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Can a focus on co-created, strengths-based services facilitate early-stage innovation within social impact bonds?

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ABSTRACT

While many commentators recognize the potential for Social Impact Bonds (SIBs) to encourage innovation, empirical evidence is less clear cut. We argue that for SIBs to realize their full potential as incubators of innovation they needed to incorporate a stronger element of co-creation and strengths-based working, and suggest some accompanying characteristics of such SIBs. We analyze four UK SIBs as case studies that exhibit these characteristics. We find that within the cases strengths-based service delivery models were successfully implemented through SIBs; alongside this we found extensive evidence of co-production but limited evidence of co-creation. Strengths-based working, including co-production, helped the SIBs to catalyze early stage innovation. We identify several elements of SIB design which were instrumental in supporting strengths-based practices and could also support co-creation: greater autonomy for service providers; shifting risk to investors; use of a rate card; and long-term, flexible funding. Our findings challenge those who are skeptical about the potential for SIBs to provide a setting in which people who use services and frontline service providers are empowered to re-engineer public services and contest current systems.

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Introduction

The first Social Impact Bonds (SIBs), also known as “pay for success contracts” were launched in the aftermath of the 2008–9 global economic crisis in the UK and part of their appeal was the promise of increasing innovation in public services and delivering “more for less.” A SIB is a form of social outcomes contract in which some or all of the payments are linked to demonstrating the achievement of defined social goods. Through a SIB, operational financing is provided, not by the service provider, but by private investors (Social Finance 2009). To date, these have usually been social investors: investors who consider both social and financial returns. SIBs can also be understood as being a part of a broader “social investment” movement (Albertson et al. 2018).

In an early discussion paper, Social Finance (2009) argued that SIBs were an innovation in financing social services, and also that the outcomes focus of SIBs would encourage social service providers to innovate. Since then, SIB literature has continued to tout these dual characteristics (Moore, Westley, and Nicholls 2012; Gustafsson-Wright, Gardiner, and Putcha 2015; Albertson et al. 2018, 2020). The promise of SIBs to encourage innovative services is reflected in government support for them, particularly in the UK and US. In the UK some of the earliest SIBs were supported through a government Innovation Fund while in the United States, the Social

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Innovation Fund within the Corporation for National and Community Service supported the development of an ecosystem for SIBs (Albertson et al. 2018).

Much has happened since the start of the SIB movement, including the COVID-19 pandemic and subsequent global economic downturn. These global shocks have compounded new and increasing social needs, including aging populations, long-term health conditions such as diabetes, youth unemployment rates, a mental health epidemic, housing insecurity, and loneliness across the generations. The need for innovation in the delivery of public services has never been clearer. Research suggests that SIBs have had some success in bringing social investment into public services (Albertson et al. 2018; Wooldridge, Stanworth, and Ronicle 2019). There is also evidence that SIBs, through adopting payment for outcomes, have transferred some risk away from service commissioners and third sector providers who only pay for services if outcomes are achieved (Albertson et al. 2018). However, their record on innovation is mixed, at best (Albertson et al. 2018).

Many commentators recognize the *potential* for SIBs to encourage innovation. Examples of how they could do this include: increasing collaboration and partnership working between commissioners and providers (Roman et al. 2014; Gustafsson-Wright et al. 2015); providing funding for innovative interventions that would normally be deemed too risky (Wooldridge et al. 2019); and enhancing the potential for innovation at the front-line due to increased freedoms and autonomy for staff to respond flexibly to presenting needs (Gustafsson-Wright et al. 2015). Yet existing empirical evidence is not clear cut. Gustafsson-Wright et al. (2015) in their substantial review of SIBs worldwide concluded that SIBs have not supported many highly innovative interventions, in the sense of new interventions, but some have supported interventions that are being delivered in different ways or to different populations. A review of published evaluations of outcome-based commissioning in the UK found that while SIBs were associated with some innovation in the commissioning of services, there was relatively little evidence that SIBs were leading to innovation in the design of service delivery (Albertson et al. 2018). Also Wooldridge et al. (2019) review of the challenges and benefits of commissioning SIBs in the UK found that those commissioning SIBs with a focus on innovating or testing a model reported examples of innovation in interventions, although evidence overall was quite limited.

This article poses the research question, how can SIBs be reimaged to be a catalyst for innovation, particularly social innovation? We draw attention to the growing literature around social innovation (e.g., Mulgan et al. 2007; Murray, Caulier-Grice, and Mulgan 2010; Grimm et al. 2013; Marques, Morgan, and Richardson 2017) and the importance of co-creation in social innovation (Voorberg, Bekkers, and Tummers 2015). All this implies, we argue, that for SIBs to realize their full potential as incubators of innovation they need to incorporate elements of co-creation and strengths-based working (Albertson et al. 2020). To answer the research question, we analyze four recent UK SIBs as case studies. Through a cross-case analysis, we identify various practices that facilitate early stage innovation. We co-opt the newly emerging Human Learning Systems approach (HLS) (Lowe et al. 2020) as an interpretive framework to discern which elements of SIB design are fundamental to fostering both strengths-based working and co-creation in the pursuit of social innovation.

