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The innovation process in the public sector : from the experimentation to the diffusion of Impact Bonds

Vincenzo Buffa

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Par

Vincenzo BUFFA

The innovation process in the public sector
From the experimentation to the diffusion of Impact Bonds

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Résumé en français

L'innovation est considérée comme un moyen crucial pour répondre aux besoins les plus pressants de nos sociétés. Le rôle de celle-ci comme moteur de la croissance économique et de facteur clé de succès a été largement reconnu, mais aussi critiquée et élargie, en lien avec le besoin d'innover dans le but de résoudre les grands problèmes sociétaux. Dans ce contexte, la capacité du secteur public à favoriser, guider et gérer les processus d'innovation a gagné en importance dans les débats universitaires et comme professionnels.

Dans cette thèse, nous approfondissons ces thèmes par l'étude des Impact Bonds (IBs), plus communément mais moins correctement appelés Social Impact Bonds (SIBs). Les IBs sont des montages financiers regroupant des acteurs privés, associatifs et publics dans le but de financer des innovations sociales ou environnementales. Il s'agit d'arrangements contractuels multipartites dans lesquels des investisseurs avancent le capital finançant des projets innovants. Ils sont remboursés avec un intérêt financier par un tiers payeur public si certains objectifs sociaux ou environnementaux prédéfinis sont atteints à la fin d'un contrat pluriannuel (souvent 5 ans).

Cette thèse adopte une approche au croisement du management de l'innovation, du management public, et plus indirectement de la finance responsable. L'innovation dans le secteur public suscite de plus en plus l'intérêt dans le monde académique, et un nombre croissant de publications se concentre sur ce sujet. Cette attention particulière est justifiée par les attentes croissantes des citoyens quant à la nécessité de répondre aux grands défis sociétaux, et au rôle du secteur public à cet égard. Il est aussi reconnu que ces objectifs ambitieux doivent être abordés par la société dans son ensemble. Ainsi, l'innovation dans le secteur public doit être comprise comme une activité de collaboration entre différents acteurs et entre diverses organisations, sous l'égide ou encadré par le secteur public.

Dans ce contexte, les gouvernements collaborent de plus en plus avec des acteurs différents, provenant du monde associatif, de l'économie sociale et solidaire, ainsi que du monde entrepreneurial dans des processus d'innovation souvent complexes. Trois grandes tendances sont approfondies dans notre thèse pour permettre de mieux comprendre l'évolution actuelle de l'innovation dans le secteur public : premièrement, le passage du « gouvernement à la gouvernance » en tant que nouvelle approche gouvernementale où gouverner n'est plus seulement une question de souveraineté et de contrôle hiérarchique, mais aussi une action de gestion de réseaux composés d'acteurs semi-autonomes. Deuxièmement, le « tournant expérimental » qui s'accompagne par le développement de la mesure d'impact comme nouvelles pratiques de gestion des innovations. Troisièmement, l'émergence de mécanismes de financement novateurs visant à soutenir les innovations publiques tout au long du processus d'innovation.

Au niveau théorique, le processus d'innovation est fréquemment analysé sous l'angle de la théorie de l'adoption-diffusion, qui met l'accent sur la production et la diffusion de nouvelles technologies avec une approche marchande. Toutefois, il est également reconnu que l'étude des innovations adressant de grands défis sociétaux demande des interprétations différentes de celles utilisées pour étudier l'innovation technologique, davantage centrées sur la croissance économique. Dans cette thèse, nous adressons deux gaps théoriques concernant l'évolution de la gouvernance et la diffusion de l'innovation dans le secteur public.

D'abord, nous approfondissons la question de la diffusion des innovations publiques en étudiant les barrières à l'innovation présentes lors de la phase de diffusion. En effet, nous manquons d'explications satisfaisantes sur les raisons expliquant pourquoi de nombreuses innovations publiques reconnues comme pertinentes ne sont souvent pas plus largement diffusées. Qui plus est, la littérature interprète la diffusion des innovations principalement par le taux d'adoption individuel, laissant d'autres formes de diffusion, tels que le passage à l'échelle (*scaling-up*) et

l'institutionnalisation inexplorées. Nous comblons ce gap en répondant à la question de recherche suivante : Quelles sont les barrières à la diffusion des innovations testées avec succès dans le secteur public?

Deuxièmement, nous étudions le concept de métagouvernance dans le secteur public. Le concept de métagouvernance est utilisé dans la littérature en management public pour désigner la gestion et le pilotage des formes d'organisation non-hiérarchiques et collaboratives dans le secteur public. Il a gagné en importance ces dernières années pour expliquer comment les gouvernements réagissent aux échecs des politiques publiques implémentées dans ce contexte collaboratif, et où les acteurs publics doivent gérer des réseaux d'acteurs dispersés. Le concept de métagouvernance a été principalement étudié en tant qu'action des pouvoirs publics dirigée vers les réseaux d'acteurs pour maintenir leur contrôle sur les politiques publiques, constituant ainsi une « *shadow of hierarchy* » influençant ces mêmes réseaux collaboratifs. Au même temps, le développement de différentes formes hybrides d'organisation du secteur public suggère une vision plus itérative et dynamique de la métagouvernance. Nous abordons la compréhension de la métagouvernance imbriquée dans des formes hybrides d'organisation en répondant aux questions de recherche suivantes : Comment la métagouvernance émerge-t-elle et se développe-t-elle au fil du temps ? Quel est le rôle et la dynamique des différents modes de gouvernance dans cette évolution ?

Dans cette thèse, nous avons aussi l'ambition de contribuer également à la connaissance empirique de notre objet de recherche ainsi qu'avancer des contributions managériales sur les Impact Bonds. Cela s'organise de la manière suivante : tout d'abord, nous synthétisons la littérature empirique sur les Impact Bonds. En effet, en raison de leurs caractéristiques particulières, les IBs sont un sujet de recherche qui suscite des publications (entre 100 et 200, selon les supports et journaux retenus) depuis maintenant plus d'une décennie. Après plusieurs recherches approfondissant les avantages et les risques potentiels du modèle, une large

littérature empirique est apparue ces dernières années. Cette littérature manque de consolidation en ce qui concerne les différentes interprétations et analyses, parfois contradictoires. En particulier, il n'est pas clair si les attentes concernant le modèle Impact Bond sont confirmées par les applications et résultats pratiques de cet instrument. Nous adressons ce manque de cohérence et synthèse dans la littérature en répondant aux questions suivantes : Que savons-nous des attentes sur le modèle IB? Que savons-nous des effets associés aux applications concrètes des IB?

Enfin, dans cette thèse nous proposons également des contributions managériales en élaborant un cadre opérationnel qui conceptualise la relation entre résultats sociaux et économiques attendues lors de la contractualisation d'une innovation publique financé par IB. En effet, depuis leur apparition en 2010, les IBs ont vu leurs champs d'application s'élargir sensiblement. Initialement apparus pour le financement des services sociaux dans les pays occidentaux (Grande-Bretagne en tête), cet instrument a été utilisé successivement pour le financement des projets dans le champ du développement international et de l'innovation environnementale. Cette expansion dans les secteurs d'utilisation des IBs amène à une diversification des résultats attendus en termes d'impact, et à une complexification du montage contractuel pour les praticiens. Dans ce contexte, la capacité à baser la structure financière d'une IB sur certains coûts évités reste essentielle dans les pratiques de contractualisation d'un IB. Notamment, le type des résultats (sociaux ou environnementaux) attendu par un projet financé par IB influence la manière dont un contrat est structuré. Cependant, la relation entre les impacts attendus et les économies générées par les projets de l'IB a été négligée dans la littérature. Dans notre thèse, nous comblons ce manque dans la littérature empirique sur les IBs en proposant un cadre d'analyse permettant de tenir compte de ce lien.

Notre recherche a été réalisée dans le cadre d'une approche abductive. L'approche abductive engage le chercheur dans un processus itératif de va-et-vient entre les mondes théorique et

empirique afin d'atteindre une compréhension profonde des phénomènes étudiés. Cette approche nous a permis d'exploiter différentes méthodologies qualitatives : nous avons réalisé pendant notre recherche 60 entretiens semi-structurés, différentes observations et observations participantes, ainsi que des analyses documentaires. Deux de nos recherches empiriques se fondent sur des collectes de données primaires, avec une première étude multi-cas et une deuxième étude longitudinale. Nous avons également mené deux recherches fondées uniquement sur la collecte de données secondaires et l'analyse de documents.

Notre thèse est composée par quatre études indépendantes. La première étude est composée par une revue de littérature systématique sur la littérature académique et experte (dite littérature « grise ») sur les Impact Bonds. Elle prend en compte à la fois les sources théoriques et empiriques sur le sujet nous permettant de reconstituer les différentes interprétations sur cet instrument, le débat qu'il génère et les effets de ces premières mises en œuvre. Cette première recherche de notre thèse est basée sur une méthodologie de recherche rigoureuse et systématique en exploitant des bases de données électroniques de référence. De plus, afin d'avoir une compréhension complète du sujet, nous allons au-delà des pratiques habituelles d'une revue de littérature systématique en combinant l'analyse des littératures académique et littératures grises. Cette étude contribue aux connaissances empiriques sur les IBs en soulignant comment les effets des premiers IB sont variés et parfois non convergents. Nous avons également mis en évidence plusieurs pistes de recherche. Par cette étude, nous contribuons en élaborant une première synthèse de la littérature des IBs comprenant les effets empiriques de l'instrument et soulignant des pistes de recherche qui restent inexplorées.

La deuxième étude explore l'évolution dynamique de la métagouvernance dans le secteur public au fil du temps. Il s'appuie sur une étude longitudinale du développement des IBs en France entre 2016 et 2022 et sur triangulation de données qualitatives. Nous avons récolté des données par observations et observations participantes pendant plusieurs années auprès des acteurs de

terrain, complétée par 28 entretiens semi-directifs ainsi que l'analyse d'une cinquantaine de documents. Le concept de métagouvernance a principalement été étudié par la littérature comme une action intentionnellement menée par les pouvoirs publics pour maintenir leur contrôle sur des politiques publiques opérationnalisées par des réseaux d'acteurs composites. Nous montrons dans notre recherche comment dans notre cas c'est les acteurs même du réseau qui mobilisent à plusieurs reprises les pouvoirs publics pour les supporter. Nos résultats montrent en effet le processus de métagouvernance est apparu de manière processuelle et en réponse aux différents problèmes soulevés par les participants du réseau. Enfin, l'émergence progressive d'une métagouvernance dans notre cas se concrétise par l'utilisation de différents outils hybrides.

Dans notre troisième étude nous étudions les barrières à la diffusion des innovations dans le secteur public. La littérature concernant l'innovation publique a jusqu'à aujourd'hui principalement étudié les phases de la conception et de l'implémentation des innovations. Nous nous concentrons sur la phase de post-expérimentation, en élargissant la théorie sur la diffusion des innovations. Cette recherche est basée sur une étude multi-cas dans cinq pays européens. Elle analyse les trajectoires de diffusion ainsi que les barrières spécifiques rencontrées par des programmes sociaux financés par les premiers IBs dans le monde. Nous avons mené 32 entretiens semi-directifs avec les différentes parties prenantes engagées dans chacun des projets, complétés par une étude documentaire. Dans les résultats, nous identifions deux grandes catégories de barrières centrées sur le manque de volonté pour diffuser et le manque de capacité à diffuser.

Enfin, dans notre quatrième étude, nous élaborons un framework pour le design des IBs centré sur une analyse de données secondaires dans lequel nous associons les différents *outcomes* visés par un contrat IB et les gains financiers possibles pour le secteur public. Cet article est conçu principalement à des fins managériales et de politiques publiques, même si le phénomène que

nous abordons a aussi un intérêt théorique. Notre framework identifie trois types d'IB pour lesquels les objectifs des programmes sont liés de manière hétérogène à des économies possibles pour la puissance publique. Un première type d'IB permet des générer des coûts évités directement identifiables dans des budgets publics ; le deuxième est basé sur des externalités négatives évitées qui sont monétisées mais ne constituent pas des coûts évités budgetisables ; le troisième type d'IB que nous identifions est élaboré en partant de quantification qui n'amène pas une monétisation des impacts attendue par les programmes.

Abbreviations

ADEME: Agency for Environmental Transition

CDC : Caisse des dépôts et consignations

CfPs: Call for Projects

CoSA: Council on Social Action

DIBs: Development Impact Bonds

EIBs: Environmental Impact Bonds

ESF: European Social Fund

HCESS: Social Economy High Commissioner

HMP: Her Majesty Prison

IBs: Impact Bonds

NGOs: Non-governmental Organisations

NPG: New Public Governance

NPM: New Public Management

OBC: Outcomes-based contracting

OPA: Old Public Administration

PSI: Public Sector Innovation

PSO: Public Service Organisation

RCTs: Randomized controlled trials

R&D: Research and Development

ROI: Return on investment

SEESSR: State Secretary for the Social and Responsible Economy

SGEIs: Services of general economic interest

SIBs: Social Impact Bonds

SLR: Systematic literature review

STCCSSE: Secretary of State for Trade, Crafts, Consumption and the Social and Solidarity Economy

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General Introduction

The need to find new solutions to address societal problems such as global warming, social inequalities or demographic evolution are urgent and critical questions in our contemporary society (O’Flynn, 2021; Stivers et al., 2023). In this context, innovation is seen as a crucial way to solve society’s most pressing needs (Kuhlmann & Rip, 2018). The magnitude of contemporary challenges pushes to rethink the general organisation of our societies, their modes of production and consumption, as well as individual behaviours and lifestyles. In academia, the idea of innovation as a driver for economic growth and market competition has been criticised and expanded in line with the recognition of the need of innovation aiming to address societal grand challenges (Mazzucato, 2018). In parallel, the capacity of the public sector to foster, guide and manage innovations is gaining prominence in academic and practitioners debates (Torfing & Ansell, 2017). These concerns are the starting point of reflections of our research.

