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EDITORIAL

Dear Readers



Insanity can be defined as doing the same thing over and over again with the expectation of achieving different results. Way too often resources are wasted and time is lost, because there is no willingness to break the mold.

Thus, going through critical situations from time to time pushes organizations to question their basic ideas and modes of operation. In the face of the global economic climate it is not surprising that innovations find a growing interest. Contrary to former crises, the society not only pins its hopes on the talent of technological inventors. In fact, society develops own changes and tests them on itself. Social innovations are not always as apparent as for instance the Arab spring. They much rather develop without being noticed by the larger public. As with technological innovations, social innovations have positive and negative consequences, with winners and losers.

After all, it would be as insane to do different things and expect the same result over and over again!

Enjoy reading more about social innovations!

Your Georg von Schnurbein

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Are foundations social innovators?

Social innovations can be regarded as new and sustainable solution mechanisms for societal problems. It is often asserted that foundations have a particular potential to be drivers of social innovation.

An article by Steffen Bethmann.

The world faces many challenges: climate change, poverty in old age or obesity of children in industrial nations, to name just a few examples. State governments are overwhelmed in finding appropriate solutions. Governments are somewhat dependent on the private sector and civil society in overcoming these challenges. There is a growing need for new mechanisms to solve pertaining issues. It is through social innovations that new answers for the societal problems of our times can be found.

Origin of innovation research

The term social innovation has become tremendously popular in recent years. Many foundations and NPO label their activities as innovative and within the academic world, many research centers were founded carrying social innovation in their name. The origin of innovation research can be traced back to the analysis of economic development. The Austrian economist Joseph Schumpeter discovered that radical innovations triggered periods of economic growth. With radical innovations he meant innovations that through an act of «creative destruction» would displace the old and, at the same, initialize many incremental innovations. The steam engine or the internet are such examples. Based on Schumpeter's deliberations, research focused almost exclusively on the analysis of technological and eco-

nomical inventions and their diffusion in the market.

Social Innovation

In Germany, it was Wolfgang Zapf in 1989 who requested that social innovations were established as proper research area within sociology. He saw the great opportunity for social scientists to take on the same role as engineers within society and to become important problem solvers for social issues. His call remained without a significant response up until recently. Within the last five years, numerous publications have started to conceptualize and improve the understanding of the processes within social innovation.

Two approaches

Basically two different approaches can be distinguished. The systemic approach tries to develop an integrative theory of innovation. Especially the diverse value and action logics within different social systems are emphasized. Depending on the logic of the actors, a problem can be defined in different ways and, hence, the solution to the problem may be judged differently. For example, some people may see homosexual marriages as a great advancement in the realization of human rights, the same social innovation may be seen, by some more conservative people, as an evolutionary set back. The Belgian professor Frank Mouleart calls this «the ethical standpoint towards social justice».

The pragmatic approaches of social innovation focus on the positive aspects of social innovation and attempt to develop models of new solution patterns that help resolve societal problems. The Young Foundation in London e.g. proposes a model that includes six phases. **Prompted** by a special event the need of action becomes obvious and different solutions are **proposed**. The solutions that promise the best results are transformed into **pilot projects**. If they are successful they need to be **sustained** and **scaled** so that they can contribute to a **system change**.

Foundations as Social Innovators?

Due to their independence from financial and political restraints, foundations are commonly associated with a special potential for becoming social innovators. They do not have to follow the opinion of majorities, can finance their own projects and are in principle only accountable to themselves. Therefore, they have the ability to take risks and to experiment with new solution patterns. They can also function as bridge builders between societal groups and bring together actors that would otherwise not meet. Foundations have different strategies at their disposal to promote innovation. They can provide short-term financial support while also trying to create

their own social innovations in long-term programs that encompass all phases of the innovation process. Important is, however, that they play an active role and do not only evaluate funding proposals. Money alone will not bring system change.