The paper proceeds as follows. After this introduction, we summarize key literature on social innovation and the role of co-creation and strengths-based working in social innovation. In the following section, we draw on this literature to propose characteristics of SIB design that would be better suited to being a catalyst for social innovation. Subsequently, we turn to how we tested the model in four UK SIBs which exhibit some or all of these characteristics, explaining the case study methodology before reporting the findings in subsections on co-creation, early stage innovation, and SIB design. Finally, we discuss the findings through the lens of HLS, and conclude that, contra to many assertions and assumptions, a “SIB 2.0” model capable of supporting social innovation is possible.

Social innovation, co-creation and strengths-based working

To explore whether SIBs can be a catalyst for social innovation, we start by introducing social innovation and go on to show how the concept of co-creation is closely aligned with it. We then explain how strengths-based working can allow co-creation to be structured at the level of individual service interactions in ways that reposition people who are usually the targets of services to use their assets, including their lived experience, to shape service innovations.

Social innovation

Innovation means new ideas that are put into practice (Hartley 2014). Social innovation is about addressing human needs, transforming relationships and increasing people's resources and capabilities (Moulaert et al. 2013; Marques et al. 2017). It can refer to new products and services that address social needs – goal-oriented social innovation (see for instance, Mulgan 2006; Phills, Deiglmeier, and Miller 2008) – or new processes that use social relations to deliver products and services in more efficient ways – process oriented social innovation (see for instance, Mumford 2002; Howaldt and Schwarz 2010). Murray, Caulier-Grice, and Mulgan (2010) simple but effective definition is that social innovations are those innovations that are social in both their means and their ends.

In commercial innovation, current thinking emphasizes a widely distributed knowledge base including customers (Chesbrough 2011; Curley 2016). Similarly, citizens in receipt of public services are increasingly recognized as an important source of new ideas (Hartley 2014). This is reflected in recent empirical studies of social innovations. Evers and Brandsen (2016), Moulaert and MacCallum (2019) and Oosterlynck, Novy, and Kazepov (2019) highlight new provider-user relationships, revision of professional roles, collaborative forms of governance, reciprocity, co-operation, and collective empowerment as crucial to fostering social change. Across these studies, social relations are at the heart of social innovation, and alongside social innovation there has been an associated shift toward the idea of public services that are co-produced between citizens and providers (Bevir, Needham, and Waring 2019; Voorberg et al. 2015).

Co-production and co-creation

Co-production implies that “both public service agents and citizens contribute to the provision of public services” (Brandsen, Pestoff, and Verschuere 2012: 1). Definitions in the extensive literature vary in detail and emphasis but there is common attention to the rights, responsibilities and contributions of people in receipt of services (Brandsen and Honingh 2018; Bevir et al. 2019). For Rosen and Painter (2019), co-production “re-envisions and legitimizes citizens as active participants and knowledge holders who should influence service and goods provision throughout decision making and service delivery,” including in problem definition, co-design, and program evaluation. Co-production thus overlaps with the more recently popularized term “co-creation” defined as the “active involvement of end-users in various stages of the production process” (Voorberg et al. 2015: 1335).

Co-production and co-creation are often used synonymously (Voorberg et al. 2015; Torfing, Sørensen, and Røiseland 2019) but Torfing et al. (2019) and Osborne (2018) argue for a distinction to avoid concept stretching. In Osborne's analysis, co-production refers to citizen contributions to service production and delivery (leaving public service organizations to dominate planning and decision-making), whereas co-creation involves “an interactive and dynamic relationship” (Osborne 2018: 225). Co-creation thus denotes a more radical “democratisation” of public services and a break with New Public Management (Brandsen and Honingh 2018; Torfing et al. 2019). We adopt this distinction in this article. Notwithstanding widespread enthusiasm and

support for co-production and co-creation as humane and inclusive, some critical voices warn of tokenism and failure to fully recognize imbalances of status and power (Bevir et al. 2019). Crompton (2019) observes that idealized narratives of collaboration and empowerment may not be borne out in the experience of less powerful stakeholders.

Strengths-based working

Together, social innovation and co-creation have been called “magic concepts” (Pollitt and Hupe 2011) embraced as a new reform strategy for public services in the face of social challenges and budget austerity (Voorberg et al. 2015). However, in recognition of the critiques of co-creation noted above and similar critiques of social innovation, Fox et al. (2020, 2021) have argued that the concept of strengths-based working is a necessary third pillar in this new public services reform strategy. Co-creation implies that people who are usually the targets of services (i.e., have services done to them) are *asset holders* with legitimate knowledge that has value for shaping service innovations (Fox et al. 2020). In the for-profit sector it is generally assumed that end users (customers) have agency and capabilities that are sufficient for them to engage in co-creation. But this assumption very often does not extend to public services.