Impact Bonds¹ (IBs) are a particularly interesting empirical context for exploring novel forms of innovation addressing complex social problems. IBs are financial assemblies bringing together private, associative and public actors with the purpose of financing social or environmental innovations (Fraser et al., 2018). They are multi-stakeholder contractual arrangements where investors are reimbursed with a financial interest by a public commissioner if some predefined social or environmental objectives are achieved at the end of a multi-years contract (Tan et al., 2021). IBs development is closely linked with the urgent need of innovation

¹ The Impact Bonds are often referred as social impact bonds (SIBs) in the traditional literature. They are also called in Pay-for-Success in the United States. Impact Bonds applied to development policies are sometimes referred as Development Impact Bonds (DIBs) and Environmental Impact Bonds (EIBs) when they address environmental issues. In the thesis, we generally use the term Impact Bonds. In chapter 2 and 4 we use the term Social Impact Bonds because we specifically refers to the application of this mechanism to social policies.

in the public sector and the role of financial innovation in addressing this need (Millner & Meyer, 2022). We use Impact Bonds as our main empirical context.

This thesis aims to contribute to these reflections adopting an approach inspired by the management of innovation and public management literature. In the general introduction we firstly situate the innovation in the public sector (public sector innovation, PSI) in the broader context of innovation studies and point out the challenges to innovate in a complex context populated by actors of different nature. Secondly, we present our empirical case. Thirdly; we highlight the gap in the literature that the thesis addresses as well as our research questions. Furthermore, the empirical approach of our work will be presented followed by the contribution of the research. Finally, we introduce the structure and the synthesis of each chapter.

1. Grand Challenges and Public Sector Innovation

Public sector innovation has attracted growing interest from politicians, civil servants, organisations and citizens and an increasing number of academic publications have focused on the topic (De Vries et al., 2016). This particular attention is justified by the growing expectations among citizens regarding the need to respond to societal grand challenges and the role of the public sector in doing so (Ansell et al., 2021). The increasing pressure put on the public sector to renew itself and promote the renewing of society by its actions has grown since the 1990s, and represents the general context in which the innovation in the public sector takes place (Pollitt & Bouckaert, 2017). At the same time, it is acknowledged that these complex tasks need to be addressed by the society as a whole (Hjelmar, 2021). In line with this view, innovation in the public sector needs to be understood as a collaborative activity between different actors and across various organisations (Bekkers & Tummars, 2018).

Previously, innovation was strongly linked with private entrepreneurship and framed as an activity happening within an organisation disposing of sufficient resources to innovate (Kattel

& Mazzucato, 2018). Such entrepreneurial and commercial view of innovation implied a market-based interpretation of innovation invention and adoption. In other words, innovation had to be “sold” (Hjelmar, 2021) and the focus in the literature was highly centred on new products and new technologies (Gopalakrishnan & Damanpur, 1997). The process of market competition and the rate of individual adoption of innovations were the two main factors explaining the success of an innovation. This interpretation of innovation has been of inspiration also for innovations happening in non-marketised contexts, such as PSI (Chen et al., 2020).

However, the need of a collaborative approach of innovation in the public sector in order to address the grand challenges calls for rethinking the practices and the theories used to study innovations (Bekkers & Tummers, 2018). Our thesis joins this stand point, in opposition with the current dominant technological and market-based view of innovation. How does the public sector may activate the relevant actors in an innovation process? New forms of *organising*, an evolving role of public leadership and new management tools are needed to link citizens, ideas and resources to solve the more urgent societal challenges.

Governments are seeking to collaborate with for-profit, non-profit organisations and communities in order to tackle such issues. In this context, the role of the stakeholders engaged in an innovative process are changing and the frontier between different types of organisations are blurred (Battilana & Lee, 2014). Firstly, companies have often been seen as the cornerstone and first drivers of innovation, especially in the traditional commercial view of innovation (Garud et al., 2013). However, they are also at the core of new approaches directed towards other goals that go beyond economic ones. Social innovation (Nicholls et al., 2015) and inclusive innovation (George et al., 2012) are symptoms of this evolution in which companies often collaborate with other stakeholders to address grand challenges. Fair Trade is an example of social innovation bridging together economic purposes and the fight against social inequalities (Huybrechts et al., 2006). Secondly, third-sector organisations such as NGOs,

cooperatives and philanthropic foundations play an increasingly central role in the provision of services of collective interest (Gautier & Pache, 2015). They are not only the recipient of public aids and support but also have a key role in the conception and evolution of these services (Defourny & Nyssens, 2011). They are also a source of inspiration for governments in ideating and diffusing new economic models more attentive to societal and environmental issues (Voegtlin et al., 2022). A famous example of the role of philanthropy in these processes is represented by the actions of the Melinda and Bill Gates Foundation in the global health sector (McCoy & McGoey, 2011). Thirdly, citizens and communities are increasingly becoming active contributors in addressing societal challenges. Different initiatives aim to integrate citizens in the conception of innovations in a public context (Nederhand et al., 2016). Participatory budgets associating non-elected citizens with the allocation of public finances are an example of this tendency (Sintomer et al., 2020).

Three main trends need to be highlighted to better understand the current evolution of public sector innovation (we provide a synthesis in figure 1): the shift “from government to governance” (Rhodes, 1996) as a new governmental approach; the “experimentalism turn” and the development of impact measurement as emerging ways to manage innovation (Ansell & Bartenberger, 2016); the emergence of innovative public financing arrangement aiming to support innovations (Mazzucato, 2018).

Firstly, current changes in the organisation of public policies and new forms of collaboration require public actors to adapt to a new environment and change their practices (Bianchi et al., 2021). The literature has conceptualised these evolutions as the shift “from government to governance” (Rhodes, 1996) in which governing is no more only a matter of sovereign rule and hierarchical control but takes place also as an action of governing networks composed by semi-autonomous actors (Sørensen, 2006).

This is a particularly rich context for innovation. On one hand, new forms of collaboration addressing grand challenges are innovations by themselves (Bommert, 2010), they change profoundly the way in which new policies are conceived and implemented (Sørensen & Torfing, 2017); on the other hand, collaborative initiatives ask for new methods of managing, coordinating and steering public initiatives (Crosby et al., 2017). For instance, Chen (2021) examines how innovative inter-organisational partnerships addressing the problem of migrant inclusion in Australia are shaped by different forms of governing such dispersed networks of actors in the social field.

Secondly, another major trend in the recent public sector evolution concerns impact evaluation and experimentalism as new practices for managing innovations (Heinrich, 2002). Impact evaluation refers to the shift from process measurement to outcomes measurement (Tan et al., 2021). As part of the broader agenda of evidence-based policy, the development of impact evaluations in the public context tends to emphasise the relationship between evidence and policy as a new objective in public sector innovation (Boaz et al., 2019; Hevenstone et al., 2022). Experimentalism is a particular approach to governing the design of innovation and promoting methodological robust evaluation (Huitema et al., 2018). Experiments in the policy field are seen as effective in encouraging learning and supporting sustainability by producing informed policy decisions (Ansell & Bartenberger, 2016). Such experiments are increasingly used in development policy design: for example, to assess the impact of policy reforms (Banerjee et al., 2014) and pollution regulations (Duflo et al., 2013) in India, or on the use of fertiliser by farmers in Kenya (Duflo et al., 2011).

Lastly, innovations need appropriate financial resources and funding tools in order to be accomplished. The question of what kind of financing mechanisms are best suited to serve the purposes of innovation has gained prominence in the literature (Mazzucato & Semieniuk, 2017). The question is complex and invites to think about the appropriate ways to finance

innovation in the short term (upstream phase and experimentation) and in the long term (downstream phase and diffusion). In this context, the public sector is regaining the role of market maker and active shaper of innovations produced by other stakeholders (Mazzucato, 2018). On top of that, the role of finance is changing in line with the need of patient finance capable to support innovation along the entire innovation process. Impact investing and venture philanthropy are the two main examples of this new approach to finance (Barber et al., 2023). Impact investing aims to produce non pecuniary benefits through investments in specific social and environmental projects (Arjaliès et al., 2023). It is usually based on a “theory of change” (Jackson, 2013) defining the steps through which the desired impact will be obtained. An example of impact investing practices are investment funds financing the construction of social housing (Phillips & Johnson, 2021). Venture philanthropy refers to a new model of philanthropy in which foundations apply venture capital practices to traditional grant making (Moody, 2008). While enabling foundations to recycle the money that they use for philanthropic purposes, venture philanthropy is practiced as an efficient way to support organisations at different stages of development (Grossman et al., 2013). Thus, it is seen as a specific philanthropic practice directed toward innovation with social or environmental goals.

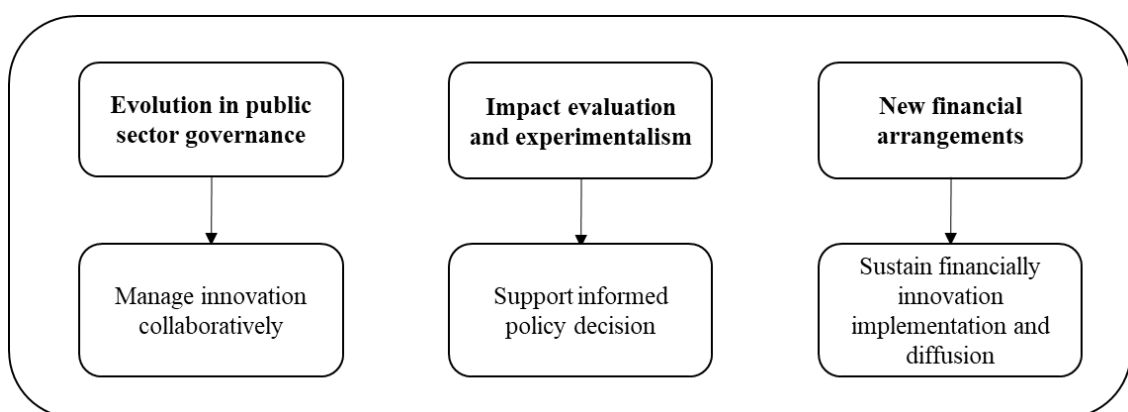


Figure 1 the three trends and their role in process and public sector innovation

3. The Impact Bonds: An Innovative Model to Public Sector Innovation

In our research we explore the emergence and development of a relatively new form of public sector financing mechanism in a para-public context: the Impact Bonds (IBs). IBs generally involve five different parties (Buffa & Le Pendeven, 2023): 1) public commissioners (most of time central or local public administrations) who pay back the investors in case of success; 2) service providers who deliver the innovative services; 3) investors (often private for-profit investors but also social investors and charities) covering the entire costs of the service provision; 4) independent evaluators assessing the social or environmental performance of the innovative service; 5) intermediaries involved in formalising the different contracts, rising the capitals needed and monitoring the project’s delivery. Figure two provides a visualisation of the IB model.

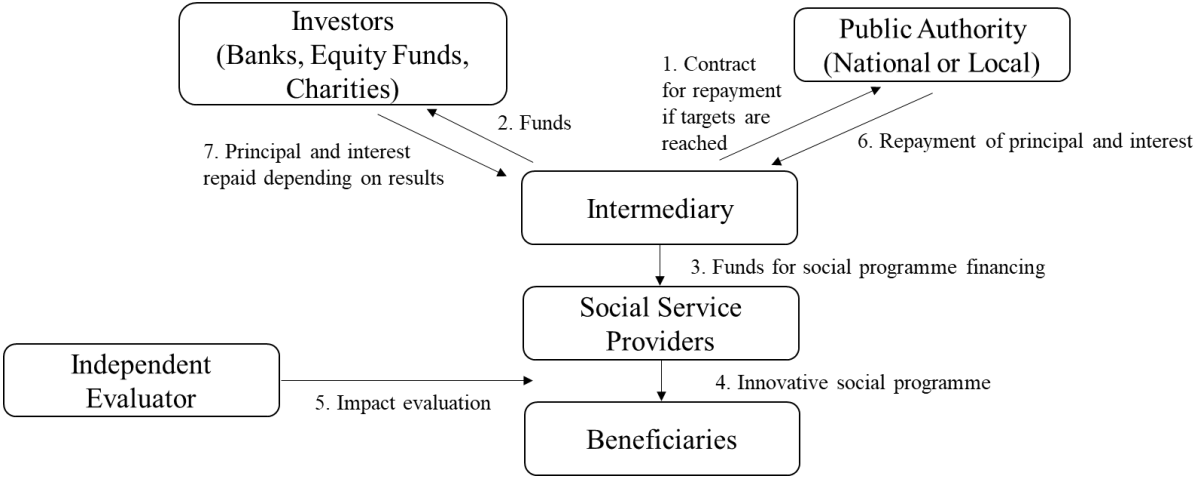


Figure 2 Typical IB structure

The IB model has been firstly conceived by public and private UK-based organisations in the late 2000s: in 2007, Social Finance (a UK NGO) started to work on the idea that was lately discussed during the Prime Minister’s Council on Social Action (CoSA) in 2008 (Social Finance, 2009). The first IB in the world, the Peterborough IB (see figure 3), has as a main

objective the reduction of re-offending rates of short-term prisoners in the Her Majesty Prison (HMP) of Peterborough (Disley et al., 2019). The project was financed with 5 million pounds from a group of social investors and charities² to perform a preventive program aiming to reinsert ex-prisoner in society and avoid reoffending. The Peterborough IB was evaluated according to the relapse or re-conviction rates of ex-prisoners released from the HMP of Peterborough and compared with a control group of prisoners. The impact or outcome target of the program was fixed between 7.5% and 10% rates of reconviction reduction, with investors receiving an increasing return proportional to the difference in relapse rates between the two groups (capped at 13% annually over an eight-year period, Buffa & Le Pendeven, 2023).

