The meaning of “scaling” is **growth** at two possibly **interlinked** levels.

1. Organizational growth

- a) Growth in the **size** and/or in **scope** of a socially innovative organization

This growth can be:

- **internal** when an organization expands by investing in itself, without merger or acquisition of other organizations;
- **external** when it is accomplished through merger or acquisition of other organizations.

This external form of organizational growth can be by **vertical** or **horizontal** integration. In the first case there is merger or acquisition of another organization upstream or downstream the organization’s value chain. In the second case there is merger or acquisition of another organization at the same stage of the value chain.

- b) **Partnerships, business alliances, networking or others forms of cooperation** of a socially innovative organization with other organizations

2. Target population: incidence

This is the number of **new cases of persons** on which a social innovation process has an impact in one or several of the following forms:

- Sharing of new **information** delivered by the social innovation process;
- Change in **behaviour** induced by the social innovation process;
- Abiding by a new **social norm** implicit or explicit (e.g. new legislation) resulting from the social innovation process.

¹ Part of a contribution delivered in 2013 to Workpackage 3.2 of Project TEPSIE – “The theoretical, empirical and policy foundations for building social innovation in Europe” (FP7-SSH-2011-2-290711).

What does it mean “intermediaries”?

In this context, “intermediaries” are all the entities that can support this organizational growth or incidence of a social innovation process by facilitating (reducing the transaction costs) the following operations:

- **Bridging**, that is, making contacts between a socially innovative organization and other organizations for supply of resources needed for internal growth, for establishment of some form of external growth or cooperative agreement;
- **Communicating** information delivered by the social innovation process;
- **Training, persuading** or using others forms of influence to change the behavior of the target population of a social innovation process;
- **Advocating** socially innovative legislation or regulations.

Here are four examples of entities among others which can do this:

- **Umbrella organizations**, that is, associations of organizations working together to cooperate or coordinate their activities;
- **“Champions”**, that is, persons who advocate a socially innovative cause;
- **Brokers**, that is, individuals or organizations playing a role of facilitators of the contacts between a buyer and a seller, or between a party in need of some goods or services and a party capable of providing those goods and services;
- **Networks**.

This intermediation is a challenge in the sense that many times there is a lack of this kind of intermediaries for two reasons, among possibly others:

- **Free riding**;
- **Asymmetry of information**.

This kind of intermediation often involves to gather and to share information. Information that is shared is a **public good** with the corresponding “free riding” problem and the need to find forms of **financing** its production which cannot be the sale of that good because it is not marketable as such.

This kind of intermediation may also include situations where the relevant information is not public, but private, and asymmetrically distributed, causing difficulties in the bridging role of intermediaries. For example, it may be difficult for an intermediary making contacts between and small and not well known innovative social enterprise, in one side, and an institution which has the resources to finance the growth of this enterprise, on another side, because the financial institution doesn’t know well enough its characteristics and cannot monitor well enough how the enterprise will use the funds.

The core of this intermediation activity is **to cope with these “free riding” and asymmetric information problems** which are impeding factors of organizational growth and incidence of the social innovation process.

Case study: Project FAS – Formação-Ação Solidária

Background of the project

Private social welfare organisations are, by far, the main providers of social welfare services in Portugal. According to the Social Economy Satellite Account for 2010, there are 5022 organisations of this kind for a total of 55383 social economy organisations. If they are ranked in the third position in terms of number of organisations, they are, by a large difference, the most important group of social economy organisations in terms of share in the value added (50,1%) and in the total paid employment (63,4%) of the social economy.

This is a very heterogeneous group in terms of legal status, modes of governance, quality of the management, number and qualifications of the paid and volunteer workers, range and quality of the services provided to the target population, and size of their activities. In spite of these differences, they all share the following concerns:

- they face a decreasing demand from users who can afford to pay some amount for the goods and services they provide to them and an increasing demand from those who cannot afford to pay, but need help;
- in terms of future trends of the support from public funds, the prospects are negative and the same from private donors.

What all of these implies is that there is an urgent need for these organisations to find new ways to insure their economic sustainability, without compromising their mission of serving the people in need who cannot afford to pay the full cost of the goods and services they provide to them.

In spite of these strong drivers for change, this change does not necessarily happen in a spontaneous and generalised way across this large population of organisations. Also, it is not easy to find a successful strategy to help them getting started in a trajectory of change capable of coping well with the difficult challenges they are facing.

Description of the project

Since 2008, the national confederation representing the most important component of this type of organisations (CNIS – *Confederação Nacional das Instituições de Solidariedade*), in partnership with the Catholic University of Portugal in Porto, has launched a project which is proving to be a successful trigger for the kind of changes needed in these organisations. This project is called *FAS – Formação Ação Solidária*. It is an **action training** project, that is, training designed to meet the specific needs of each organisation participating in the project. This project has been fully funded by a programme co-financed by EU structural funds.

According to Father Lino Maia, the president of the board of directors of CNIS, the objective of this project is to use the training of the personnel and the directors of the organizations participating in the project for improving their capacities in the following areas where the large majority of them are still weak:

- **Strategic management;**
- **Internal communication channels contributing to more transparent and participatory management systems;**
- **Efficient organization of the work;**
- **Human resources management;**

- **Quality management systems;**
- **Ability for partnerships and other forms of cooperative work with other social welfare organizations.**

According to Palmira Macedo, the main person in the staff of CNIS for the preparation and monitoring of this project, the first edition of the project didn't have a major focus in terms of the type of problems or areas that needed to get most attention. In the second edition, there was more focus on **quality management systems**, but all the others capacities mentioned above by Father Lino Maia continued to be covered. In the third edition the main focus is on the **economic sustainability** of these organizations, but, again, all the capacities mentioned above are being considered.