Welfare states were founded to combat pervasive evils that beset 20th Century society, and to repair individual misfortunes (Esping-Andersen et al. 2002; Hemerijck 2013). Today, many public services are still designed in such a way as to fix things for people in the short-term or encourage them to take action that fits the service’s priorities, not their own (Wilson et al. 2018; Fox 2018). This is a deficit-based approach that:

[L]eaves people without clarity about the changes they want to make or the knowledge, confidence or support to get there. It often only addresses a single (and often most visible) aspect of people’s lives, without taking account of what else is going on. (Wilson et al. 2018: 5)

Strengths-based approaches (sometimes used interchangeably in the literature with the term “asset-based” approaches) start from the position that people have assets or “strengths” and focus on peoples’ goals and resources rather than their problems (Price et al. 2020). They therefore draw together concepts of participation and citizenship with social capital (Mathie and Cunningham 2003). Thus, Baron et al. (2019) note that strengths-based approaches explore, in a collaborative way, the entire individual’s abilities and their circumstances rather than making the deficit that brought them to the service the focus of the intervention. Strengths-based approaches do not impose a single, uniform structure on diverse communities. Instead, they support citizens’ development of their capacity and their opportunities to exercise agency in undertaking small acts that build meaningful relations. Strengths-based approaches cover a wide range of practices often starting with forms of appreciative enquiry or motivational interviewing with people who use services, reflective practice on the part of front-line staff, and approaches such as Local Area Coordination and Asset-Based Community Development in the communities that people live in, all of which are designed to help people take action (Rippon and Hopkins 2015; Mathie and Cunningham 2003; Wilson et al. 2018). However, strengths-based approaches are not without their critics. Some commentators have questioned whether a focus on individuals comes at the expense of addressing structural causes of the issues that people face and as such strengths-based approaches could be seen as an extension of neoliberal thinking in public service reform (Friedli 2013; MacLeod and Emejulu 2014; Roy 2017).

Human learning systems

Strengths-based approaches to service delivery are thus implicit within co-created public services that work with people who are vulnerable and/or have complex needs. They are seen as experts

on their own lives, meaning that their knowledge and expertise should be brought to the table alongside that of professionals (Wilson et al. 2018). In turn, this co-creation enables social innovation by harnessing the ideation from communities to facilitate processes of social change. New ideas, in other words, come from people and relationships (Cottam 2018).

Osborne (2006; 2018) posits New Public Governance (NPG) as a useful theoretical framework for thinking about the relational approach to public service reform embodied in co-creation. Whereas New Public Management (NPM) assumes effective public administration and management is delivered through independent service units, ideally in competition with each other, NPG acknowledges the increasingly fragmented and uncertain nature of public management with multiple inter-dependent actors. Relationships between organizations that deliver services are based on trust, and “relational capital and relational contracts act as the core governance mechanisms” (Osborne 2006: 382–383). Thus, under NPG, in stark contrast to NPM, human relationships are given priority in the design of public services (Cooke and Muir 2012).

NPG, however, may only partially capture the dimensions of capability, agency and learning brought to the fore by introducing strengths-based approaches to the intersection of innovation and co-creation. We propose instead to adapt the emerging “Human Learning Systems” approach (Lowe and Plimmer 2019; Lowe et al. 2020; Hawkins 2021) to address our research question.

Human Learning Systems is a response to the complexity of public sector governance and the perceived failings of NPM (Lowe et al. 2020). The approach is grounded in contact with hundreds of organizations, supporting many of them to develop new practices, document their experiences and reflect on their work (Lowe and Plimmer 2019). It responds to the complexity that people using public services experience by emphasizing that services should engage with “rounded human beings” (Lowe et al. 2020: 2). This implies services that adopt strengths-based approaches to build people’s capabilities, which in turn emphasizes human relationships in service delivery (Lowe and Plimmer 2019). Another key pillar of the model is practice-based *learning* through experimentation, adaptation, and reflection. The final of three pillars is a recognition of systems as the basis for social interventions, rather than organizations or projects.

Interestingly, co-creation (and co-production) are not central to accounts of HLS as expounded by Lowe et al. (2020) and Lowe and Plimmer (2019) but are clearly implicit within the relational model of service delivery that is described, and co-production is cited by Hawkins (2021) as a methodology that can support adoption of the HLS approach. It is something of a provocation to invoke HLS in our research with SIBs since its instigators themselves vehemently contrast their approach with metrics-based outcomes (Lowe et al. 2020). Moreover, Lowe and colleagues have separately equated SIBs with the tightening of NPM (Lowe et al. 2019; Dayson, Fraser, and Lowe 2020). Some recent SIBs, however, as we show below, have been designed with elements of co-creation and hence strengths-based working. This at least opens up the possibility to counter widespread agreement that the mechanism inherently embodies NPM.

SIBs as a catalyst for social innovation

Although social innovation, co-creation and, we argue, strengths-based approaches, are closely aligned concepts, some commentators doubt whether SIBs can create these kinds of conditions. Several commentators (e.g., McHugh et al. 2013; Warner 2013; Sinclair et al. 2014; Dowling and Harvie 2014; Dowling 2017) view the SIB approach to delivering public services as informed by, or an extension of, NPM.

Hajer (2020) suggests that the emergence of SIBs can be explained by their congruence with neo-liberal governance regimes, in particular their offer of enhanced cost-effectiveness or efficiency. Tse and Warner (2020) argue that SIBs conflate the language of social outcomes with specified contractual outcome metrics and extend the NPM model of markets, managers and metrics (Ferlie et al. 1996) to include the concept of “financialisation” whereby client behavior is

linked to the performance of service providers. They also consider that macro-level changes are not included as outcomes in contracted SIB metrics and therefore SIBs do not seek to change the behavior of powerful actors that create the societal and market failures which cause social problems; instead, SIBs focus on changing the behavior of vulnerable clients through outcomes-based management regimes.