FACTBOX

The diffusion researcher Everett Rogers defines the **rate of adoption** as the relative speed by which an innovation is adopted by members of a social system. Some innovations never diffuse even if they show apparent advantages. The reason may be that they are not compatible with the values of the target group or that they may appear too complex.

Source: Rogers 2003

However, the innovation potential of foundations is also questioned. Critics label foundations as unable to cope with the larger problems of our times. Due to missing internal and external stimuli and the peculiarity of foundations – being that their boards of directors are headed by the society's elite – leads to a missing ability to reflect on the root causes of many problems. The decisions about what is good for society are made wit-

hout integrating the target groups in the process. Furthermore, foundations are being criticized that they launch into many pilot projects and later ask the government to take over the task of disseminating the new solution.

Most probably the truth lies in between. There are many foundations that celebrate themselves in glossy brochures, while the actual impact of their activities is marginal. On the other hand, there are also foundations that set impulses and that have developed participatory decision making processes and project structures. Foundations can be innovators in society – if they want to. The gradually emerging social innovation research is hereby providing the necessary knowledge.

Steffen Bethmann is a research assistant at the Centre for Philanthropy Studies and a PhD student at the University of Heidelberg. His PhD thesis looks at organizational factors that enable foundations to be drivers of social innovation.

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Cours intensif en gestion des fondations donatrices

Together with cooperation partners the CEPS organized its first course in foundation management in the French-speaking part of Switzerland.



The development of the French-speaking part of Switzerland to becoming a significant center of philanthropy has

been well documented in figures by the Swiss foundation report 2011. The considerable growth of foundations as well as the establishment of philanthropy consultancies, specialized funds and intermediaries for large international NPOs contribute to the region's importance in the field of philanthropy.

As a national Centre for Philanthropy and Foundations the CEPS always had the intention to be active across the language frontiers. This lead to the CEPS, in collaboration with wise philanthropy advisors, pioneering an intensive course in foundation management in Geneva. The third partner of the project was the Institut des Hautes Etudes International et du Déve-

loppement (IHEID) offering their beautiful mansion on the lakeside in Geneva for the 27 course participants. On three days, from 30 October to 1 November, topics such as regulatory frameworks, management and impact orientations were discussed. The diverse program featuring talks from researchers, practitioners and experts as well as case studies and group assignments was well received by the participants. The discussions showed two central topics: On the one hand, it is evident that foundations are faced with challenges caused by the current difficult situation on the financial markets. On the other hand, foundations on the pursuit of innovative ways to solve social problems often encounter barriers due to regulatory constraints or missing resources.

Due to the great success of the program, the next edition is already planned for 11-13 September 2013.

CEPS INSIGHT

Recent publications from the CEPS

«The Swiss foundation sector as economic factor» by Georg von Schnurbein and Steffen Bethmann has been published in the bulletin of the association of Swiss university lecturers. The teaching case by Steffen Bethmann «The Chance – Foundation for professional experience in Eastern Switzerland» is available on the website of the European Case Clearing House.

www.hsl.ethz.ch

www.ecch.com

CEPS Research & Practice No 7

«Internal control system for public beneficial foundations in Liechtenstein as foundation law framework and leadership instrument» is the title of edition 7 of the series Research & Practice. Markus Fivian analyses how the introduction of a internal control system especially for foundations in Liechtenstein law could improve governance structures.

Lecture at Day of Foundation Law

Georg von Schnurbein held a lecture with the title «Governance and Management of grant-making foundations in Germany and Switzerland» on 11 November at the Brucerius Law School.

The growing field of social business and innovation studies

At the European Business School (EBS) in Oestrich-Winkel social innovation and social business are also among the topics of research. The CEPS speaks with Karin Kreutzer about the significance of a growing field and its relation with classical business management studies.

CEPS: What is new about the topics social business and social innovation?