Still according to Palmira Macedo, an essential characteristic of this project is the use of **participatory methods** in its implementation all along the project stages: in the diagnostic of the training needs, in the implementation of the training programmes in each organization, and in the monitoring of this implementation. She said that “we believe that this is not only the way to identify and implement training programmes more adequate to meet the needs of each organization participating in the project, but also a way to trigger a participatory process leading to more profound structural changes in the organization.”

So, the social innovation scaled with this project has to do with changes in the Portuguese private social welfare organizations in the areas mentioned by Father Lino Maia and in the direction of more participatory mechanisms in their management systems.

Outcomes and impacts of the project

Concerning the outcomes of the project, the following table with the outputs for its two completed editions (2008/10 and 2010/12) clearly shows that the implementation of the project has been very successful. The third edition started in February 2013 with a target population of 81 organisations. These outputs make this project the **main operation ever done in Portugal so far to improve the qualification of the directors and staff of the social welfare organisations.**

PROJECT FAS – FORMAÇÃO-AÇÃO SOLIDÁRIA

		1.st edition	2.nd edition	TOTAL
Time period		2008/10	2010/12	
Number of organisations		62	76	138
Number of hours of training	Planned	6200	14301	20501
	Done	6416	15688	22104
	Implementation rate	103,5%	109,7%	107,8%
Number of persons trained	Planned	2780	1072	3852
	Done	5567	12529	18096
	Implementation rate	200,3%	1168,8%	469,8%

Still about the outcomes of the project, in its second edition, as was said before, a specific target was to implement quality management systems in each of the organizations participating in the project. According to Lurdes Cunha, from the consultancy company responsible for the evaluation of this project, this goal was accomplished in most of the organizations. Another important finding of her evaluation of this project based on questionnaires answered by the directors and the quality management teams of the organizations participating in the project is that 95% of the directors and 86% of the quality management teams consider that the work done during the project in terms of quality management systems was going to continue after the end of the project. This is an indicator that the project is likely to have long term effects at least in this area of quality management systems.

The participatory methods used to design and implement the training plans have proven to be effective in triggering processes of change in these organisations leading to better conditions for sustainability. With different combinations in each organisation, these processes involve the following elements:

- actions within each organization to increase efficiency through improvement in the organization of the work and human resources management, reductions in costs, search for new sources of income and improvement in the quality of the services provided to the users;
- development of networking among directors and staff of different organisations which results in sharing of knowledge and in the development of partnerships or other forms of cooperation among these organizations.

These impacts don't happen quickly and with the same intensity in all the organisations participating in the project, but the evaluations made so far provide clear evidence that the impact of the project is effective and goes in these directions. In her evaluation of the second edition of this project, Lurdes Cunha found out that the majority of the directors and quality management teams of the organizations participating in the second edition of the project considered that it had a clear impact in improving the organization of the work, the human resources management systems and the internal communication channels. About 75% of the organizations considered that the project had a reasonable or very strong effect on the capacities for partnerships or other forms of cooperation with similar organizations.

Still according to Lurdes Cunha talking about the second edition of the project, “the main motivation for participating in Project FAS found in the majority of the organization where it was implemented was that it could be an instrument to improve the quality of the services delivered by the organization to its users and a better satisfaction of their needs”. So, most of the organizations participating in this project, more than the expected outcomes of the project, they took it as an instrument to promote structural changes capable of improving their performance in terms of the services they deliver.

The evaluation of the first edition of the project was also done by Lurdes Cunha and the main findings are similar to the ones that have been presented for the second edition.

These outcomes and impacts of this project would not have been possible if in the umbrella organization responsible for the project there was no leaders such as Father Lino Maia or competent staff persons such as Palmira Macedo who are **value-driven persons** committed to advance the cause of social cohesion and with very good capacities to be “**champions**” of the structural changes that need to be done in these

organizations and how they should be done (e.g. more participatory management systems)

Lessons learned

This is a case where scaling of social innovation was made possible because of the **pre-existence of some form of bonding** among the organizations in which this scaling had an impact. The form of bonding here is membership to an umbrella organization.

That bonding was not a sufficient condition for the scaling to be feasible. In fact, this project would not have been possible if there was no **public funding** available to support its activities. So the “free riding” problem was solved here by appealing to this kind of funding.

This is a case of an umbrella organization scaling social innovation within the population of its member organizations in terms of improving their capacities in the following areas:

- Strategic planning
- Internal communication channels contributing to more transparent and participatory management systems
- Human resources management
- Quality management systems and the adoption of a “culture of quality”
- Ability for partnerships and for other forms of cooperative work with other social welfare organizations.

Without the support of their umbrella organization, it would have been much more difficult for each organization participating in this project to be as aware as it is now for the relevance of the organizational changes mentioned above and to find the resources needed to implement them.

This example also points out to the fact that it is important to have in the leading positions of the umbrella organization and of this project persons like Father Lino Maia and Palmira Macedo who are **value-driven persons, committed to advance the cause of social cohesion.**