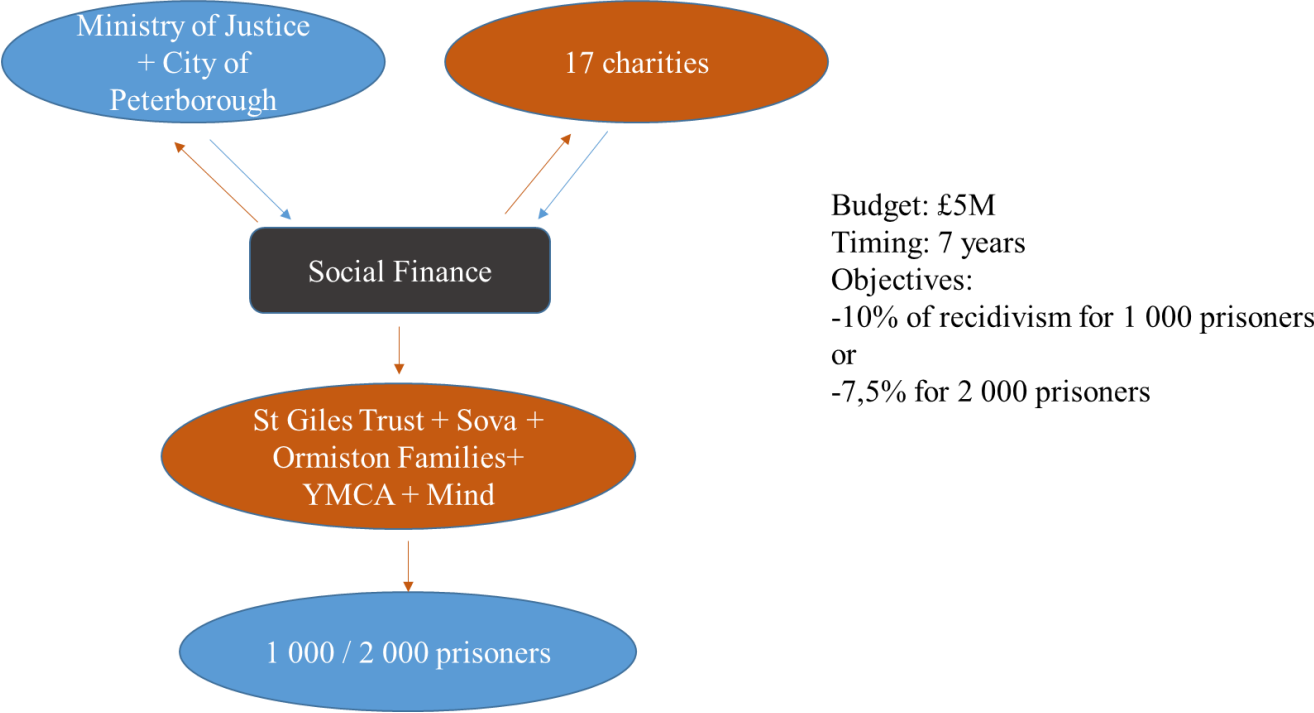


Figure 3 The Peterborough IB organisation³

² The investors of the Peterborough IB: Barrow Cadbury Charitable Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, The Henry Smith Charity, Johansson Family Foundation, Lankelly Chase Foundation, The Monument Trust, Panaphur Charitable Trust, The Tudor Trust, Paul Hamlyn Foundation (<https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/hmp-peterborough-one-service/> accessed on 20/06/2023)

³ Source: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/hmp-peterborough-one-service/> accessed on 20/06/2023.

Since their appearance in the United Kingdom in 2010, the IB model has been adopted in several countries: in the USA in 2012, in Netherlands and Australia in 2013, in Canada in 2014, and in France in 2016⁴. Nowadays, almost 226 IBs have been contracted worldwide, out of which 70 have already been completed, with total investments of \$720 million USD and with around two million users engaged in IB projects (Outes Velarde et al., 2022). The United Kingdom is the first market with 93 IB contracts (in figure 4 we present the countries in which at least three have been signed since 2010), followed by the United States (28 IBs), Portugal (23 IBs) and Japan (18 IBs).

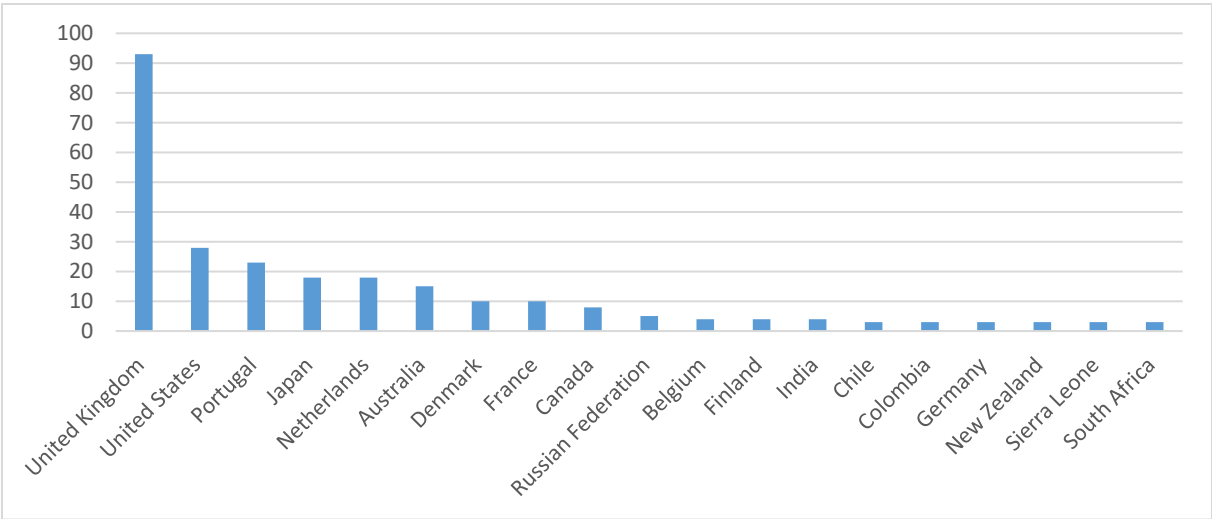


Figure 4 Countries having contractualised at least three Impact Bonds in 2023⁵

The IB landscape is populated by a wide diversity of actors. The commissioners paying-back the investors are predominately public administrations (223) and among them the majority are central government administrations. Private commissioners (29) also exist, specifically in foreign development aid projects (these projects are often referred by academics and practitioners as Development Impact Bonds, Alenda-Demoutiez, 2020). Moreover, IBs focus

⁴ For more details concerning the IB development in different countries and on the related IB projects see <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/hmp-peterborough-one-service/> accessed on 20/06/2023.

⁵ Source: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/hmp-peterborough-one-service/> accessed on 20/06/2023.

in the vast majority of cases on social issues, with some emerging environmental projects developed in the recent years (see figure 5).

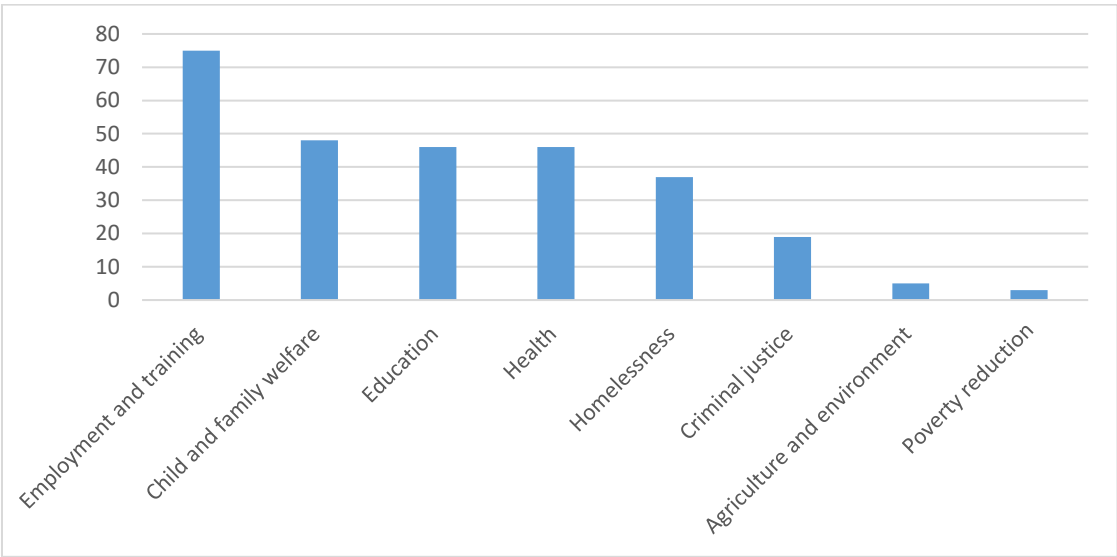


Figure 5 Social and Environmental Impact Bonds by sector in 2023⁶

The IBs development during the last decade has generated a variety of approaches among countries. How an IB is designed and procured changes drastically, notably in the definition and measurement of the social or environmental outcomes targeted and the procurement and legal framework used by public commissioners (Economy et al., 2022). The evaluation methodologies employed in order to assess the social or environmental performance of an IB may be more or less rigorous depending on the project. For instance, it has been recently noted how the IBs in the UK are mostly based on qualitative outcomes control or comparator group (Fox & Morris, 2021). In contrast, in the US, IBs use more rigorous methods such as randomized controlled trials (RCTs, Tan et al., 2021).

Concerning the procedures and the legal framework used by public commissioner in order to procure IBs, we observe a variety of solutions depending on the countries. For example, the UK

⁶ Source: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/hmp-peterborough-one-service/> accessed on 20/06/2023.

mainly finances IBs by a system of outcomes fund and by defining rate-cards monetising the outcomes targeted (Macdonald & Gramani, 2022). Outcome funds⁷ are a mechanism permitting to fund multiple IBs under one structure in which one or more public commissioners provide funding to pay for a set of outcomes (see figure 6).



Figure 6 Outcomes fund process⁸

A rate-card is a schedule of payments for specific outcomes that a public commissioner defines in order to set a price for each outcome that is willing to pay in an IB project (see figure 7 for an example).

⁷ See <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#o> (accessed on 18/06/2023) for more details.

⁸ Source: <https://golab.bsg.ox.ac.uk/the-basics/outcomesfunds/> accessed on 18/06/2023.

DWP Rate Card

DWP pays for one or more outcomes per participant which can be linked to improved employability. A definitive list of outcomes and maximum prices DWP was willing to pay for Round 2 is as follows:

Nature of Outcome	Maximum Price of Outcome
Improved attitude towards school	£700
Improved behaviour	£1300
Improved attendance	£1400
Entry Level Qualification	£900
NVQ level 1 or equivalent	£1100
NVQ level 2 or equivalent	£3300
NVQ level 3 or equivalent	£5100
Entry into employment	£3500
Sustained Employment	£2000

Figure 7 Rate card used by the Department of Work and Pension in the United Kingdom

(source: Innovation Fund Key facts⁹)

Moreover, public commissioners have elaborated some original legal frameworks to adapt the public procurement code to the IB model. In Portugal, IBs have been financed with an original mix of European Social Fund (ESF) funding and tax exemption. The ESF funding reimbursed the initial capital invested by the investors and the tax exemptions served as a way to remunerate the investors (Macdonald & Gramani, 2022). Finally, French public commissioner also found an original way to procure IBs by financing them with subsidies in order to avoid market competition and by framing them as a Services of general economic interest (SGEIs) allowing to pay a ROI to the investors (Pellizzari & Muniesa, 2022).

IBs are particularly interesting for analysing different recent trends in public sector innovation. Firstly, IBs are a multi-stakeholders arrangement in which actors of different nature collaborate in order to design, implement and evaluate innovative ways of addressing societal grand challenges. While the innovative nature of the project financed by IBs has been debated in the

⁹ Document available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212328/hmg_g8_factsheet.pdf (Accessed on 03/06/2023).

literature (Tan et al., 2021), particularly as IBs have evolved away from the original prototypical model (Carter, 2020), the reasons explaining whether or not this type of arrangement stimulates collaboration and innovation in the public sector are an intriguing topic of interest.

