SOCIAL INNOVATION AND INNOVATION PERFORMANCE IN THE EUROPEAN UNION

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ABSTRACT: Along the last decade, the key role of social innovation in providing answers to intricate and interdependent societal challenges has been an important issue in the literature, as well as in the political discourse. At the EU level, various flagship initiatives within the Europe 2020 strategy integrate and emphasize its potential contribution to the overarching objective of smart and inclusive growth. Yet, the literature on the impulse that social innovation may give to economic growth and, more specific, to innovation performance is rather scarce. In this paper, we attempt to look into the linkages between social innovation and economy, with emphasis on the contribution social innovation may have to higher general innovation performance at national level.

KEYWORDS: social innovation, social economy, social entrepreneurship, innovation performance, closing the innovation gap

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Introduction

Social innovation, a relatively new concept in theory and policy practice, stands out as a core element of the Europe 2020 strategy for sustainable and inclusive growth (EC, 2013). It has been considered an effective instrument for strategic objective achievement, as it provides new, more effective answers to the upsurging social needs, and local answers to complex societal challenges. It integrates and engages a wide range of stakeholders – including the very end users – through new patterns and instruments of cooperation and collaboration. The market, the civil society and public institutions are, as well, important actors involved in the social innovation process and mechanisms.

The special potential role of social innovation has been emphasised in several flagship initiatives: the "Innovation Union", the "European platform against poverty and social exclusion", the "Digital Agenda for Europe"; in the "European Innovation Partnership on Active and Healthy Ageing"; in the Horizon 2020 Framework Programme as well as in the European Cohesion Policy 2014-2020 Proposals.

In the "Innovation Union" Flagship initiative for the Europe 2020, the social innovation is presented as an important investment area that may capitalize upon the creativity potential in the non-profit and social economy sectors. Thus, new instruments, methods and solutions may spring out for the social needs not properly satisfied by the market or public sector. In 2011, the Social Innovation Europe initiative was launched.

Beyond the evident contribution of social innovation to *social* sustainability and development, through its specific objectives as well as process, social innovation may turn into a vector for *economic* growth. Firstly, social innovation re-invents, re-designs social structures, interactions, capacities, instruments and institutions, with direct impact on improving social system

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functionality and efficiency. Thus, resources utilization, results capitalization and efficacy towards sustainability and socio-economic cohesion objectives may altogether be optimized. With a view to the challenges that society faces for ensuring sustainability – environmental, social or economic – social innovation has a medium and long-term direct impact on economic potential and efficiency.

Secondly, it is apparent that, along the last decade, the association of economic and social objectives has increasingly propagated among either non-profit or for-profit organisations and the forms of cooperation between the two sectors have multiplied and diversified. On one hand, it is the thriving social economy sector that has been supported economic growth through capitalizing on human and financial resources which have been inaccessible or unattractive to the private sector. On the other hand, the nature of the interest within the corporate world for philanthropy and social responsibility has fundamentally changed, as traditionally socially oriented sectors, such as education and public health – become engines of economic growth and, thus, more and more attractive to investors. Moreover, the paradigm over the disadvantaged communities and societies has shifted from aid-receivers to potential consumers of economic services and products tailored to specific needs, purchasing means and power, etc. (Prahalad, 2004; Bankinter Foundation, 2009; Gupta, 2013). Consequently, the Corporate Social Responsibility, once considered a „necessary evil", turns into both an opportunity, an alternative source of gain and profit, and an effective means for fighting poverty through new sources of welfare for the disadvantaged. In all these processes, social innovation plays the instrumental role.

And thirdly, social innovation may contribute to economic growth through the indirect impetus it may have on economic, technological innovation.

Based on a thorough literature review, our paper explores the Romanian potential for social innovation, and attempts to substantiate the potential impact of social innovation on the gap between the national and EU overall innovation performance levels.

Literature Review

The scientific literature has explored and developed the theory of social innovation since 1970 (Taylor, 1970; Durkheim, 1983, etc.). Yet, the interest of theoreticians and practitioners for the social innovation theme has increased significantly after the late 1990s, in the context of the economic and social transformations associated with IT development and profound economic restructuring, deepening socio-economic vulnerabilities and social inequity, the slow progress towards poverty eradication and of the overemphasis laid by experts and policy makers on the technologic dimension of innovation.