If justified and applicable to recent as well as older SIBs, these criticisms suggest that SIBs cannot provide a framework for co-created, strengths-based services that create the conditions for socially innovative solutions to meeting social outcomes. As Warner (2020: 188) argues:

The idea that clients and frontline service providers would be empowered to re-engineer the system and focus on outcomes is a wonderful dream, but it is profoundly undermined by the SIB financing and evaluation model.

If, on the other hand, there is evidence that some recently implemented SIBs can support strengths-based working, empower frontline service providers and clients to co-create services, enhance learning, and in the process re-engineer local service provision systems, this would call into question some of the assertions made by critics of SIBs – including claims of the inability for SIBs to facilitate social innovation. We follow Albertson et al. (2020) in suggesting that for SIBs to reach their potential as catalysts for social innovation capable of addressing complex social needs they need to do some or all of the following:

- Adopt strengths-based ways of working
- Co-create service solutions with citizens
- Draw together broader and more inclusive partnerships which give greater say to experienced service provider organizations that better understand the needs of local people
- Allow for more experimentation in service delivery.

To test the proposition that co-creation and strengths-based services facilitate early stage innovation within SIBs, we now turn to examine SIBs that exhibit these features.

Methodology and data collection

We adopt a case study approach, analyzing four SIBs that employed co-creation and strengths-based working within the services that they commissioned. For the sake of anonymity, we refer to these cases as SIB A, B, C, and D. Through an in-depth analysis of these four SIBs, we intended to produce results which can generalize to similar SIBs (Gerring and McDermott 2007), in this case SIBs that employ similar design features, as summarized in Table 3. Case selection was purposive to reflect a range of dimensions that theory suggests might influence design and delivery: stage of development, type of client group, size and complexity of service delivery system, local community context, and novelty of intervention (see Appendix 1). For example, SIB B was very close to completion, SIB A was over half-way through its delivery phase, and SIBs C and D were in the early stages of implementation. A brief description of each SIB follows.

Using asset coaches and an assertive outreach approach, SIB A offered wrap-around support to entrenched rough sleepers – or individuals who slept rough at least six times out of the past two years and/or were well known to homelessness services. This support included access to health, training, and employment services, including by joining-up different services in different organizations. SIB B provided personalized services to young adults experiencing homelessness who were not in employment, education, or training. With a focus on empowering individuals and re-enfranchising front-line workers to overcome system barriers, it used asset coaches to connect individuals to resources, support, opportunities, and positive networks within their local

communities. SIB C worked with individuals at risk of homelessness by offering support with housing, health and wellbeing, education and employment, and domestic violence. Support included helping individuals to manage their finances and receive benefits to which they were already entitled, as well as providing a tailored approach to independent living using elements of social prescribing. Finally, SIB D offered social prescribing to individuals with long-term health conditions, whereby individuals worked with a coach to create personalized action plans for matching individual capabilities to local opportunities. Where no community services existed that people might be referred to, the SIB helped finance and create new community-based interventions to meet people's needs.

To gather rich descriptions and first-hand insights about each case (Gerring and McDermott 2007; Mukhija 2010), we reviewed key documentation and conducted semi-structured interviews with a local authority payer, the SIB manager, front-line service delivery staff, partner agencies and investment managers¹. Of note, one organization served as the investing manager in all four SIBs. This organization also brokered initial access to partner organizations for interviews. We did not interview volunteers or people who used services, and recognize this as a limitation to be remedied in future studies. In total, we conducted 12 individual or group interviews from March to April 2020 and spoke with 19 individuals from 9 different organizations. One interview focused on SIB B, one on SIB C, three on SIB D, and four on SIB A. Another three interviews with individuals from the managing organization for all four SIBs touched on each of the SIBs to varying degrees (see Appendix 2 for further details). Due to the COVID-19 pandemic, all interviews were conducted on-line.

Interviews were not recorded; instead, we took detailed notes during the interviews, which we then wrote up more formally and anonymized. Based on the study's research question and initial theoretical framework, each member of the research team reviewed these interview notes, along with other SIB documentation and performance management reports, to generate an initial set of themes. We then compared and consolidated these themes to establish the codes for the first round of within-case analysis, with each team member examining separate cases. The coding structure then developed in a grounded manner, allowing the team to discuss and debate any emergent themes not included in these original codes requiring further exploration and refinement. This iterative and collaborative process also ensured consistency in data coding and interpretation.

Ultimately, we coded the data based on six major themes: 1) the development of co-produced and strengths-based models; 2) the impacts of these models on organizations, practice and professional development; 3) the effects of these models on individual assessment, planning and risk; 4) the role of these models in catalyzing the design of innovative services; 5) making these models sustainable in wider public service delivery systems; and 6) the relationship between these models, the overall structure of SIBs and the relationships between key partners. We then used a cross-case analysis to identify areas of similarities and differences among the SIBs.

Findings: new SIBs in practice

Our thematic coding generated three main sets of findings. First, that within the cases elements of co-production and strengths-based service delivery models were successfully implemented through SIBs and there was some evidence of co-creative practices starting to emerge. Second, that these practices helped the SIBs to catalyze early stage social innovation. Third, that there were several elements of SIB design which were instrumental in supporting these co-created, strengths-based practices.