Secondly, IBs focus strongly on impact evaluation. In this concern, they are supposed to clearly define success and failure, and consequently show the potential of diffusion of PSI experimentation. The objective of linking experimentation, evaluation and large diffusion is also stated by IBs practitioners: “*Social Impact Bonds offer an innovative way to scale what works*” (Social Finance, 2012 p. 32). Explaining the condition in which IBs can serve the purpose of large diffusion of public innovation may further our knowledge of the link between experimentalism, impact measurement and diffusion of innovations.

Thirdly, IBs are at the intersection of the most recent tendencies concerning the innovation in the financing of social and environmental innovation. The financial model itself links financial circulation with outcomes performance, representing the most developed examples of Outcomes-based contracting (OBC). OBC represent the broader program, particularly developed in the United Kingdom, of linking social or environmental performance to services payment in public service delivery (FitzGerald et al., 2023). Moreover, IBs are a way to test impact investing and venture philanthropy under an innovative new mix (Warner, 2013). Seen as such, IBs are interesting in studying the role of private for and non-profit funding aiming to achieve social and environmental as well as economic benefits (Fraser et al., 2018).

Finally, IBs represent an excellent example of a hybrid policy arrangement characterised by different modes of governance. They are indeed concerned by both hierarchical public procurement, financial and market mechanism and collaboration (French et al., 2022; Le Pendeven, 2019). Thus, IBs permit to study of how the different modes of governing the public sector in general and the innovation process in a public context in particular, tend to coexist rather than replace one another.

3. Research Questions Addressing Theoretical and Empirical Gap

The entrepreneurial and commercial view of innovation that we have presented in the first section of the introduction is extensively used to study innovation in the public sector. Theoretically, the innovation process is frequently analysed through the lens of the adoption-diffusion theory (Rogers, 2003 [1962, 1983, 1995]) focusing on the production and diffusion of new technologies (Djellal et al., 2013). However, there is a consolidated acknowledgment by scholars that the study of innovations addressing grand challenges ask for alternative interpretations differing from those used to study technological innovation and economic growth (Schot & Steinmueller, 2018). In line with this acknowledgment, our research address two theoretical gap in the literature that are relevant to take into account the developments in governance, management and diffusion of innovation in the public sector.

Firstly, while the academic community has recently become aware of the limited transformative capacity of innovation in the public context (Borràs & Edler, 2020), we still lack consistent explanations of why PSIs are often not widely diffused (De Vries et al., 2016). We address this practical and theoretical problem by studying the barriers (Cinar et al., 2019) that hinder the diffusion processes of public sector innovations by answering the following research question: *What are the barriers to the diffusion of successfully tested innovations in the public sector?*

Secondly, acknowledging the development of non-hierarchical and collaborative forms of organisation in the public sector, the concept of “metagovernance” emerged in the literature to designate the management and steering of the public sector in this evolving context (Sørensen & Torfing, 2017). The concept of metagovernance has been mostly investigated so far as an action performed by public authorities, directed toward networks to maintain their control over public policies, thus constituting a “shadow of hierarchy” in network governance settings

(Whitehead, 2003). However, the development of different hybrid forms of *organising* the innovation process in the public sector suggests a more hybrid and dynamic view of metagovernance. We approach the understanding of the metagovernance's dynamics by answering the following research questions: *How does metagovernance emerge and develop over time? What position and dynamics do the use of different modes of coordination (by hierarchy or by network) have in this development?*

Our research has also the ambition to contribute to the empirical understanding of Impact Bonds. Due to their original features, IBs have been a fashionable topic of research for over a decade (Tan et al., 2021). After several researches discussing the potential benefit and risk of the IB model (Fraser et al., 2018), an emerging empirical literature has appeared (Fraser et al., 2020; Neyland, 2018; Tse & Warner, 2020). The empirical researches on IBs have pointed-out different limitations on IB concrete applications, such as evaluation difficulties and inaccuracies (FitzGerald et al., 2019), long and pernicious contracting period leading to high transaction costs (Tan et al., 2015), and limited accountability (Carter, 2021). However, the literature is sparse and lacks consolidation regarding the mixed and sometimes contradictory findings that have emerged from in the empirical study on IB. In particular, it remains unclear whether the expectations regarding the IB model relate to its effects in practice: *what do we know about the expectations of the IB model? What do we know about the effects associated with IBs' application?*

Moreover, the IB financing is currently expanding in scope: with their original application to social services as the starting point, variations of the model have emerged, focusing on development and on environmental policies. This evolution questions some of the core assumptions of the model and poses several challenges to practitioners. More specifically, the relationship between the outcomes targeted and the capacity to design viable business plans for

the financed projects is a major issue that has been neglected in the literature. In our thesis, we fill this gap by proposing a framework to analyse this link.

4. The Intellectual Journey and Reflexivity

In this section, I will present the development of our research over time and how the different directions taken have been influenced by our specific position in our field of research. Moreover, this section will give us the possibility to explain how our research has been carried out by taking advantage of the opportunities offered by the field.

Since its beginning in November 2018, my thesis has focused on Impact Bonds as a case study. Indeed, my PhD was funded thanks to a partnership between the “Finance for Innovation” chair at Audencia Business School, and a French private organisation, called Fonds B at that time. This firm was engaged in the IB development in France since 2016. The two founders of Fonds B were genuinely interested in developing knowledge on IB with a research approach and they enabled me to develop my research autonomously. Our agreement provided for the realisation of different actions of dissemination and popularisation of the research during my doctoral period. In particular, during the three years of our agreement, I realised five small articles published on the FondsB website, focusing on the synthesis and popularisation of some relevant research articles on IBs. Moreover, I also participated in the organisation of two practitioner conferences sponsored by the FondsB (more details in the continuation of this section).

All the research articles of the thesis as well as the general research approach were developed independently from the founders. However, the general idea behind the research articles of the thesis and the identification of the research areas as well as the data collection have been influenced in various ways by our specific position in our field of research. In the continuation of this section, I will present how the four articles composing the thesis have been conceived in an iterative way taking advantage of different research opportunities.

Firstly, the collaboration with the FondsB was an excellent first entry into the field. It enabled me to be involved since the very first days of the PhD in different external activities that built my first understanding of the object of research embedded in the daily practices of the actors involved. Notably, I helped Fonds B to organise two practitioner conferences in April and October 2019, where I had the opportunity to informally interview several actors of the IB ecosystem in France and abroad. This was particularly important for me because at that moment the empirical literature on IB was scarce. Moreover, these events allowed me to be aware of the problems and hopes of the actors involved in the IB development. It also allowed me to have an early understanding of the more technical problems concerning how to set up an IB contract, how to establish a rigorous evaluation protocol and so on. During this period, I also started the first research based on a systematic literature review of the emerging empirical literature on IBs. While the idea of conducting a systematic literature review was independent of the informal observations realised at the beginning of my PhD, these activities have been particularly useful in guiding the analysis of the literature review. Indeed, the coding sheet used in this research was also inspired by the information collected during the informal observations.

Secondly, I conceived my first empirical research on the diffusion barriers of policy innovation financed by IB globally. This multi-case study on post-IBs development of innovation in five different European countries was challenging for a young researcher like me, especially in terms of collecting data from actors that I didn't know and who were located in different countries. It was a precious time for developing skills on how to create an entry in a new field and how to approach the field from a distance. Despite the data collection was carried out in a particular turbulent time (during the first Covid crisis and the worldwide lockdown) I have been able to collect a rich qualitative dataset composed of 32 semi-structured interviews.

Thirdly, I started to think about the second empirical research exploiting the French context, which was the environment that I knew best. Also, the help of the Fonds B founders was

essential and their commitment to my work was exemplary. Indeed, they were a stakeholder in several IBs in development in France and they let me attend meetings between the stakeholders of some of those projects as a Fonds B “collaborator”. Without this entry it would be nearly impossible to attend such confidential meetings. Unfortunately, while performing some interesting participatory observations during the meetings, I also started to understand how contracting an IB is a long process, full of “dead” moments. Normally, the meetings could happen with weeks or months of break between one another, and the Covid crisis and the frequent political and administrative turnaround in French administration did not help at all. I began to fear that the field evolution was not suited for the timing of a PhD research. It was at that moment that a new opportunity presented itself to me. Indeed, in December 2019, my Audencia-based supervisor and I, started a collaboration with one French Public Agency engaged in the IB development, the ADEME. For more than a year, we executed a small-size consulting mission for this agency to prepare and write a call for projects about IBs programs. After the call for projects publication, we also took part in the evaluation of the projects. This mission had the advantage of having clear objectives and a globally fixed calendar, enabling me to better adapt the observations with the PhD timing. This collaboration enabled me to collect data through participatory observation which I successively completed with 28 semi-structured interviews and a document analysis. These different data composed the dataset of the longitudinal study of the French IB. This third research has been influenced by my particular position in the field. On the one hand, my presence in the French IB ecosystem as a researcher/expert allows me to have privileged access to the field. In particular, the observations that I have carried out have been made possible by my consulting mission with the French public administration. My specific position in the field also allowed me to establish a relationship of trust with different actors in the field, enabling me to collect rich data and easily expand the sample of interviews through snowball sampling. On the other hand, it was

sometimes difficult to make our role clear to some actors. In particular, it was unclear to some people whether we were approaching them as researchers or as consultants for the French State. In some cases, carefully explaining my specific role and the fact that I had ended my official relationship as a consultant at the time of the interview was not enough to build trust. This fact affected the quality of some interviews, especially with some social service providers. On one occasion, a banking actor who was heavily involved in IB contracting in France refused to talk to me because of my previous experience as a consultant.

Finally, another practice-based opportunity gave us the idea for the fourth article. With our Audencia team, we collaborated between May and October 2022 with WWF France. This collaboration was focused on assessing which of the WWF France projects would have a better fit with the Impact Bond model in order to engage in discussions with the public actors in France based on our first assessment. The great variety of WWF projects, ranging from biodiversity protections to environmental transition, made clear to us how an “outcome” may mean different things and how it may be challenging to link outcomes evaluation to viable business models in IB contracting. This initial empirical and practical understanding reflects some recent developments in the IB literature on how the prototype model of IBs has been stretched in practice (Carter, 2020). This recognition provided me with the rationale for the fourth article, which develops a framework for classifying impact bonds according to the nature of the outcomes sought by the intervention.

5. Research Approach and Empirical Strategy

In this section we present our epistemological approach as well as the methodology used in our research.

5.1. Research Approach

In order to establish validity, it is essential for any research to specify in which scientific process and research approach it is situated. This entails clearly stating the ontology, epistemology and methodology from which the research is drawn. Ontology concerns the assumptions we make about the reality and the conceptualisation of *being*. Epistemology is related to the question of the accessibility of reality and the production of knowledge. Methodology is concerned with how knowledge is produced and how we study the supposed “reality”. Below we will discuss these three points in more details

To clarify our relationship to reality, we can situate our research according to the fundamental differences between ontological paradigms (Stablein & Frost, 2004). These paradigms are concerned with how researchers make assumptions about ways of creating knowledge, beliefs and values regarding reality (Lundberg & Young, 2005). The functional paradigm starts from an objectivist approach and understands social phenomena as independent and objectified, close to natural phenomena that can be observed in isolation, measured, assessed or replicated. The constructivist paradigm assumes that reality is socially constructed and a representation (Berger & Luckmann, 1967). Knowledge needs to be accessed through the “people” that compose a social “reality” (Gioia et al., 2022). These two main paradigms synthesise the dualism between subjectivist and objectivist approaches to social science (Burrell & Morgan, 2017, see figure 8 for a synthesis of the two approaches).

The Subjective – objective dimensions

The Subjectivist approach to social science

The Objectivist approach to social science



Figure 8 Assumptions about the nature of social science (source: Burrell & Morgan, 2017).

Our reflections start from a different perspective. We frame our research as a process ontology (Langley et al., 2013) which understands the reality as an ongoing process of change that directs the attention to how and why things emerge and evolve over time. In this perspective, the world is not made up of substantial entities but of events and experiences (Cobb, 2007). The process of continuous change constitute *things*, not something that happens to them. In other words, change is the way in which “reality” is brought into being and made accessible (Langley et al., 2013). Thus, “objects” are constructs capturing the state of something on a specific timeframe and the production of knowledge is based on explaining how and why changes occur. A process perspective values trajectory of change, rather than the “content” of the object studied and makes a clear relationship between process and practices (Sandberg & Tsoukas, 2011).

The unfolding of practices is a major way to access the dynamics of change. Practices in the social world, and especially in organisations, are not only performed but are also questioned and reframed over time. The *practices of maintaining practices* (Langley et al., 2013) is in this perspective a much-needed point of interest for management scholars. The attention to practices and process (and their relationship) have also the ambition to provide workable solutions to major societal problems, in contrast to the goal of providing infallible knowledge and strong casual explanation (Greene & Hall, 2010).