Numerous institutes and centres for social innovation research, funding and development were created after 2000, such as the Stanford University (in 2000) and the Office for Social Innovation within the White House (2009) in the USA, research centres in Canada (2004, 2007, 2010), Japan (in 2005), Netherland (in 2006), the Young Foundation (2005), the Social Innovation Exchange centre in London (in 2005), etc. Since 2008, official EU documents acknowledge social innovation as a financing and policy priority. "The business panel for the future EU innovation policy" (Vasconcelos et al, 2009) as well as other reports (Hubert 2010; EC, 2010, etc) consider that social innovation should be prioritized on the innovation policy agenda of the EU, as social challenges could be approached through social innovation and entrepreneurship, through stimulating scale innovation and new forms of innovation partnerships. In 2011, the 7th Framework Programme integrated social innovation as a research area

As in most fields where practice gets ahead of theory, there is limited consensus regarding the conceptual delimitation in the literature on social innovation. It covers a wide range of views, from the very narrow to the more inclusive and integrative approaches, according to the particular research objective and interest, to the historical or cultural context.

Nevertheless, social innovation is basically compatible with the internationally acknowledged definition for the concept of *innovation* (OECD-EC-Eurostat, 2005, Oslo Manual

third edition, http://www.oecd.org/science/inno/2367580.pdf). Its specificity derives from the fact that it is triggered by a social mission, a collective beneficiary of the created social and economic value and it determines social change.

Therefore, the social innovation product involves a certain degree of novelty. This is not restricted to absolute newness but includes old ways and solutions which, adapted to new circumstances, new social actors or implemented through new processes, bring forth results and an overall impact more effective or efficient than previous solutions (Mulgan, 2006; Phills et al, 2008; Neumeier, 2012; Caulier-Grice et al, 2012; EC, 2013)

The product of social innovation may take various forms, including, besides the traditional alternatives of "product, process or technology", a principle, an idea, a legislative or regulatory provision, a social movement, an intervention or a mix of the above. (Richez-Battersti, 2009). Therefore, the social innovations may materialize in new production methods, new markets for social or environmental aware goods and services, transforming traditional patterns at consumption, participation or property levels (cooperatives or windfarms owned by local community, for example). Social innovation results and processes present an intersectoral and interdisciplinary character (Westley, 2008; Nicholls and Murdock, 2012; Caulier-Grice et al, 2012)

To a large extent, the most notable differences among the various approaches are related to the attribute of "social" associated to innovation. In the most inclusive and open definitions, the "social" character is assigned to the impact of the innovation. (Moulaert et al, 2005; Phills et al, 2008; Harris and Albury, 2009; Murray et al, 2010). Other authors consider the innovator's primary *motivation* as the main identifying criterion, the very element that distinguishes between economic and social innovation: profit maximisation or social welfare (Mulgan et al, 2007). Yet, the distinction line becomes more and more blurry, artificial or restrictive, as there have been observed numerous innovations which are social as much as economic (such as the "fair trade" initiative or the microcredit) (Caulier-Grice et al, 2012)

Yet, the more rigorous definitions assign the social dimension of innovation both to the means, to the instruments *and* the result of the innovation process. (Mulgan, 2006; EC 2013 a,b, etc.) In this view, social innovation represents the new solutions (products, services, patterns, markets, processes, etc) which provide better – more effective or efficient - answers to a social need than the already existent solutions *and* which lead to the improvement or creation of new capacities and relationships, to the optimisation of resources and actives utilisation. Thus, social innovation serves to the society's needs but, at the same time, improves the society's capacity to act.

As regards the social innovator, the most prominent actor is considered to be the social entrepreneur, which may be endowed with the paradigm, motivation, means and resources necessary to initiate and render social innovation. (Westall, 2007; EC 2011; Mulgan et al, 2006, 2007; Barna and Vamesu, 2014) Yet, one should not overlook the many examples of social innovation initiated in the for-profit sector but oriented towards society (such as solutions for integrating workers with disabilities to the workplace), as well as the innovations initiated in the non-profit sector but adapted and adopted by businesses (such as long-distance education) (Mulgan, 2006).