Strengths-based working, co-production and co-creation

Within the four cases, we found a commitment to strengths-based working that entailed adopting a different attitude toward the people who use services by seeing them in terms of their strengths rather than their deficits. Consistent with the concept, there is no standard model for strengths-based work, but there were some common elements across the four SIBs. These included the people using services setting the agenda for meetings with staff and volunteers, focusing on aspirations and future ambitions, supporting people to develop their capabilities and capacity, consciously attempting to shift the balance of power toward people and away from services, and using strengths-based language. The development of more personalized services tailored to individual needs and desires was also a common theme.

Overall, within the four cases we found stronger evidence of the co-production of services as opposed to co-creation in designing whole SIB programmes. The integration of user voice tended to take place during quite limited stages of the SIB process, for instance during implementation but not contract design, and also tended to come from representation by service providers as opposed to active participation by users themselves. However, there was tentative evidence that two of the SIBs were moving toward greater co-creation in the design of SIBs and services in the future, particularly within SIB D. In fact, the model used in SIB D was developed through grassroots efforts led by a general practitioner (GP) who was embedded within the local community. This GP identified shortcomings of the traditional approach to engaging with the medical system, such as the fact that GPs could only see clients for 15 minutes at a time. Building on these efforts, the SIB partners co-designed the programme outcomes with involvements from the clinical commissioning group, other GPs, various service delivery partners, and a number of patients groups. Additionally, several months after launching the SIB, the program partners collected feedback directly from the individuals about the program which led to the establishment of both social groups and personal budgets. Interviewees further shared that the program partners were constantly trying to think of more ways to involve participants in service design, and included service providers in SIB board meetings as one crucial source of insight.

Within three of the SIBs, incorporating strengths-based practices (including a commitment to co-production) in turn led to changes for front-line staff who were given greater levels of autonomy and encouraged to see people as assets not as “problems.” Ways of working tended to become more reflective with more time for staff to reflect on what they were trying to achieve and how they were working, especially within SIB B. All four SIBs also involved some elements of brokering, coaching and mentoring, placing a greater emphasis on front-line staff engaging with other services – both within the SIB and in the wider system. Additionally, the adoption of strengths-based and co-produced approaches involved changes in staffing models and workloads in all but one of the SIBs. For example, in SIB D the new service increased the use of one-to-one work and required more front-line staff who were given flexibility to tailor support to each individual, whereas previously each support worker was assigned to work with a certain number of clients.

In three of the SIBs, delivery organizations recruited new staff and/or updated their training practices to take a strengths-based approach. In part, this was because many of the people the SIBs worked with had experienced repeated breakdowns in service delivery, leaving them feeling disenfranchised and distrustful of services. Thus, it was vital for service providers to challenge existing relationships and narratives held by individuals in order to address issues related to various forms of “institutionalisation.” Within SIB B, for instance, interviewees explained that their recruitment strategies shifted to prioritize people who were open to personal development, had a strong sense of identity, were passionate about social justice, and were “mavericks.”

In pursuing strengths-based working and incorporating co-production into front-line work, assessments were also configured very differently to traditional deficit-based assessments. For example, in all of the SIBs, initial meetings focused on building trusting relationships and/or

Table 1. Types of strengths-based working in each SIB.

	SIB A	SIB B	SIB C	SIB D
Brokering/coaching by staff (EX: link workers)	X	X	X	X
More flexible workload distribution	X		X	X
Enhanced staff discretion/flexibility		X	X	X
New recruitment and training practices	X ²	X ³		X
Assessments focus on trust- and relationship-building	X	X		X
Assessments incorporate the Wellbeing Star ⁴	X		X	X
Personalized assessments/planning discuss well-being/aspirations	X	X	X	X
Integration with community assets	X	X	X	X
Advocacy for strengths-based practices in wider system	X	X	X	X
Use of more co-creation practices			X	X

encouraging people to talk about their strengths and goals. Planning was person-centred, with a focus on listening, learning, and adapting to create strategies which best suit each person's strengths, interests and goals. Notably, however, although three of the SIBs used the Wellbeing Star to assess individual progress, the service providers in SIB B viewed this type of assessment as deficit-based.

In addition, integration with community assets was integral to the service delivery models developed by the four SIBs. This was because using strengths-based approaches to co-creation required that people who accessed the SIB services were also able to access a range of other, complementary services to achieve the goals that they set themselves. Thus, it was important for the service providers to determine what place-based assets were available in the community that they could build upon to support the delivery of their own services. As an example, the approach used in SIB D followed a community-based hub model. This model used social groups as a way of encouraging individuals to pursue their interests and participate in various activities by providing high levels of community support. Once involved in social groups, many individuals later became volunteers themselves to support more vulnerable people, which further helped them grow their confidence.

Effective partnership working and networking also helped the four SIBs to challenge the existing, deficit-based models within the broader service delivery system by promoting co-created, strengths-based, and person-centred approaches. For example, interviewees from SIB C reported that, while they previously thought of other service providers as competition, they were now collaborating much more. This collaboration in turn helped the service provider organization to improve the broader service system by raising awareness about its strengths-based strategies, providing other organizations a greater understanding of this approach and its benefits. Another factor cited by several of the interviewees as helping to embed the model was the focus within the SIB on collecting evidence of outcomes as this could support arguments for the extension of strengths-based working models for a wider public service delivery model. Table 1 summarizes our assessment of the presence of each of these strengths-based and co-created elements in the four SIBs.