In line with the assumptions guiding our research, we adopt an abductive approach to knowledge creation. Abduction refers to an inferential process of producing knowledge through iteratively test hypotheses and theories based on data collection that bring surprise (Timmermans & Tavory, 2012). Abduction involves “converting observations into theories and then assessing those theories through action” (Morgan, 2007 p. 71). It allows for greater creativity in the generation of theoretically informed intuition from a body of incomplete knowledge (Kistruck & Schantz, 2022). The abductive reasoning opposes and completes at the same time the other major ways of conceiving knowledge creation, namely deduction and induction. Deduction resides in moving from the general to the particular by testing a proposition arising from a logical hypothesis (Lorino, 2018). Induction involves the active collection of new insights to problematize a phenomenon and develop an inference that some universal rule is operative (Tavory & Timmermans, 2014). Abduction concerns a continuous process of conjecturing about the world, passing from theory to data in an iterative way.

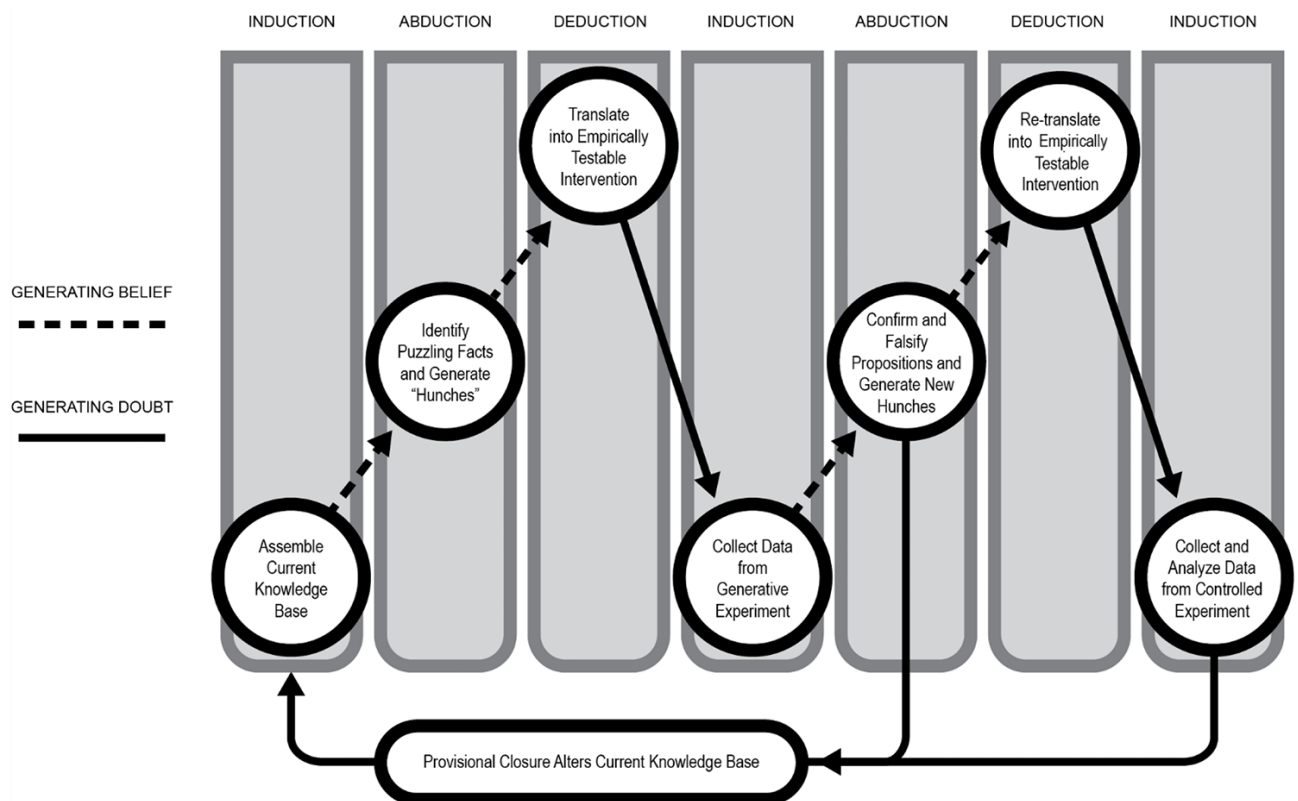


Figure 9 Example of abductive inquiry from Kistruck & Schantz, 2022

We chose to build our research design on a qualitative approach. This choice is adapted to the general ontological and epistemological assumptions guiding our research. Indeed, qualitative methods try to analyse as closely as possible the object of study, acknowledging the context of the research and situating actors thinking and practices. This process has a comprehensive goal aiming to reach the why and the how of an ongoing process (Dumez, 2013). Concretely, we adopt a case study approach (Yin, 2009) studied through a methodological bricolage (Pratt et al. 2020). The case study is probably the most common way to approach qualitative research and is defined as: “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context.” (Yin, 2009, p.18).

Moreover, the case study inquiry copes with multiple sources of evidence with data converging in triangulating fashion (ibid.). A methodological *bricolage* involves the active choice of a set of methods in the process of designing, conducting, and presenting research. It stresses the importance of making choices about the making of research and frames the researcher as an active *bricoleur* (Klag & Langley, 2013).

In synthesis, our research is based on a consolidated research design based on progressive and iterative back and forth between theory and data. We have the objective of building new knowledge and enriching existing ones. According to this goal, the studies composing our research implement different and complementary research strategies in order to understand a problem, analyse it, and propose a set of possible answers. We join scholars proposing how management research may be built on facts and practical problems that matter for society before even thinking about theoretical contributions (Hambrick, 2007). Moreover, we answer with our research to the different calls for more qualitative research in management studies (Bansal et al., 2018). Concerning theory validity and impact, our research aim to contribute with transferability rather than with generalizability (Lincoln & Guba, 1985).

5.2. Empirical Strategy: From the Design of the Research to Data Analysis

In this section, we present the methods that we have used in the different studies composing our research, as well as the strategies employed for analysing the data that we have collected. We employ a mixed methodology (Langley et al., 2013) putting together different qualitative approaches. We have indeed largely used retrospective data (accessed through document analysis and semi-structured interviews) and “real-time” data collection via observations. Data triangulation was also employed when pertinent.

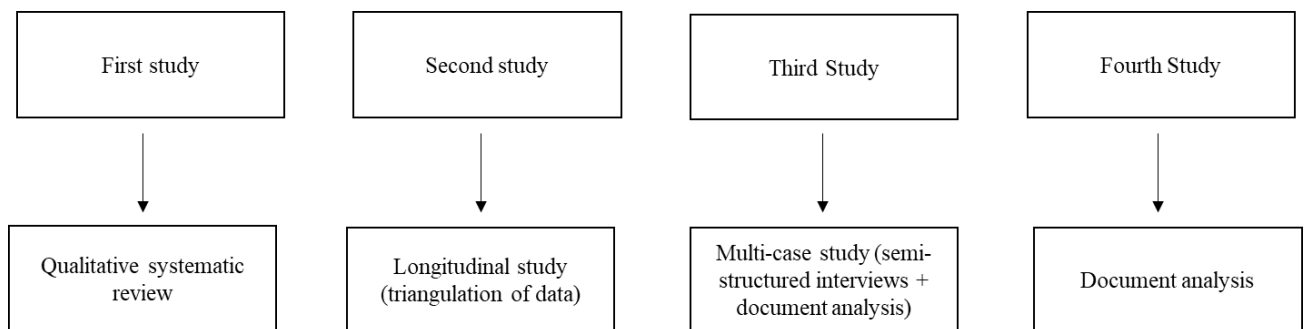


Figure 10 Methodological bricolage in our research studies

5.2.1. Data collected through semi-structured interviews

During our research we have collected an extensive amount of data from interviews. We have carried out two main interviews campaign informing our second and third studies for a total of 60 interviews.

In our second study, interviews have a different role. In this multi-years’ longitudinal study on the French Impact Bond development, interviews are complementary to the observations that had previously be carried out. Thanks to our involvement in the ecosystem, we knew most of the people that we interviewed and the sample was completed with snowball-sampling. We

conducted 28 interviews, twenty-five interviews by phone or digital tools and three face-to-face (more details on chapter 3, section 3).

Concerning the third study, the empirical setting is composed of eight social programs originally funded by Impact Bonds. The objective was to interview all the stakeholders involved in the Impact Bonds development and in the post-IB diffusion trajectories. Retrospective interviews seemed to be the appropriate methods in order to access the diffusion of innovations funded by Impact Bonds. Moreover, we investigated in some cases a relatively “concluded” process, in which some projects have been diffused (or not) two or three years before the data collection. We identified the relevant stakeholders in official documents or in press articles. Snowball tracking allowed us to expand the sample (more details on chapter 4, section 3). We conducted 32 interviews remotely (mainly using digital tools like Teams and Zoom).

5.2.2. Data collected through observations

Different observations, with a variable degree of participation and involvement, have been carried-out during our research. Before presenting the formal observations informing our third study, we are going to present other more informal observations that helped framing our object of research and understand the field.

We have already briefly talked about our early involvement in the French IB field in the general introduction. Indeed, we had the opportunity to participate to different activities with French practitioners. Among them, the two practitioners’ conferences in April and October 2019 gave us the possibility to informally interview several actors of the IB ecosystem in France and internationally as well as exchange in face-to-face with these and others actors in the field. We also attended three practitioners’ conferences as observers. Finally, we participate to two meetings between the stakeholders involved in the contractualisation of two French IBs.

These different observations have been important for three main reasons: firstly, they enabled us to “get used” to the thinking and practices of the actors involved in IBs (while the French

context has some specificities, most of the practices are comparable with those in other contexts). Thus, it was essential for an early understanding of our object and meaningful in a 're-turn to practice' approach to management studies (Nicolini, 2009). Secondly, it was also a moment in which we started to understand the relevance of certain phenomena that we successively investigated in our research, notably, the composed and complex governance of IB as a multi-actors partnership. Finally, with this first moment into the field, we started to know and also be known by a large number of relevant actors that we interviewed in the future. These first experiences were important in order to gain legitimacy in our field of research.

One of our study use data from observations as a core material of inquiry. In this longitudinal study of the French IB development, we have been involved directly into the field at different moments of time. Between December 2019 and February 2021, we collaborated with ADEME in the IB development. We participated to a consulting mission for helping this agency to design and writing a call for projects for IB financing (allocating up to 10 million €). We were also involved in the evaluation of the proposals received. During this period, we had the opportunity to participate to different working meetings, formal and informal calls and meetings, as well as numerous informal exchanges. In this research, we adopted an inside-out research approach (Bishop et al., 2021), balancing between involvement and distance to the object of research. The proximity to the phenomenon studied during the participatory observation was instrumental in generating deep and accurate findings. Thus, research based on an inside out approach may have the opportunity to access data that are often unavailable to outsiders (ibid.). Proximity is not only a way for collecting empirical insight but also may create opportunities for generating potentially strong theoretical contributions (Anteby, 2013).

5.2.3. Secondary data

Our research has been also based on the collection of secondary data. These sources are of different nature. They also have a different role in the data collection strategy depending on the

study of our research. The first and fourth studies are exclusively based on the collection and exploitation of secondary data. In our first study, we performed a qualitative systematic review (Blum & Pattyn, 2022). We selected 142 texts from the initial 1450 references identified from an electronic database research (completed by snowball tracking and advice from experts, more details in chapter 2, section 2). In the fourth study, the analysis of 30 IBs in diverse countries and sectors have been based on a document collection of mainly online documents. For the second and third studies, we completed the data collected through interviews and observations with secondary data such as official reports and press articles.

5.3. Data Analysis

We present here our choices for the analysis of our data. In particular, we present how our analysis is based on a manual content analysis assisted by the Nvivo software.

According to our adductive approach, the analysis phase of our data consisted in confronting empirical data and theoretical insights with regard to our research questions. It allowed us to organise the extensive amount of data that we collected as well as to identify and build categorised data. In other words, this phase enabled us to process empirical “raw” material and link them to theory. The whole process was iterative with constant reference to the data and the conceptual frameworks in the literature, with several steps of analysis.

We have been inspired by the Gioia methodology (Gioia et al., 2013) in developing our data structure. Gioia defines a data structure as follow: “the data structure provides a way of understanding how all the terms, themes, and dimensions relate to each other. It amounts to a graphic representation of how the analysis progressed from raw data terms to themes and to dimensions when conducting the analyses” (2021, p. 26). Therefore, we firstly compose a list of starting codes “floating reading” (Gavard-Perret et al., 2012). These codes emerged from secondary source, our research notebooks and field notes as well as from our interviews. Then,

various phases of back and forth made with the theoretical framework permitted to reframe the initial codes. This technique seemed to us to be the most consistent with our abductive research approach. The process was non-linear and driven by iterations and trial and error, resulting in frequent reorganisation of the codes and the link between them.