Thus, social innovation provides answer to social needs which haven't been properly or completely satisfied by any of the three sectors – public, private or non-profit. These needs are most often related to sustainable development requirements and challenges, such as demographic ageing; unsustainability and ineffectiveness of social protection schemes; inefficiency of poverty eradication strategies and measures in the developing countries; unsolved and up-surging deficiencies in the labour market, health and education systems in both developed and developing countries; climate changes and environmental degradation; accelerated urbanisation; deepening social inequalities; soaring incidence of chronic conditions; behavioural issues associated to high levels of welfare as well as the difficult transition from youth to adulthood, with emphasis on the labour market integration (Bankinter Foundation of Innovation, 2009; Mulgan et al, 2007)

We may conclude that social innovation is defined through novelty to the society or organisation, higher efficiency and effectiveness as compared to already existent solutions, an integrative approach to innovation, the satisfaction of a societal need with higher social welfare, the society empowerment towards reaching social development targets, (Caulier-Grice et al., 2012). It involves transformations in society's structure, interactions network, linkages, institutions and values and it enriches the societal resources or improves their utilisation. It actively involves the individual and the beneficiary (disadvantaged social groups) but improves as well social resilience and capacities to access and utilize resources. (Mumford, 2002; Moulaert et al, 2005; Hamalainen and Heiskala, 2007; Westley, 2008; Caulier-Grice et al, 2012; Nicholls and Murdock, 2012, Moulaert et al, 2013). Social innovation is more than a set of instruments and actions; it is a collective and dynamic process, instrumental to an alternative strategy of human development.

As social innovation induces transformations of attitude, paradigm, mind-set and behaviour at the institutional, community and individual levels, it increases civic responsibility and brings forth higher general potential for innovation – of any kind, technological as well. Thus, social innovation supports the establishment of a continuous and sustainable innovation process which actively involves the society in all stages, from creation to implementation. (ParisTech Review, 2011).

Social innovation in Romania

As previously mentioned, in the literature and practice, social innovation is intrinsically linked to social economy. Most frequently, the social innovation initiator is the social entrepreneur which, by definition, is a source of innovative and economically self-sustainable solutions to complex social problems. As a result, they set up new companies offering services and products not supplied on the market. The profit is not an end, but a means for generating new resources for the social mission they serve (such as poverty reduction, health and education system improvement, social justice and equality of opportunity, etc.). Therefore, an overview on the Romanian social economy landscape may provide relevant coordinates for understanding the potential for social innovation.

Setting the broader, European background, the 2 million entities of social economy sector represent about 10% of all European enterprises, providing 6% of the total jobs. But the number of people benefitting from the activity of this sector goes beyond the 11 million directly employed in social economy, up to 160 million.

Social economy organisations, mostly SMEs, are present in most of the traditional economic activity sectors, from the banking, insurance sector, to agriculture, crafts, health and social services.

They are created and managed on principles of solidarity, mutuality, flexibility, innovative mind-set, active membership and commitment. They contribute to smart, inclusive and sustainable development through the innovative solutions they provide to unmet social needs, through the long-term paradigm, and their focus on people and social cohesion

In Romania, according to the most recent data provided by the Institute for Social Economy in the „Atlas of Social Economy" (ISE, 2014), in 2012, there were about 40,000 active organisations in the Social Economy Sector, employing more than 130,000 people, and the associated figures for the contribution to the national economy through Gross Value Added (1.9% in 2012 as compared to 1.3% in 2011) and employed people (1.9% in 2012 as compared to 1.7% in 2010) confirm that the sector is expanding.

The innovation propensity and capacity of the social economy organisations was the research objective of the Selusi Research Consortium, financially supported through the 7th Framework Programme, which conducted ample surveys among more than 550 social enterprises in Hungary, Romania, Spain, Sweden and The Great Britain, between November, 2009 and March, 2010. Even if data is not that recent, we believe that the study conclusions are still relevant. The created database stands out through its volume, depth and methodology (the "snow-ball" directional

selection method). For Romania, the sample of 74 social economy organisation was representative for the statistic population (Selusi Report, Romania, 2010)

According to this survey, the social objectives prevail over the economic ones, with a rapport of 1.7 to 1. The intervention area is, generally, regional, and the social unit target is the individual, as well as communities and specific social groups. 80% of the interviewed organisations run their economic activities in health and social services sectors; education; community service; social and connected services. The social activities in 77% of the respondents are conducted in social services, education – outside the traditional educational system, social support and social / economic / community development. The rest of the social enterprises were active predominantly as social and recreational clubs (not sport or cultural), environmental field or human resources training and employment. The average organisational age is 12.2 years.