Early stage innovation

Given that the strengths-based service delivery models in the SIBs sought to build upon each individual's personal strengths and aspirations, this frequently required front-line staff to innovate and co-produce solutions with individual clients in order to respond to unique contexts. More specifically, in three of the SIBs this entailed service providers working with individuals to address the root causes of their current obstacles and to pursue more transformative and long-term impacts. For instance, SIB D was specifically designed to support on-the-ground adaptation as social prescribing involves assessing, matching and building on the individuals' needs and community assets to improve the health and lives of programme participants. The SIB's use of

Table 2. Types of early stage innovation in each SIB.

	SIB A	SIB B	SIB C	SIB D
Adaptating to individual underlying needs ⁵	X	X		X
Use of personal budgets	X	X	X	X
Piloting new partnerships and/or services	X	X	X	X ⁶
Creating new staff positions	X		X	

Table 3. Design elements facilitating co-production, co-creation and strengths-based working in each SIB.

	SIB A	SIB B	SIB C	SIB D
Service provider autonomy	X	X		X
Shifting risk to investors	X	X	X	X
Use of rate card	X	X	X	X
Long-term flexible funding	X		X	X

customized action plans also led to social innovation, because where no community structures existed to meet demand, the SIB partners sought to finance and support new community-based interventions.

Additionally, all four of the SIBs used personal budgets which provided individuals with funding for overcoming their own unique barriers or pursuing their own specific interests. For instance, service providers in SIB B provided personal budgets of around £500 per person to enable individuals to purchase items that them help build on their individual assets. While individuals had to submit proposals to get such funding, about 90% of these requests are approved. Moreover, a lot of coaches were able to broker opportunities to help individuals obtain sponsors for higher amounts of funding as needed. Some individuals even paid back these funds.

The SIB programmes also experimented with innovative approaches to service delivery through more targeted pilot tests intended to address larger gaps and obstacles within the system. All four SIBs involved the piloting of either new partnerships or services to overcome such challenges. For example, SIB A launched a pilot with a local organization that provides education and training support. Previously, referrals to this organization could only be made through job centers, and SIB participants were reluctant to attend job appointments, creating barriers to employment. Through this pilot, the organization instead began accepting referrals directly from SIB A into its programs and working at each individual's pace to support them based on their individual preferences. Another example is SIB D's use of social groups. Although social groups are now a key element of the programme, this strategy was initially tested through a pilot group of women. The SIB partners found that women who were originally reluctant to take a gym (or other) class on an individual basis became more willing to participate once they joined a social group. This women's group grew to 15 members who were all very supportive of each other. The positive experience of this group led to the creation of additional social groups which have similarly proven successful. Overall, the SIB partners have been surprised by how quickly the social groups have been successful and are endeavoring to set up more.

Two of the SIBs also pilot tested the creation of new roles within the service provider organizations. As an example, SIB A piloted a new position within the program to address hardships that individuals experienced in accessing mental health services. As previously individuals had trouble accessing both mental health and drugs/alcohol services at once, the SIB partners created a dual diagnosis nurse to help individuals overcome these barriers. At the time of the interviews, the programme partners were also considering scaling this strategy. A summary of these different innovations is provided in [Table 2](#).

SIB design

Through our cross-case analysis, we found that for SIBs to effectively facilitate strengths-based service delivery and co-produced forms of front-line work, the managing partners gave the service providers a high degree of discretion, as they were the organizations with the most localized knowledge and experience. This flexibility then allowed service providers to try new practices, unlike when delivering to “traditional” commissioning contracts. Such service provider autonomy was present in three of the SIBs. In all four SIBs the shifting of financial risks associated with meeting outcomes from the service providers to the investors, including through the use of a rate card (see below), was a factor in facilitating social innovation.

All four SIBs used a rate card. Rate cards offer a “menu” of options as to which individual outcomes would be tied to payments, encouraging a more personalized service for each service user. The use of rate cards is a common feature in more recent UK SIBs, giving SIB stakeholders the ability to choose which outcomes to focus on, hence opening up a space for more experimentation and social innovation in service delivery. Rate cards helped SIB partners use methods and metrics which are more in-line with early stage social innovation, by focusing on individual-level and more immediate outcomes as opposed to more widely applicable and longer-term outcomes that are required for scaling, such as experimental and quasi-experimental evaluation tools. The design of the rate card was important, though, and tensions between SIB outcomes and person-centred practice are possible. As an example, while SIB A was given the opportunity to design its own rate card to align its services with the local context, the SIB partners decided instead to follow the rate card previously used by an earlier SIB. These programme outcomes were based on entry into and sustainment of services related to drugs, alcohol, and mental health, but did not take into account that certain individuals might not need help resolving such problems to begin with, which proved to be a limiting factor. Similarly, a tension between the outcomes-focus of SIBs and the personalized nature of co-created strengths-based working was the balance required between giving participants the autonomy and discretion to define their own success and responsibly managing the outcomes-based budget.