K.K.: Very little is new about them. What is new though, is that these topics are much more in the public eye and get a lot more attention from the political scene, the economy and last but not least the universities. Deservedly so, in my view.

Social business is not a new phenomenon. Already in 1850, Gustav Werner founded factories in Reutlingen that employed people with disabilities. Sparkassen – savings banks – emerged in the 19th century, originally with the goal to enable particularly the poorest in society to get access to banking services – a model that is not that different to today's microfinance banks founded by Muhammad Yunus.

The overlap of the business and the social sector is anything but new. What is new is that we scientists are so intensively looking into these questions. Besides, the growing number of competitions and initiatives that support founders of social organizations – be it through financial means or access to networks – is also new.



Karin Kreutzer

Prof. Dr. Karin Kreutzer is Assistant Professor and holds the Danone Endowed Chair of Social Business at the EBS. She

holds a doctoral degree from University of St.Gallen, a Masters degree in International Business Studies from University of Passau and a Masters degree in Management of Nonprofit Organizations from Bocconi University.

CEPS: More and more business schools or business faculties offer courses in social business. Is a rethinking taking place in management education?

K.K.: Yes, a lot of changes are taking place. When I started studying in 1998, there were no lectures on corporate social responsibility (CSR) or management of not for-profit organisations in

the curriculum of business studies. Today, there is not a single business school that does not include these topics in the list of obligatory courses. The topic «social business» however, is still relatively new. Our chair is the first of its type in German-speaking countries. But this is not to say that «social business» has not already found its way into other universities' curricula. We have built up a competence center at the EBS where research orientated scientists and experienced practitioners set about to research how added social value can be created in an entrepreneurial way. In our courses, we educate students up to all levels, from bachelor to PhD.

CEPS: To what extent is there a dialogue between the classical business studies and the new, social oriented disciplines?

K.K.: I see no difference at all. For me, social business is a discipline of the classical business studies, just as marketing or human resources management. Regardless whether in research, teaching or practice transfers, social business is nothing exotic, but a normal field of specialisation. And naturally, we exchange ideas amongst us.

CEPS: Do NPO in your management models move faster in the direction of corporations than corporations take on social responsibility?

K.K.: No, I don't think so. I believe the boundaries between the social, the third and the economic sector are blurred. There are nonprofit organizations which are managed extremely professionally, such as Unicef or World Vision. On the other hand, there are no big corporations today that can afford not to have a corporate social responsibility strategy.

CEPS: The still young research field of social business seems to be establishing itself. Where is the voyage going?

K.K.: That is a good question. At the moment, the research field is growing very rapidly, also in the international arena. The topic is obviously interes-

ting for students, for scientists and for practitioners. In the leading international research, social business has been a topic for quite a while and we find relevant articles in the best scientific journals. I think the potential is not yet exhausted and the topic will gain more ground, still too many research questions in the field of social entrepreneurship, social innovation and social business remain unanswered.

CEPS: Thank you very much!

NEWS

GENEVA Maison des Fondations

On 5 November 2012, SwissFoundations opened a subsidiary in corporation with the Louis-Jeantet Foundation in Geneva. Similarly to the House of Foundations in Zürich, the Maison des Fondations in Geneva will offer foundations from the French-speaking part of Switzerland an important networking platform and events location. The subsidiary is headed by Dr. Claudia Genier.

BERLIN Communication Awards

The Association of German Foundations has awarded four foundations for their exemplary public relations with the communication award KOMPASS. Winners were the Naturstiftung David (Erfurt) for its overall presence, the foundation st. franziskus heiligenbronn (Schramber-Heiligenbronn) in the category project communication and the NaturSchutzFonds Brandenburg (Potsdam) in the category specific communication activity. A special prize for the best annual report was given to the community foundation Braunschweig. www.stiftungen.org

BASEL Association European Volunteering University

The association «European Volunteering University» was founded in Basel on 17 October 2012. The association aims to promote the exchange of science and action in the field of volunteering, starting with the launch of the «European Volunteering University».