In Romania, the income generating economic activities are to a lesser extent consonant to the organisational social objectives, as the score for the social impact intensity of the economic activity was of 3.04 (on a scale from 1, the minimum, to 5, the maximum value), which was the smallest figure among all countries in the study.

Among the entrepreneurial dimensions (innovation, experimentation, pro-activism and risk taking), pro-activism and experimentation are predominantly defining the Romanian social enterprises. The innovation propensity is assessed below average and the organisations acknowledged to be modest risk-takers.

The most important funding source was represented by grants (52%), followed by sales (28%) and private donations (17%). Despite the economic crisis – at its peak in the survey year – only 15% of the interviewed social enterprises reported diminished income. On the contrary, 30% witnessed moderate income increase, while 56% registered considerable income growth (by more than 20%, even above 40%)

Even though the social innovation potential resides in social entrepreneurial initiatives and social economy organisations, not all social enterprises are innovative. As in the case of technological innovation, the innovation performance is a function of available resources, but also of the capacity to absorb current knowledge and to capitalize on it.

The same above mentioned study assessed the innovativeness of interviewed organisations, following the CIS survey structure (available in the Eurostat database). 85% of the Romanian social enterprises introduced at least one innovative service, process or product – new to the organisation or considerably improved. Moreover, 36% reported at least one new-to-market radical innovation. Compared to the SMEs included in CIS survey, it is apparent that social enterprises are significantly more active in innovating in all the country in the study.

The most frequently acknowledged trigger for innovative activities within the social enterprises is the need for financial sustainability of the organisation and for market expansion. More than half of respondents innovated for increasing the product variety and / or quality, and a quarter for better reaching their social goals: increasing the social impact intensity, the target group, diminishing the negative impact on environment, etc.

The survey identified four main barriers to social innovation, very much alike to those outlined in CIS, for general innovation: cost, regulation, organisational and market related obstacles. The most frequently mentioned hindrances refer to costs (35.1%), the national or EU regulations and endogenous impediments (28.4% and 27% respectively), while the market related barriers – such as undetermined demand or competition – were the least mentioned (4.1%).

Assessing the potential contribution of social innovation to closing the gap in innovation performance between Romania and European Union

Social and technological innovation, though very different in their purpose and means, may reinforce each other in the sustainable development framework (Wolk and Kreitz, 2008; Bankinter Foundation of Innovation, 2009; Hochgerner, 2011; ParisTech Review, 2011). On one hand, it is

common knowledge that all major technologic innovations have propagated a wide range of social innovations that mediate the transformations within society regarding the social and individual behaviour, relationships, interactions and institutions. The large scale use of automobile, for example, demanded and entailed the creation of driving school, road signalling systems, traffic management system, regulatory and penalty systems etc. The use of high level innovations in medicine and surgery depended on innovations in the public health system etc. More or less, the progress of humanity, in its largest meaning, is the result of mutual consolidation between social, economic, technologic and political innovation.

On the other hand, social innovation leans on information technology and communication for a global long-term impact. In order to find innovative solutions to unmet needs, these, once identified, have to be correlated to new, untapped opportunities and possibilities. (Mulgan, 2006). Especially when talking about social innovation, these opportunities are often essentially technological (the internet, new business models with effect in social area, telecommunications, etc). Technology, in general, may be a key instrument in implementing the new solutions at the disadvantaged social groups and communities level. We would mention the *Open University* or the *Benetech* social innovations that would haven't been possible without the IT development.

At the same time, powerful social innovators, supported by both the public and private sectors, demand and buy innovative products and services from the market in order to reach the objectives of their own social innovation projects. (Mulgan, 2006; Murry et al, 2010, Porter and Gramer, 2011).