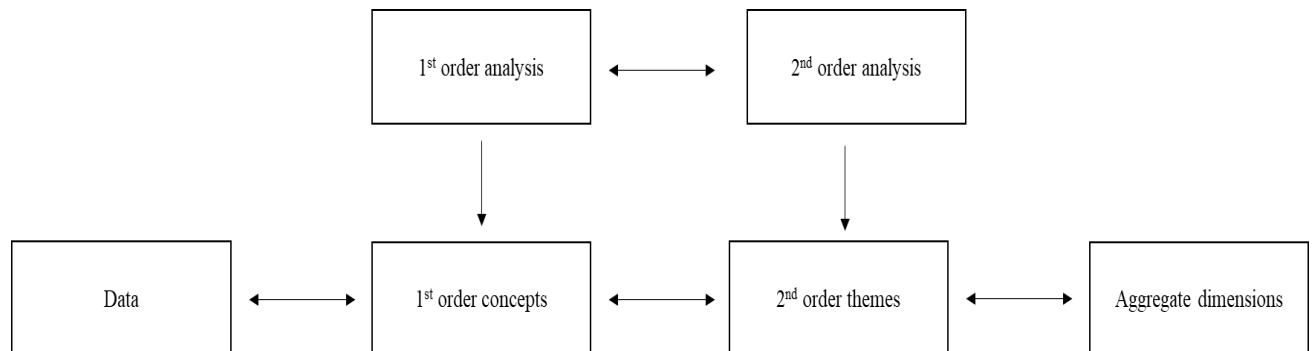


Figure 11 Gioia methodology and the different level of categories (source: Gioia, 2013)

The different materials have been systematically coded using the software Nvivo. The codes were elaborated by a double analysis of emerging codes (inductive elaboration from the raw data) and theoretical based (deductive “searching” of specific theoretical category into the data). In image xx and xx we provide an example of the two type of codes. During the process some coding categories have been split into two or three sub-categories, some other categories have been merged with similar ones, and other codes that had no associated relevant verbatim have been eliminated. A different new typology of data structure was thus created for each study (for more details see the methodology section of chapter 3 and 4).

6. Contribution of the Research

In order to answer our research questions, we carried out four independent studies. Our research made several theoretical, empirical and managerial contributions. We synthetize the four studies as follow (see also figure 12):

- I. The first study (Chapter 2) is based on a systematic literature review on the practitioner and academic IBs literature. It contributes to the empirical knowledge on IBs by highlighting how the effects of the first IBs are mixed. We also highlighted several research avenues. This study provides managerial contributions by presenting several issues that can be addressed in order to better implement social policies financed using IBs.
- II. The second study (Chapter 3) investigates how hybrid governance in the public sector evolves dynamically over time. It is based on a longitudinal study of the development of IBs in France between 2016 and 2022. We contribute by expanding the theory on the metagovernance of public sector innovation by elaborating a conception of metagovernance as an iterative, hybrid and distributed process.
- III. The third study (Chapter 4) investigates the barriers in the diffusion phase of public sector innovation. We contribute to the theory on policy diffusion and innovation barriers by distinguishing the specific barriers to the diffusion phase of a public innovation, especially for large-scale diffusion and by identifying the willingness-related barriers, which expands the theory in the field.
- IV. The fourth article (Chapter 5) presents a classification of impact bonds (IBs) that has practical implications for practitioners designing IBs. We contribute by developing a framework showing how the nature of the targeted outcomes can affect the financial structure of an IB and influence the capacity to design workable business plans for the projects being financed.

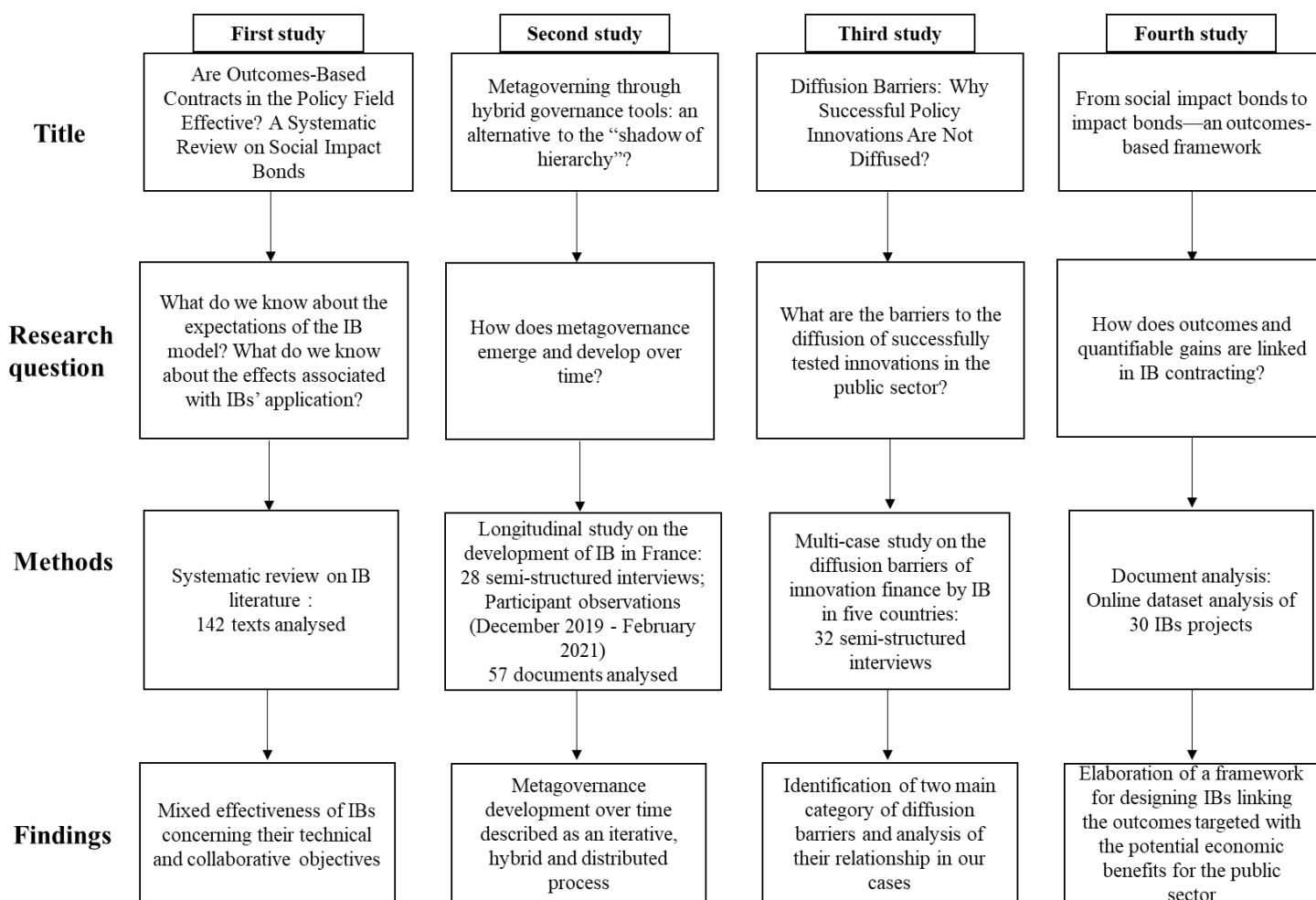


Figure 12 Characteristics of our four studies

7. Articles’ Advancement Report

In this section, we present the progression of the four articles composing this thesis and also specify their different development with regard to the academic publication process.

- **Article 1 (Chapter 2):** “What do we know about the Social Impact Bonds? A Systematic literature Review”

- **Authors:**

Vincenzo Buffa (Université d’Angers, GRANEM; Audencia Business School);

Benjamin Le Pendeven (Audencia Business School).

- **CRedit author statement:**

Conceptualization: I have conceptualised the study that has been supervised by the second member of the research team;

Research design methodology: the research design methodology has been equally developed by me and the second author;

Data collecting: I have collected and selected the 142 studies included in the systematic literature review;

Data analysis: I have personally coded and analysed the 142 studies included in the systematic literature review via the Nvivo software. The codes have been discussed with the second author;

Writing: I have drafted the first version of the different sections of the article that have been reviewed by the second member of the research team.

- **Research presented at:**

Business & Society Research Seminar.

- **Publication:**

Article submitted to Evaluation (second round of review).

- **Article 2 (Chapter 3):** “Metagoverning through hybrid governance tools: an alternative to the “shadow of hierarchy”?”

- **Authors:**

Vincenzo Buffa (Université d’Angers, GRANEM; Audencia Business School);

Benjamin Le Pendeven (Audencia Business School);

Elvira Periac (Audencia Business School).

- **CRedit author statement:**

Conceptualization: all the members of the research team have been implicated equally in this task;

Research design methodology: all the members of the research team have been implicated equally in this task;

Data collecting: I have been part of all the 28 semi-directive interviews – some of the interviews have been realized by two members of the research team. Within the 28 interviews, I have been leading interviewer for 20 interviews;

Data analysis: I have coded all the 28 semi-directive interviews via the Nvivo software; 6 interviews have been coded by two other members of the research team. The further phases of analysis have been carried out collectively (for more detail concerning the different phases of analysis see Chapter 3 Section 2).

Writing: all the members of the research team have been implicated equally in this task. I have drafted the first version of the introduction, findings and discussion of the article, as well as all the successive version of the different parts.

- **Research presented at:**

The 38th EGOS Conference;

IRSPM Conference;

Business & Society Research Seminar;

Impact Investing Days - Outcomes-Based Contracts Workshop.

- **Article 3 (Chapter 4):** “Why are successful policy innovations not diffused? A story of barriers in the public sector”.

- **CRedit author statement:**

Conceptualization: all the members of the research team have been implicated equally in this task;

Research design methodology: all the members of the research team have been implicated equally in this task;

Data collecting: I have realized 28 of 32 semi-directive interviews – all the interviews have been realized by at least two members of the research team;

Data analysis: I have coded 24 of 32 semi-directive interviews via the Nvivo software; 8 interviews have been coded by other two members of the research team. The further phases of analysis have been carried out collectively (for more detail concerning the different phases of analysis see Chapter 4 Section 2).

Writing: all the members of the research team have been implicated equally in this task. I have drafted all the different version of the findings; the second and third version of the introduction; the second version of the methodology and the first and third version of the discussion.

- **Authors:**

Vincenzo Buffa (Université d'Angers, GRANEM; Audencia Business School);

Benjamin Le Pendeven (Audencia Business School);

Mathias Guérineau (Nantes Université, LEMNA). ;

Julien Kleszczowski (Université de Lille – IAE, LUMEN).

- **Research presented at:**

Social Outcomes Conference;

Impact Investing Days- Outcomes-Based Contracts Workshop.

- **Article 4 (Chapter 5):** “New development: From social impact bonds to impact bonds—an outcomes-based framework”.

- **Authors:**

Vincenzo Buffa (Université d’Angers, GRANEM; Audencia Business School);

Benjamin Le Pendeven (Audencia Business School);

Maya Tira (Université d’Angers, GRANEM; Audencia Business School).

- **CRedit author statement:**

Conceptualization: all the members of the research team have been implicated equally in this task;

Research design methodology: all the members of the research team have been implicated equally in this task;

Data collecting: I have collected all the data concerning the 30 projects included in the research in cooperation with another member of the research teams.

Data analysis: I have analysed all the data concerning the 30 projects included in the research in cooperation with another member of the research teams.

Writing: all the members of the research team have been implicated equally in this task.

- **Publication:**

Published in Public Money and Management (DOI: 10.1080/09540962.2023.2206047).

8. Organisation of the Manuscript

The manuscript consists of six chapters and is structured as follows. A first chapter focuses on the state of the literature on commercial and public innovation. This chapter permit us to position our theoretical framework, which is composed mainly of research on management of innovation and public management. The first section of the chapter is dedicated to the literature in innovation management and the general commercial understanding of innovation. We continue by deepening the challenges regarding the conception and implementation of innovations targeting grand challenges and how they invite to rethink some core assumptions in the dominant innovation literature. In the second section of the chapter, we focus on the public sector innovation literature.

The second chapter proposes a systematic literature review (SLR) on our empirical case, the Impact Bonds. Our systematic literature review includes both the discursive, theoretical production and empirical results, enabling us to provide significant findings regarding the meaning of this instrument, the debate that it is still generating, and the effects of its implementation. It is based on a rigorous systematic research methodology of academic articles, exploiting usual established electronic databases. In addition, to gain a more comprehensive understanding of the topic, we go beyond the usual SLR's practices by combining both academic and grey literature analysis. Our findings highlight that the effects of IBs are mixed and case-dependent. We divide these effects into two categories: 1) technical issues and efficiency; 2) organisational issues and effectiveness. We contribute providing a first synthesis of the literature of IBs comprising the empirical effects of the instrument and highlighting research gaps.

The third and fourth chapters are two studies on the Impact Bond development and diffusion at the international level. The structures of these chapters are relatively similar. They begin with

a presentation of the theoretical problem that we address and the empirical contexts from which we aim to rework the theory. Then the methodology is presented in both cases, which is based on different qualitative methodologies. Finally, the findings are presented and discussed. In the third chapter, we investigate, through a qualitative longitudinal study, the development of IBs in France between 2016 and 2022 in order to analyse the process of metagovernance and how it evolves dynamically over time. We prove how the metagovernance process in our case emerges in iterative and procession fashion. The findings also demonstrate the role of hybrid tools in supporting the metagovernance of IBs. The fourth chapter concerns the multi-case study on the diffusion barriers of innovations financed by IBs in five different European countries. In this research, we elaborate two original categories of innovation barriers specific to the diffusion phase of public sector innovation addressing grand challenges.