Social Innovation

The book «Social Innovation - Blurring Boundaries to Reconfigure Markets» catches the wave of social innovation but fails to sit on top of it



Alex Nichols and Alex Murdoch have edited a book together on Social Innovation with the aim of taking the research agenda forward. The book includes theoretical perspectives as well as some

practical case studies.

In the introduction, the authors give an overview of the growing flow of literature in the field. They propose to analyze social innovation by applying the framework of level of analysis (micro, mezzo, macro) and by looking at the two innovation types process and outcome. Theoretical traditions are presented and the context of social innovation is briefly explained.

The book is organized in three parts: «Context and Frameworks», «Strategies and Logics» and «Sustainability and Environmental Innovation». Among the authors is Geoff Mulgan from NESTA or Janelle A. Kerlin who puts her comparative social enterprise research into the perspective of social innovation.

The book adds to the current development aiming at establishing social innovation as a proper research field. Innovation has been dominated by technical and economic paradigms for too long. Different views are needed. However, in order to be taken se-

riously and really advance the objectives of the field, more neutral deliberations would be desirable. The two editors unfortunately pushed their stance a bit too far. Declaring social innovation as the new global imperative and labeling it as the sixth wave of macro-level change seems slightly off. Even if the book is well worth reading, the editors would have been better advised to keep their feet firmly on the ground rather than trying to sit «on top of the world» as the header of the introduction suggests.

Did you know?

1.003.000.000

In total, ZEW certified organizations (ZEW: a Swiss label for trusted fundraising charities) have earned 3 billion CHF. This is 8.3% more than the year before. Following 2010, this is the second year in a row that the biggest part of the income, namely 36.4%, was received from the state. Donations constitute a third of the income and add up to approximately 1.003 million CHF. Own revenues made up a quarter of the income.

Source: SwissFundraising, ZEW Statistik

Infrastructure

An infrastructure for social innovation is slowly developing.

Innovation parks are an established means to provide office space for young entrepreneurs, to connect them with experienced business angels and to help them scale their business ideas. Based on the same idea, an infrastructure for social innovation is in the making. Two years ago e.g., a HUB opened its doors in Zurich. HUBs are incubators for social businesses. Social entrepreneurs here also share office spaces, support each other in the development of their business ideas, organize workshops and networking events and invite potential investors to short presentations (pitches) of their projects.

The web is another platform connecting social innovators. Social Innovation Exchange e.g. is a website for exchanging ideas and presenting successful models. Articles and videos on finance, governance and solution approaches as well as topics like migration or health can be downloaded for free. The biggest challenge is finance. Innovation also means taking the risk to fail. Many investors in the social sector are not yet prepared for this.

www.the-hub.net

www.socialinnovationexchange.org

CALENDER

CEPS ADVANCED STUDIES

[Enroll now!](#)

**Intensiv-Course
Foundation Management**

4 - 8 March 2013, Siegriswil

**CAS Governance &
Leadership**

Modul 1: Strategic Management

8 - 11 April 2013, Siegriswil

Modul 2: Leadership

6 - 8 May 2013, WWZ, Uni Basel

Modul 3: Organizational Development

27 - 30 May 2013, WWZ, Uni Basel

Writing Good Grant Proposal

26 Februar 2013, Culture

19 March 2013, Development Aid

26 March 2013, Social

FURTHER DATES

**Friends of the Global Fund
Investing in health and development:
The role of foundations**

12 December 2012, Paris, France

**Funders Concerned About AIDS
2012 AIDS Philanthropy Summit**

10 December 2012, Washington USA

**Donors and Foundations' Net-
works in Europe**

Winter Meeting 2013

24 - 25 January 2013, Kiev, Ukraine.

TEDx Lausanne

What if we do(n't)

18 Jan 2013, Lausanne, Switzerland

LEGAL NOTICE

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