Some methodological aspects

In this study, we tested the intensity of the relation between social innovation and innovation performance through some indicators expressing a form of cooperation for innovation, between the innovative sectors and the non-profit sectors. The Eurostat database provides a series of indicators (in the work file *rd_e_gerdfund*) such as "total gross expenditure for RDI in all performance sectors but funded from the non-profit sector" or "total gross expenditure for RDI in non-profit sector financed by all funding sectors", both indicators providing data for specific performance / funding sectors.

Highly relevant for policy makers and experts, the potential contribution of the social innovation to diminishing the gap in innovation performance between the national and EU levels may be assessed through quantitative, statistical methods based on the two indicators presented above. To this end, employing Eviews application, we tested simple regression models on panel data for the EU countries between 2006 and 2013. Panel data regression models present higher relevance given the data volume and the integration of the bi-dimensional data variation, in time and space.

The dependent variable to express the gap between national and European innovation performance is the difference between the average EU28 Summary Innovation Index (SII) and the SII value of the statistical unit, values provided in the Innovation Union Scoreboard document (EC, 2014). In the statistical sample, we kept only the countries with SII values lower than the EU average.

Thus, $y_{ij} = (SII_{UEj} – SII_{ij}) / SII_{UEj}$

where i – statistical unit (EU country), j – reference year, $y_{ij} > 0$, whatsoever i,j.

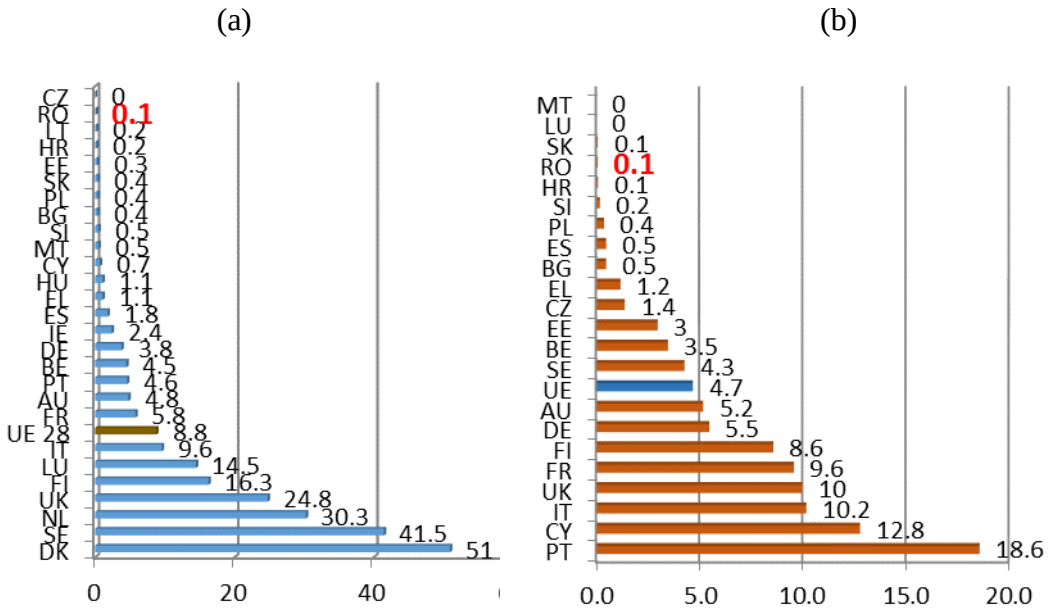
We selected as explanatory variables the indicators available in the Eurostat database: the expenditure for RDI activities funded by the non-profit sector (I1) and, respectively, expenditure with RDI activities performed within the non-profit sector (I2). As the statistical samples are significantly different for the two indicators, building and testing a multiple regression model with the two indicators simultaneously was not possible.

Main results

We represented below the two indicators (figure 1 a and b), using the latest most complete available data (2012). The unit of measurement is Euro/inhabitant, as the share of GDP wasn't considered relevant given the very low figures.