In three of the cases, the SIB model also allowed service providers to take a more personalized approach to service delivery by providing longer-term, flexible funding. For some programmes, this gave service providers the ability to work with people for longer and, due to the rate card, to work on a range of different outcomes, both of which allowed services to offer people second chances. For example, previously SIB C’s service providers were only able to support people for up to two years before discharging them from the programme. By providing funding for 5 years, the SIB enabled people to return to the programme for continued support even after being discharged, also allowing them to continue working with the same key worker as before. This opportunity to reconnect with the programme in times of need differed from the prior system in which individuals had to wait for weeks to be referred back into the programme. [Table 3](#) summarizes which SIB design elements were particularly instrumental in facilitating co-creation and strengths-based working in each of the cases.

There were a number of challenges faced by the SIBs in pursuing strengths-based working and co-creation. The most common challenges, faced by three SIBs each, was difficulty in obtaining evidence for monitoring and evaluation, as well as the high amount of time and energy required to transition and train staff to these new approaches. Two SIBs also struggled with setting appropriate outcomes, especially SIB A. Among the struggles shared by SIB A interviewees were challenges in demonstrating individual progress in lieu of the achievement of SIB targets, improving user satisfaction and not simply completing SIB requirements, pursuing longer-term impacts through shorter-term contracts, and measuring a range of individual success while also assessing rate card outcomes.

Another challenge involved ensuring the continuity of new asset-based practices past the terms of the SIB contract. Many interviewees expressed the desire to create a legacy beyond the

Table 4. Challenges of implementing co-creation and strengths-based working in each SIB.

	SIB A	SIB B	SIB C	SIB D
Setting outcomes	X		X	
Obtaining evidence	X	X		X
Time and effort to transition/teach staff	X		X	X
Resilience in wider system	X			X

program itself to prevent the system from reverting back to the deficit-based status quo. For instance, the partners within SIB A realized that, given the limitations that housing shortages place on addressing homelessness, the program would need to have the housing sector involved to be successful longer-term. As such, they brought 20 housing providers to the table who were committed to being involved in the program and who participate in regular working groups. As a result of these working groups, they even came up with an action plan outlining how the housing providers should continue working in these new ways once the project ends. However, in at least two of the SIBs making the model sustainable and resilient in wider systems that were still deficit-based was challenging, and gains were often modest. It is important to recognize that these latter, system challenges are not unique to the SIB setting. These challenges are summarized in Table 4.

Discussion and conclusions: SIBs 2.0?

Fraser et al. (2018) argue that narratives about SIBs take several forms. Two optimistic “narratives of promise” present SIBs as a solution to a lack of public sector innovation and entrepreneurship. As Fraser et al. (2018) note, these narratives are more commonly found in the gray literature on SIBs (for example Social Finance 2009; Roman et al. 2014; Gustafsson-Wright et al. 2015; Wooldridge et al. 2019) and can be seen as an extension of NPM thinking. A “narrative of caution” more commonly found in the academic literature presents SIBs as part of a dangerous process of financialization in which governmental and voluntary sector services are subordinated to profit seeking by the investor class (for example, Warner 2013, 2020; McHugh et al. 2013; Sinclair et al. 2014). Our research reported above suggests an emerging SIB model that errs toward a “narrative of promise,” but one that is distinct from the narratives of promise identified by Fraser et al. (2018) in that a commitment to strengths-based and co-created services is supported by new SIB structures. Thus, these emerging SIBs are associated, not with NPM or an extension of neo-liberalism, but with a different underpinning set of ideas. We argue that Human Learnings System (Lowe et al. 2020) presents a nuanced framework for making sense of these dimensions. We therefore frame this discussion around its core elements of “human,” “learning,” and “systems” which map respectively onto our themes of co-creation (strengths-based working), early stage social innovation, and SIB design.

We first consider the “human” dimension. All four SIBs implemented strengths-based interventions in ways that encouraged greater co-production and emphasized trusting relationships. Most significantly, the transfer of financial risk to investors, focus on outcomes over outputs, and use of rate cards (in contrast to the limited, fixed targets of early SIBs) gave service providers flexibility to co-produce in ways that standard contracts for services do not always permit. Moreover, the principles of strengths-based service delivery that informed the design of the case study SIBs required radical changes in the way front-line workers operated. Sometimes this was enabled through coaching and mentoring existing staff, together with measures such as adjusting their workloads. There was also use of values-based recruitment to attract new staff open to working more flexibly and autonomously, who saw people in terms of their strengths, who placed greater value on lived experience and who were more socially entrepreneurial, engaging directly with other services and practicing reflectively. In different ways the four SIBs exhibited increased

discretion for front-line staff to address each person's underlying needs, recognizing what Lowe and Plimmer (2019; 11) in expounding HLS call "every person's own way of being human."

Moving on to "learning," one of the strongest claims in the "narrative of promise" for SIBs is that they can enable freedoms that enhance the potential for innovation (Gustafsson-Wright et al. 2015). This was borne out in the four UK SIBs, each of which encouraged greater experimentation and use of data to support early stage social innovation and learning. There were several examples of on-the-ground adaptation spurred by local conditions, as well as innovative approaches to service delivery, new partnerships, and new kinds of partnership. An important factor in enabling all this was the longer-term flexible model in which the overall SIB budget was not fixed at the start of the programme and additional funding could be drawn down to support promising experiments and new initiatives intended to address unmet needs.