The fifth chapter present our last empirical study in which we elaborate a framework for designing IBs based on the exploitation of secondary data in which we link the different outcomes targeted by an IB contract and the possible financial gains for the public sector. This article is conceived for primarily managerial purposes even if the phenomenon that we address has also theoretical interests. Indeed, we address the practical problem of how to design a workable business plan during an IB contracting.

In chapter six, we conclude the manuscript by discussing the different contributions of the research. We also discuss some limitations of our research as well as different research avenues.

Chapter 1. Advancing Theory in the Study of Innovation: A Review of the Literature in Commercial and Public Innovation

In the following sections, we present insights from the innovation literature in order to present our general theoretical argument concerning the need of a more dynamic and iterative understanding of innovation in both private and public sector.

In the first section of the chapter, we present the literature in innovation management and the general commercial understanding of innovation. This is relevant because it is in the commercial and for-profit economy that the study of innovation was born (Fagerberg & Verspagen, 2009). A major part of the literature has indeed studied innovation pursuing technological progress and economic growth. In the continuation of the chapter, we present some recent literatures that challenge some of the core assumption of the dominant commercial and market-based literature of innovation. According to this recent literature, we argue that the contemporary theory of innovation is ill-placed to shed light to the challenges of innovation targeting grand challenges. We conclude the first section of the chapter by addressing these shortcomings in the dominant literature.

In the second section of the chapter, we focus on the public sector innovation literature. We firstly synthesize the literature on the field. We highlight how the public sector has been initially neglected by innovation scholars and then it started to be studied only from a similar perspective used for commercial innovation. However, other approaches focusing on the specific features of PSI emerged stressing its specificities. We focus on these approaches in the continuation of the chapter. Finally, we discuss the literature addressing governance evolution in the public sector and its link to PSI.

1. Innovation Studies and the Management of Innovation

The disciplinary collocation of our theoretical understanding of innovation is in management studies and at the organisational level, but the literature is profoundly interdisciplinary in nature, and management scholars have been inspired by and directly used theory from other disciplines. This is why in this chapter we also consider insights from other disciplinary fields, such as economics, psychology, and sociology. Indeed, the study of innovation shows an increasing diversification and specialisation of knowledge from different social science fields (Fagerberg & Verspagen, 2009). Moreover, the study of innovation has been historically dominated by economists (*ibid.*), and management scholars need to take into account this established fact in presenting the literature.

1.1. Origins and Paradigms of Research

The modern conception of innovation appears in the early XIX century in the works of the French sociologist Gabriel Tarde (1903 [1890]) and the Austrian economist Joseph Schumpeter (1983 [1911, 1934]). Their conception of the innovation process and scope has structured the evolution of the field in two different research traditions: the adaptation–progression approach and the competition-wealth approach (Damanpour, 2020). We present the differences between the two approaches in table 1.

1.1.1. The diffusion of innovation and the *adaptation–progression* approach

Tarde conceives innovation as a process of dissemination of a perceived new product or practice in a specific social system, putting the attention on the process of adoption, rather than on invention. Tarde’s work is seen as the starting point of the structural and behavioural view on innovation (Damanpour, 2020). This approach has been developed successively by Rogers (2003) and his diffusion of innovation theory.

In his seminal work, Rogers defines innovation as: “*an idea, practice, or project that is perceived as new by an individual or other unit of adoption*” (Rogers, 2003, p. 12) and diffusion as: “*the process in which an innovation is communicated through certain channels over time among the members of a social system*” (Rogers, 2003 p. 5).

Starting from these definitions, we can highlight some fundamental features of the Adoption-Diffusion theory that, following Rogers, has been used for explaining innovation as a process of diffusion for over 60 years now. Innovation diffusion is described as a curve of adoption of an innovation among a social system, and researchers on this stream focus on the characteristics of an innovation that may predict the rate of adoption by individuals (Peres et al., 2010). Thus, the process of communication (Singhal & Dearing, 2006) and how the innovation characteristics influence the adoption behaviours are two common points of interest by these researches (Burton-Jones et al., 2015). Notably, the capacity of reducing uncertainty to promote innovation adoption is investigated in several works (Abrahamson & Rosenkopf, 1993; O'Neill et al., 1998). In this regard, organisations are viewed as a social entity and the innovation-adoption process is conceived as a solution to successfully adapt to the external environment (Sundbo & Fuglsang, 2002).

This specific view of innovation, that has been also defined in the literature as the *adaptation–progression* approach (Damanpour, 2020), considers a composition of different innovations in order to explain the performance improvement of an organisation. Researchers from this approach study technical or nontechnical innovations both in the private and public sector (Damanpour & Schneider, 2006; Van de Ven et al., 1989). These researchers pay particular attention to the structural and behavioural factors that explain the innovation process (Lam, 2005). Some have focused on the process of organisational change and on how and when an organisation is able to innovate in order to adapt to external environmental changes (Tushman & Nelson, 1990; Child, 1997). Interpretation in this perspective varies according to the authors

focus on inertial and incremental change (DiMaggio & Powell, 1983), discontinuity (Gersick, 1991) or continuous adaptation (Burgelman, 1991). Similarly, other researchers have deepened the link between structural organisational characteristics and the propensity to innovate (Mintzberg, 1979). Finally, research on organisational learning has analysed at the micro-level the process of innovation inside of an organisation and the relationship between collective cognition, knowledge creation and the innovation process (Cohen & Levinthal, 1990; Nonaka, 1994).

1.1.2. The *competition-wealth* approach

Schumpeter presents a view of innovation focused on the invention and the development of new technological products or processes that shape existing markets or create new ones (Schumpeter, 1983). As Tarde precises the role of the adopters, Schumpeter firstly focuses on inventors or entrepreneurs that produce disruptive novelty. The innovation process is centred on technical invention and its application for commercial purposes (Damanpour, 2010).

Schumpeter's work has become the pillar to the dominant approach in the field during the XIX century, which has been successively adopted by different theoretical approaches that are based on an economic-based view of innovation (Gopalakrishnan & Damanpour, 1997). In these studies, organisations are primarily framed as economic entities and innovations are a major tools in order to prevail in high competitive markets (Fagerberg et al., 2005). Works in this perspective are regrouped in the so-called *competition-wealth* approach. According to this view, innovation has as a main objective the improvement of organisational performance and profitability thanks to the invention of technology or commercial products (Evangelista & Vezzani, 2010; Hitt et al., 2001).

Economists of innovation have been strongly invested in the previous approach and have developed extensive knowledge on factors that stimulate innovativeness within an industry or

among a selected group of firms (Gopalakrishnan & Damanpur, 1997). They tend to observe innovation at a high level of abstraction and interpret innovation as a function of the resources invested in research and development (R&D) or the number of produced innovations (Acs & Audretsch, 1990; Nelson & Winter, 1980). Starting from this view, they have analysed the factors that determine investment in R&D (Arrow, 1962), as well as the differences among and across industries in performance improvement linked to innovative activities (Pavitt, 1984).

	The <i>adaptation–progression</i> approach	The <i>competition-wealth</i> approach
Stage of process	Adoption Initiation Implementation	Generation Ideation Development (R&D) Commercialisation
Goals	Adapting to external environment	Market competition
Level of study	Meso (Organisation) Micro (Individuals)	Macro (Industry)
Type of innovation	Product and Process Innovation Mainly Technical Innovation Radical and incremental Innovation	Mainly product innovation Only technical innovation Mainly radical innovation

Table 1 Differences between the adaptation–progression approach and the competition-wealth approach to innovation (Source: Gopalakrishnan & Damanpur, 1997; Damanpur, 2020)

1.2. The Innovation Process and Its Dimensions

In this section, we present the literature focusing on the process of innovation. Interpreting *innovation as a process* (Crossan & Apaydin, 2010) refer to *how* innovations occur. The innovation process has traditionally been studied according to some predefined sequence of phases (Salerno et al., 2015). The innovation process is divided into different innovation stages to analyse how innovations are conceived and then commercialised or diffused by an organisation, in markets or communities (Garud et al., 2013).

The innovation process has been presented in the literature in two different and competing ways (Damanpour, 2020): authors following the *adaptation–progression* approach have studied the process that enables novel ideas and products to come into fruition, focusing on how we pass

from a specific invention to an innovation that can be used and commercialised. Starting from the first adoption of an innovation, diffusion is seen as the major mechanism that drives extensive implementation among social groups (Wejnert, 2002). Knowledge use and recombination are key factors in play throughout the process of “invention-innovation-diffusion” (Xiao et al., 2022). Alternatively, the *economic-based* view of innovation has conceived the innovation process as a linkage between research, development and commercialisation in order to explain the development and market use of innovations (Cooper, 1990). The two approaches present a linear understanding of the innovation process.

Despite these differences, both approaches present a linear understanding of the innovation process and tend to analytically divide the process into similar dimensions. Following Crossan and Apaydin (2010), we can group the various dimensions studied in *innovation as a process* into four categories (see also figure 13 for a synthesis): 1) the *drivers* are the factors that explain why an organisation engage into an innovation process. They can be both internal and external and they highlight whether an innovation arises from the internal exploitation of knowledge and resources (Burgelman, 1991; Garud & Van de Ven, 1992) or whether it comes from and external pressure or motivation (von Krogh et al., 2003); 2) the *sources* of innovation highlight whether an innovation is elaborated inside an organisation or is imported from elsewhere. The literature defines as an internal source the creation process (Hargadon & Bechky, 2006) and as an external source the adoption of an innovation created outside the organisation (West & Bogers, 2014); 3) the *locus* of an innovation deepens the implementing of an innovation and study whether an innovation emerge through the exploitation of internal or external knowledge. The innovation *loci* are interpreted as a continuum, distinguishing more closed process (as an innovation developed inside an R&D department, Nerkar & Paruchuri, 2005) from open innovation (Chesbrough, 2003); 4) finally, the *direction* category concerns the scope and extent of the innovation implementation and adoption. More specifically, this

category refers to the top-down (Armour & Teece, 1980) or bottom-up appropriation (Andersen, 2008) of an innovation and its adoption level (i.e. an individual, a group, an organisation, a group of organisation).

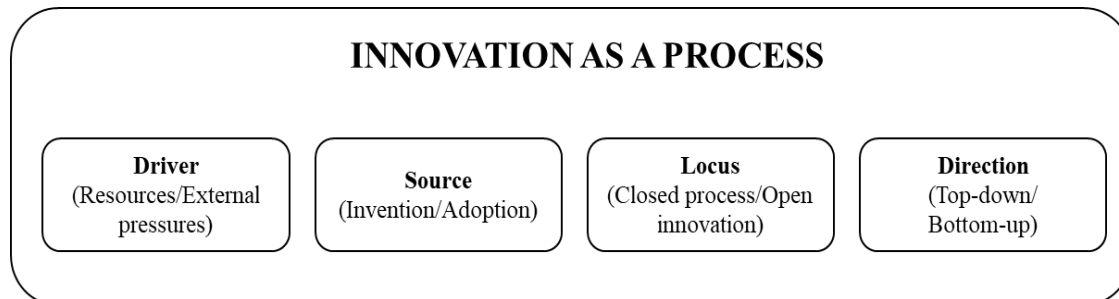


Figure 13 the dimensions of innovation as a process (Source: Crossan & Apaydin, 2010)

1.3. Toward an Iterative and Dynamic Interpretation of the Innovation Process

The two theoretical approaches that we have presented in the previous sections of this chapter are still nowadays dominant in the innovation literature. They have produced extensive knowledge on the innovation process and they are still considered pertinent for analysing different phenomena (Schot & Steinmueller, 2018). However, two major shortcomings have been highlighted by numerous authors: the first one is theoretical as it focuses on the narrow proposed definition of innovation in the literature and the excessive reduction of complexity in analytical explanation (Geels & Johnson, 2018). The second one is historical: since the turn of the century, it has become increasingly evident that the contemporary social and environmental grand challenges require different explanations from those that have been used to study innovation generating commercial products and economic growth (Schot & Steinmueller, 2018) and are based on fossil fuel-based regime (Fagerberg & Verspagen, 2020).

Both of the previous criticisms raise relevant questions about some of the core assumption regarding the innovation theories developed during the 20th century. Firstly, the centrality of

firms and diffusion by commercialisation in the innovation process (Schot & Steinmueller, 2018). Secondly, the dispersed and individual adopters as main unit of analysis (and primarily conceptualised as buyers, Geels & Johnson, 2018).

These narrow definitions of innovation seem to be critically ill-suited to shedding light on the contemporary challenges that our society is facing, and how innovation may play a key role in their solution.

The Adoption-Diffusion theory (Rogers, 2003) has raised criticisms among scholars. Notably, it seem to limit the study of the innovation process to the understanding of the adoption and diffusion of innovation described as a linear curve of adoption among different units of analysis (individuals, organisation or market, Geels & Johnson, 2018). Thus, this limit can be understood as a “snapshot of a situation” approach to innovation (Garud et al., 2013). According to this view, the innovation diffusion process cannot only be captured as a replication and spreading of predesigned innovations. Moreover, the need to introduce a more complex understanding of time and the capacity to distinguish between adoption, initial use, and post-adoptive use is also highlighted (Hazen et al., 2012).