On average, in the EU, the money spent by the non-profit sector for RDI performed in all sectors are double the funding allotted to the RDI performed in the non-profit sector. That is, on average, in the EU, the non-profit sector is a net financer of RDI activities rather than RDI performer. Yet, the situation varies greatly among the EU member countries. In Denmark, Luxemburg, Netherlands and Sweden the money spent for RDI by the non-profit sector are 10 times higher than the money spent for the RDI performed in the non-profit sector, and 4 to 6 times higher than the EU average. In France, Portugal, Estonia, Italy, Cyprus, Austria and the Czech Republic, the non-profit sector attracts more funding for in-house RDI than it spares. The values of the RDI activities performed in the non-profit sector are the highest in Portugal (four times the EU average), Cyprus, Italy and France (about twice the average).

Figure 1. Expenditure with RDI activities funded by private non-profit sector but performed in any RDI sector (a) and performed in the non-profit sector but funded by any sector (b) EU, 2012 (Euro/inhab.)

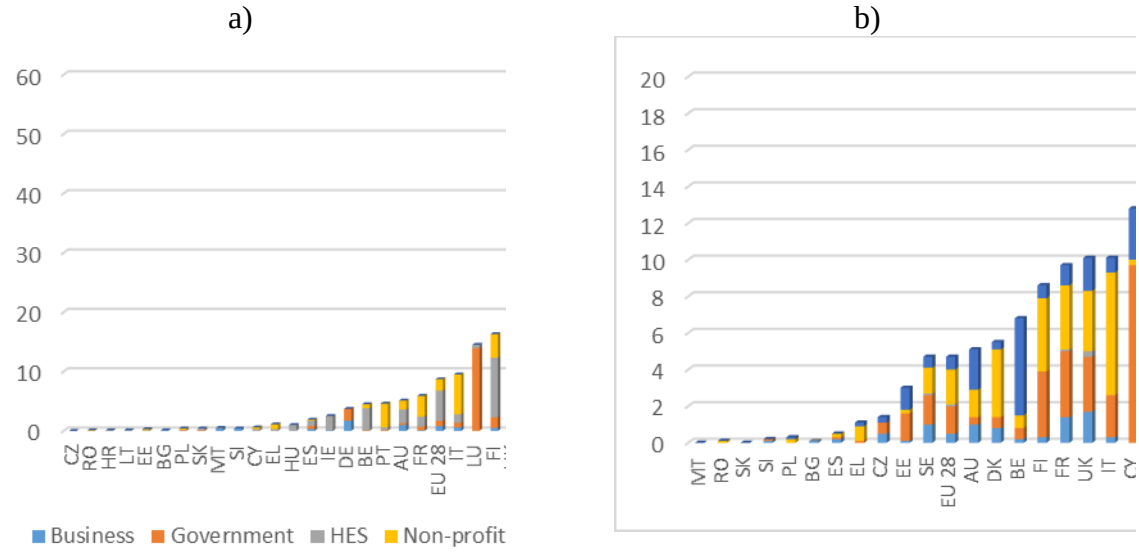


Source: Eurostat database

We also looked into the destination of the financial support of the non-profit sector, as well as the distribution of the funding for the RDI performed in the non-profit sector, after the source sector (figure 2 a and b)

For the first 5 countries with the highest contribution of the non-profit sector to the RDI, the most important destination RDI sector is the higher education sector, receiving up to 93% of total available funding. In Luxemburg, 95% of the non-profit financial support goes to the RDI in the public sector and in Italy, about 70% is spent for the RDI performed inside non-profit sector. On average, at EU level, about 58% of the money the non-profit organization spend on RDI is directed to the university research centres, 22% is used for the RDI performed within the non-profit sector, while about 10% is allotted both to the business and the public research sectors. This distribution may be significant, considering that the higher education institutions are a most important vector for innovation performance and technological progress.

Figure 2. The destination of the non-profit sector funding to various RDI performance sectors (a) and the funding sources of RDI performed in the non-profit sector (b) (EU, 2012, Euro/inhab.)