Finally, we consider "systems." Overall, new design elements, in particular rate cards and flexible funding, amount to a sufficient departure from past SIBs to justify the epithet "SIB 2.0." They call into question the somewhat uncritical equation of all SIBs in the "narrative of caution" with the rigidity of performance metrics that undermine human focus and social innovation. We identified limitations, however, with regard to the more transformative innovative ambitions of the case study SIBs (challenging systems in HLS terms).

In all four SIBs, stakeholders were clear that challenging local delivery systems to move away from deficit-based thinking was an explicit goal, albeit one that was not directly rewarded through the outcome metrics captured in SIB rate cards. In this way the SIBs were intended to play a significant role in local public service transformation. Further, the more established SIBs reported changes in local public service systems that they attributed to the strengths-based model adopted by the SIBs. Several of the interviewees emphasized the ways in which the SIBs had been catalysts for closer partnership working between a wider range of organizations operating within the local service provider system, and that this afforded opportunities to promote strengths-based working. The most advanced instance of this in the case studies was SIB A's local housing providers who had started to amend their referral forms to be more strengths-based and engaged with individuals in order to pursue resolutions to issues rather than having a zero-tolerance approach to behaviors that would previously have resulted in eviction. Further, when moving SIB participants into accommodations, one housing provider realized that individuals with complex needs and vulnerabilities needed more support when transitioning into housing. In response, they hired a tenancy coordinator to help individuals prepare for this transition prior to move in – a service they extended to non-SIB tenants as well.

Thus, by demonstrating the benefits of the strengths-based approach to housing providers, SIB A effectively encouraged housing providers to implement their own strengths-based practices, not just for SIB participants, but for all tenants. However, those we interviewed also recognized that making strengths-based and more co-created models sustainable and resilient in wider systems that were still predominantly deficit-based was a persistent struggle. Viewed through the lens of HLS, the four SIBs can be seen as ambitious to effect wider systems change beyond their own service and context, but only partially successful in driving change across whole systems.

There are a number of limitations to this study. We must be cautious about generalizing from a study of four SIBs and further studies are needed to ascertain whether the findings are similar in other SIBs. It is also clear that strengths-based and co-created approaches to service delivery are not unique to the SIB commissioning model and larger scale, comparative studies involving similar service delivery models implemented through contrasting commissioning models are needed to further refine our understanding of the role of social outcomes contracts in facilitating strengths-based approaches. We also recognize that strengths-based working itself has sometimes been conceptualized as an extension of neo-liberalism (Friedli 2013; MacLeod and Emejulu 2014; Roy 2017) and therefore further research on strengths-based working in SIBs also needs to explore this possibility. On a related issue, our study did not involve direct research with service

users and people with lived experience and further studies are needed that include this important point of view.

Nevertheless, our original contribution in this article has been two-fold. First, we have presented and analyzed a new body of empirical evidence to show that design features present in recent UK SIBs represent a significant departure from the well-recorded earlier SIBs. Second, we took the somewhat counter intuitive step of invoking HLS (Lowe et al. 2020) as a framework to address the question, can SIBs be reimagined as a catalyst for social innovation? In demonstrating a largely positive answer to this question, we counter one of the prominent “narratives of caution” from SIB skeptics such as Warner (2020), who entirely reject the potential for SIBs to provide a setting in which people who use services and frontline service providers would be empowered to re-engineer public services and contest current systems. Our findings, understood in the context of HLS, suggests that SIBs can evolve and that a stronger focus on co-creation can drive early stage social innovation and even start to challenge existing systems of service delivery. Whether this amounts to a new model, SIBs 2.0, is a topic worthy of further research.

Notes

1. Ethical approval was first sought from and granted by the lead institution’s Ethics Committee (ID 21365)
2. This includes focusing on using asset-based language
3. This includes more values-based recruitment and implementing reflective practice
4. SIB B’s service providers view this assessment as deficit-based
5. This includes the use of social prescribing in SIBs B and D.
6. This includes the creation of social groups

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Appendix 1. Summary of case characteristics

	SIB A	SIB B	SIB C	SIB D
Stage of development	Over half-way through	Very close to completion	Early stages of implementation	Early stages of implementation
Target population	People experiencing (or at-risk of) homelessness	People experiencing (or at-risk of) homelessness	People experiencing (or at-risk of) homelessness	People with chronic health conditions
Size and complexity of service system	10 local authorities, large urban area	One local authority, predominantly urban	One local authority, urban area with large rural hinterland	One local authority, predominantly urban
Novelty of intervention	New services	New services	Re-design of existing services	Re-design of existing services

Appendix 2. Summary of interview types

SIB(S)	Number of interviews	Interview type (Number of people)	Organization types
A	4	Individual Individual Individual Group (2)	Investor/Housing partner Investor/Housing partner Housing partner Delivery partner
B	1	Group (5)	Delivery partner
C	1	Group (2)	Delivery partner
D	3	Individual Individual Individual	Commissioner Delivery partner
Multiple/All	3	Individual Individual Group (2)	Investor/Manager