Source: Eurostat database

The contribution of the different funding sectors to the financial inflow for the RDI performed inside the non-profit sector is variously represented among the EU countries. For instance, in Belgium, Austria and Cyprus, a large share comes from abroad (82%, 42% and 22%). In Cyprus, Portugal, Finland, France the public sector covers 76%, 59%, 42% and 38% of total spending and in Austria, Denmark, France and UK, the business sector's contribution varies between 15 and 20% of total funding. Nevertheless, in most countries with the RDI intensity in the non-profit sector above the EU mean value, the financial support for this kind of activity comes from the non-profit sector itself. An overall view on the EU suggests that, on average, 40% of total funding for RDI performed inside the non-profit sectors is ensured by the non-profit sector, 32% is provided by the public sector, 15% comes from abroad financers, 11% from the business sector and about 2% from the universities.

Romania is positioned at significant distance to the EU 28 average but relatively close to other East and Central European member states, such as Lithuania, the Czech Republic, Croatia, Estonia, Slovakia, Poland, Bulgaria, Slovenia, Malta or Hungary. It is apparent that the involvement of the non-profit sector in research, development and innovation, either as performer or financer, is among the lowest in the EU (0.1 euro/inhab for both indicators) and, thus, the cooperation between various innovative sectors and the non-profit sector towards innovation for society are limited in number and intensity.

Considering the autoregressive models we built to test the impact of social innovation on innovation performance, the first model, where the independent variable is *the expenditure for RDI activities funded by the non-profit sector (I1)*, included 16 EU states that presented data for 2012 year and whose innovation performance indicator is lower than the EU28 average: Bulgaria, Romania, the Czech Republic, Estonia, Greece, Spain, Croatia, Lithuania, Hungary, Italy, Cyprus, Malta, Poland, Portugal, Slovenia and Slovakia.

The tested model was validated for fixed spatial and temporal effects and presented a statistically significant regression coefficient, (-0.0075). The influence of the social innovation on the innovation performance seems low, but the explanatory power of the model is rather high (adjusted R squared is 0.96) and the Durbin-Watson test advocates for no auto-correlation of errors. (see Annex 1).

The second model, where the independent variable is the *expenditure with RDI activities performed within the non-profit sector (I2),* took into consideration 14 EU states with negative gaps to the EU average, Bulgaria, Romania, the Czech Republic, Estonia, Greece, Spain, Croatia, Lithuania, Hungary, Italy, Cyprus, Malta, Poland, Portugal, Slovenia and Slovakia. It was validated for fixed spatial and temporal effects, with a statistically significant coefficient, (-0.0076). Similar values were reported for the adjusted R-squared and Durbin Watson test, as in the former equation (Annex 1).

We also calculated correlation coefficients for entire panel, which are negative and, even though of a relative low value, above the significance threshold of 0.25, suggesting a weak correlation between the intensity of the innovation for societal purpose and the overall innovation performance level: (-0.40) for the correlation between I1 and SII and (-0.30) for the correlation between I2 and SII.

It is worth mentioning that the autoregressive models, as well as the models including a one-year temporal gap between the factorial variable and the dependent variable weren't validated.

We may conclude that, high propensity for innovation of the non-profit organisation and, also, a fruitful cooperation between the non-profit sector and other innovative sectors towards reaching a social objective may support the reduction of the innovation performance gaps, no matter the nature of the non-profit unit's contribution: knowledge or financial support.

As it has been argued, social innovation may raise the innovation potential and performance as, given its processual dimension, it attracts, activates and involves financial and human resources untapped by the other sectors (private or public). Individuals, non-profit SMEs with innovative ideas participate to open innovation processes, inserting within networks of information and ideas, enriching the range of alternative solutions to unmet social needs.

At the same time, beside informational and human resources, social innovation can access, activate and attract financial resources specifically allotted to societal and social ends, funds for investment in social development which cannot or haven't been capitalized upon, on the traditional market of innovative goods and services. Along traditional sponsorship, at EU level, it has been noticed an increasing interest within all sectors for social economy and social innovation which materialized into a specific market for investment in social and societal projects. The financial resources on this market represent a supplementary, complementary funding source for social innovation that may draw together small sized but important innovators (especially innovative small and medium sized social enterprises and individuals).

For Romania, one important opportunity for social development as well as for increasing innovation performance is, also, the access to public and private European funds specifically assigned to social innovation. We would mention the European Funds for Regional Development, through INTERREG, URBACT, Jeremie, Jessica and Jasmine programmes, as well as the Framework Programmes for Research and Technological Development, Competitiveness and Innovation, the European Structural Funds (the European Social Funds and EQUAL programme, etc).

Conclusions

Given its efficacy and unique potential of alternative resource mobilisation, given its capacity to provide local answers to complex challenges, to integrate different and even divergent stakeholders into collaborative effort for the societal good, social innovation stands out as an important instrument in reaching all the five targets established for the priority domains of the 2020 Europe Strategy (EC, 2013). Integrating the social innovation policy in the priority public policies is regarded as a necessity and social innovation as a key element of the cohesion and regional development policy (Hahn, 2012).

Social innovation involves innovative solutions for complex challenges and problems of nowadays society. Through the processes and interactions it involves, social innovation presents a

strong local character. Yet, as local problems are essentially universal, social innovations can and should be diffused and adapted to wider or different contexts. It goes beyond organisational, disciplinary or sectoral frontiers, beyond public or private, individual or collective. It leaves behind new forms of relationships between institutions, groups or individuals unconnected before and supports social cohesion (Innobasque, 2013).

Through its direct or indirect results, as well as through the innovative process which draws, motivates and engages all main stakeholders - and especially the direct beneficiaries – in mapping, selection and implementation of best strategic alternatives and solutions, social innovation initiatives are able to attract significant resources otherwise unavailable and to amplify the positive impact to a societal level.

Our research presented theoretical and empirical arguments that social innovation may also contribute to higher innovation performance and to the diminishing gaps between states such Romania and the European Union, through open access to new sources of human, informational and financial resources that haven't been available in the private sector of the market economy. To this end, a new paradigm is needed at each level of policy makers that may allow and encourage social innovation and mediate the diffusion and scaling of its impact to the benefit of the whole society. Further research is necessary to identify specific policy instruments to stimulate the cooperation for innovation between the non-profit and other innovative sectors, to encourage the absorption and utilization of available knowledge for social and societal ends, and to support the innovative potential and capacity of social entrepreneurs.

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Annex 1

E-Views statistic test results. In the simple regression model, the dependent variable is the distance between the selected EU countries and the EU average values of the Summary Innovation Index (SIIgap), and the independent variable is the expenditure for RDI activities funded by the non-profit sector (I1)

Dependent Variable: SIIgap_
Method: Panel Least Squares
Date: 12/25/14 Time: 03:00
Sample: 2006 2013
Periods included: 8
Cross-sections included: 16
Total panel (balanced) observations: 128

Variable	Coefficient	Std. Error	t-Statistic	Prob.
I1_	-0.007476	0.003685	-2.028924	0.0450
C	0.346593	0.005713	60.66716	0.0000

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.970738	Mean dependent var	0.336331
Adjusted R-squared	0.964267	S.D. dependent var	0.158996
S.E. of regression	0.030055	Akaike info criterion	-4.004189
Sum squared resid	0.093946	Schwarz criterion	-3.469434
Log likelihood	280.2681	Hannan-Quinn criter.	-3.786915
F-statistic	150.0052	Durbin-Watson stat	1.277320
Prob(F-statistic)	0.000000		

Annex 2

E-Views statistic test results. In the simple regression model, the dependent variable is the distance between the selected EU countries and the EU average values of the Summary Innovation Index (SIIgap), and the independent variable is the expenditure with RDI activities performed within the non-profit sector (I2)

Dependent Variable: SIIgap_
Method: Panel Least Squares
Date: 12/25/14 Time: 03:01
Sample: 2006 2013
Periods included: 8
Cross-sections included: 14
Total panel (balanced) observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
I2_	-0.007629	0.002429	-3.140414	0.0023
C	0.347477	0.009026	38.49736	0.0000

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.972672	Mean dependent var	0.320537
Adjusted R-squared	0.966296	S.D. dependent var	0.161792
S.E. of regression	0.029703	Akaike info criterion	-4.020980
Sum squared resid	0.079403	Schwarz criterion	-3.486989
Log likelihood	247.1749	Hannan-Quinn criter.	-3.804323
F-statistic	152.5412	Durbin-Watson stat	1.346846
Prob(F-statistic)	0.000000		