Thus, the literature has recently focused on the need of a more dynamic and iterative understanding of the innovation process. A first crucial point concerns the question of knowledge and its use in the process of invention or adoption of an innovation. While the literature generally recognises the importance of knowledge recombination, transformation and adaptation as key factors throughout the innovation process, the interpretation of knowledge use often leads to simple linear explanations. Several researchers have called for instability and disorder to be taken into account. In particular, the complex relationship between actors and artefacts needs to be better explained. Some concepts such as *bricolage* or experimentation have been developed for this purpose (Baker et al., 2003).

Moreover, the notion of Open Innovation (Chesbrough, 2003) is also criticised (Tidd & Bessant, 2018). Notably, because it seems to constrain innovation research to the assessment of the pertinence, advantage and challenges of internal or external knowledge exploitation (and their combination in ambidexterity).

Conversely, the idea of shifting from a silo-organisational focus (choosing to exploit internal or external knowledge and resources) to an inter-organisational focus has recently been raised.

In this regard, Van Lancker et al. (2016) highlights how the innovation process is usually analysed as a succession of well-defined steps that lead to the generation, implementation and further adoption of an innovation, leaving little space for discontinuance and/or failures. In contrast, Van Der Duin et al. (2007) suggest to interpret innovation as entangled into cycles of convergent and divergent actions. In other words, it is possible to study the innovation process as a non-linear and iterative process (Budde et al., 2012; Van Lancker et al., 2016) consisting of different steps that may be repeated over time, with contrasting results and at different levels of organisation.

According to this view, the managerial action of governing innovation does not only imply the capacity to control the innovation process, instead, managers “go with the flow” (Crossan & Apaydin, 2010) and try to influence the process. Thus, the focus is shifted from how to control the innovation process, to the question of its governance.

Different approaches have recently tried to integrate these dimensions in the study of innovation. Researchers interested in Organizational Innovation System (Budde et al., 2012) put at the heart of their analysis the need of collaboration and the role of institution in order to take into account the multi-dimensional and discontinuity features of innovation (West & Bogers, 2017; Van Lancker et al., 2016). The innovation process is characterised by a complex network of actors that collaborate in order to generate or diffuse innovation and are influenced

by different institutions (Van Lancker et al., 2016). Moreover, innovation generation and implementation in complex networks of actors cannot only be explained by the individual contagion effects described in both economic and social-behavioural view of innovation (in figure 14 we propose a visualisation of the innovation process conceived as a iterative and dynamic).

The active role of managing and influencing the “innovation journey” is for example analysed through the concept of *translation* rather than diffusion (Callon, 1986), in order to capture the pro-active process of actors engaged in promoting innovations.

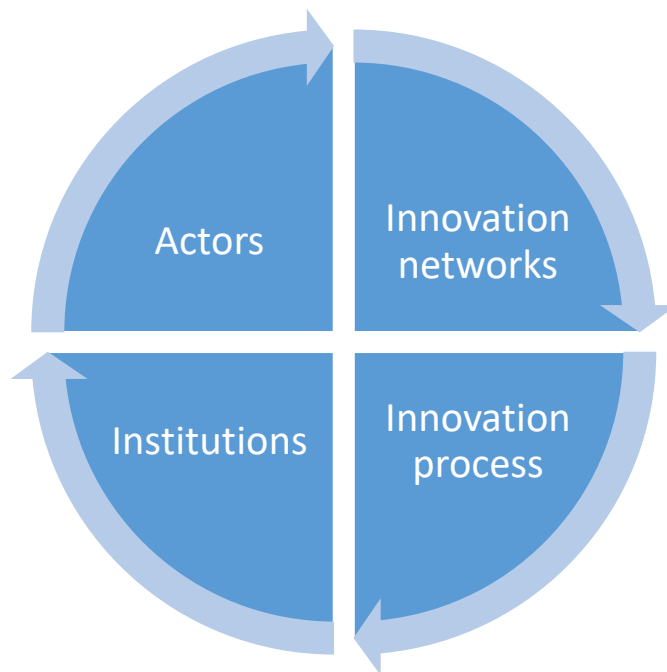


Figure 14 Four elements to study innovations in an iterative and dynamic way (source: Van Lancker et al., 2016)

The need of complexifying our understanding of innovation production and diffusion did not have only a theoretical purpose. It finds its rationale also in the acknowledgment that in order to pursue transformative change addressing grand challenges we need flexibility, a bottom-up process of emergence of innovation, as well as the acceptance of failure (Kuhlmann & Rip, 2018). In other word, the innovation process needs to be nurtured by serendipity (Rodrik, 2004).

In line with this perspective, the role of experimentation is gaining prominence as a fruitful way to operationalize a more iterative innovation process (Mazzucato, 2018). Moreover, in order to achieve collaboration across different actors and sectors, the role of projects is highlighted as a way to overcome the “silo” organisational production of innovation (Martin, 2009). Garud et al. define innovative project as “mezzolevel organizational arrangements that serve as forums for pursuing new opportunities. Moreover, projects serve as forums for action and interaction among a diverse set of organizational actors to facilitate the emergence, formation, and transformation of beliefs, routines, and practices” (2013, p. 784). Experimental innovative projects are seen as new forms of partnerships between the public sector, the private sector and the civil society (Mazzucato, 2018).

Finally, the importance of producing innovation addressing not only technological change, but also social and environmental issues, deals with the question of how innovation may create other values than economic ones (Borras & Edquist, 2019). Indeed, the innovation literature have adopted a narrow understanding on how innovation can capture value, typically in a business-based understanding (Tidd & Bessant 2018). We need significant insights into how innovation can create value in different contexts. In this context, the need to steer innovation in a specific direction is crucial (Fagerberg, 2018). The notion of directionality refers to the capacity to drive innovation towards social and environmental challenges (Calderini et al., 2023). Monitoring capacity are also essential in achieving transformative goals through innovative activities (Rawhouser et al., 2019). New forms of measurement are needed in order to assess whether or not innovations generate social or environmental value (Molecke & Pinkse, 2017). Moreover, once experimentations prove their worth (through monitoring and measurement), specific forms of post-experimentation diffusion are needed in order to sustain and expand social and environmental value creation. Different streams of literature, such as social innovation (André & Pache, 2016; Moore et al., 2015) and transition experiments

(Gorissen et al., 2018) focus on the importance of different forms of diffusion and the related capacity to creating and expanding non-economic value during the innovation process.

2. Innovation in the Public Sector

2.1. Innovation in the Public Sector: From Assimilation to Inversion

Public Sector Innovation is linked to three main processes: the implementation IT systems and electronic governments (Bekkers & Homburg, 2005); reform movements as New Public Management (Pollitt & Bouckaert, 2011) and New Public Governance (Osborne, 2006) and the change “from government to governance” (Rhodes, 1996). Theoretically, the innovation process is frequently analysed through the lens of the adoption-diffusion theory (Rogers, 2003) by the policy diffusion literature (Berry & Berry, 1990). In the continuation of this section, we briefly present these different features of the Public Sector Innovation literature as well as pointing out some shortcomings and recent trends that ask for different explanations regarding the dominantly trends present in the literature.

The innovation in the public sector has been neglected in the main-stream of innovation studies for a long time (Demircioglu & Audretsch, 2017). Different assumptions have justified the view that the public sector has little to do with innovation (Djellal et al., 2013). In particular, public services are considered as free from competitive pressures and under strong political influence. They are often seen as less influenced by pressure from consumers and characterised by bureaucratic inertia (Congleton, 1982). All these features, if considered true, would make the public sector unsuitable to be studied in the rationalist economic and commercial framework of innovation. Additionally, when it started to be considered as a valid field of analysis, the innovation in the public sector has been principally studied in assimilation of industrial and IT innovation (Arundel et al., 2019; Chen et al., 2020). The specificities of the public sector were

largely neglected and the innovation process was considered in relation to production and diffusion of new technologies (Djellal et al., 2013).

Following the dominant explanations of the IT diffusion in services (Barras, 1986), several studies have deepened the proliferation and the transformation linked to the diffusion of new technologies in public administrations (Earl, 2004; Lee & Lee, 2014; Zhang et al., 2014). Public administrations were pioneering adopters of IT systems since the early '80s and, as it happened in other fields as the financial industry, they used technological innovations in order to automatize information processing with the goal to reduce costs and incentivize efficiency (Djellal et al., 2013). This literature paid little attention to non-technological innovations that may also appear thanks to technological change, such as new public policies. It is also important to highlight that in the same period, new rationales justifying innovation in the public sector appeared with the rise of “new public management” ideas (Rolland, 2005; Hansen, 2011). Indeed, starting from the assumption that, as all other sectors, the public sector needed strong innovation in order to adapt to a changing environment, innovation must find its sources in private/for-profit practices (Dunleavy & Hood, 1994).

More recently, different researchers tried to derive specificities of innovation in a public context. They focused on possible specificities of public services (Koch & Hauknes, 2005; Fuglsang, 2010), addressing the peculiar nature of innovation in the public sector and its modes of organisation (Sørensen & Torfing, 2012; Demircioglu & Audretsch, 2017; Cinar et al., 2022). Moreover, some authors proposed typologies of innovation in the public sector (Hartley, 2005; Chen et al., 2020). In this regard, as has been noted for private service innovation (Djellal et al., 2013), the literature on public innovation sees a shift from an *assimilation* approach, marking no differences between the private and public innovation, to a *differentiation* approach grounded in highlighting these differences.

Moreover, the public sector started to be seen also as potentially taking the lead, or at least largely shape, innovative activities (Mazzucato, 2018). In this perspective, researchers went beyond the differentiation between private and public sector innovation, and started to see the latter as a major source of innovation for both sector.

Studies on innovation policies (Edler & Fagerberg, 2017; Schot & Steinmueller 2018) and on public procurement (Edquist & Zabala-Iturriagoitia, 2012; Uyarra et al., 2020) are examples of this tendency in which the public sector is interpreted as a major actor stimulating innovation. Taking another example, the literature also begin to acknowledge the role that public actors play in the co-production of innovation with actors of different nature (Bommert, 2010).

2.2. The Literature on Policy Diffusion

Public management scholars have produced an extensive literature advancing our knowledge on the diffusion of innovations. Starting from the early work of Walker (1969) and continued by the work of Berry and Berry (1990), the policy diffusion literature has produced countless of empirical research studying innovation in different policy areas and across different governmental units (Fay et al., 2022). Policy diffusion scholars primarily examine technological innovation such as funding mechanisms (Park & Berry, 2014) as well as organisational innovations (Pope et al., 2006) and norms (Heilmann & Schulte-Kulkmann, 2011). The literature suggests that governments emulate each other for different reasons (Berry & Berry, 1999), mainly competition, learning, mandates and political pressures (Walker et al., 2011). They also explain the diffusion process of an innovation referring to the influence of the nature of the innovation and the characteristics of the adopter (Korteland & Bekkers, 2008).

A specificity of the policy diffusion literature is linked to the importance paid to political influence, seen as a major factor behind the diffusion of innovation in the public sector (Cristofoli et al., 2011). This specific factor is presented following two main patterns: top-down

drivers linked to coercions, and vertical influence (Andersen & Jakobsen, 2018) or horizontal drivers such as conformity pressures or performance information (Walker et al., 2011). Learning from other adopters is an essential process in place in horizontal driven diffusion (Braun & Gilardi, 2006).

Learning through performance aims to insure a logic of consequentiality in public sector adoption (March & Olsen, 2005). In a minority of cases bottom-up diffusion are also mentioned (Shipan & Volden, 2008; Fay et al., 2021).

Two shortcomings may be identified in the literature. The first one is linked to the fact that this literature insufficiently acknowledges the cultural and environmental factors that influence organisations in the adoption and the post-adoption implementation of an innovation (Korteland & Bekkers 2008). Thus, the literature has adopted a primarily functionalist approach and more constructivist oriented interpretation of the diffusion of innovations seem to be needed (Greenhalgh et al., 2004). A second shortcoming is empirical: the literature in policy diffusion has largely neglected innovations that are directly related to solving persistent social problems and innovative public policies delivered directly to users and citizens. This type of innovation helps solve societal problems (Torfing & Ansell, 2017) and is referred to in the literature as “policy” innovation (Chen et al., 2020) or “mission-oriented” innovation (Mazzucato, 2018). Paying more attention to these types of innovation may help the academic community to advance our knowledge concerning the role and the capacity of the public sector to address societal grand challenges.

2.3. Public Value Creation and the Specificities of Public Sector Innovation

Nowadays, the public management literature acknowledge the importance to take into account the specific nature of public services, notably their objective of creating public value. In this

line, Chen et al. (2020) define the innovation in the public sector “*as the development and implementation of a novel idea by a PSO [Public Service Organisation] to create or improve public value within an ecosystem.*” (Chen et al., 2020 p. 1677). This definition puts the attention on the specific outcome that is supposed to be created by a PSI, namely public value, and highlights two different ways of conceiving it: a first managerial interpretation in which PSI has the goal to “*reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run*” (Moore, 1995, p.10) and a second relational feature where the ‘values’ addressed by public sector innovation should be understood as a societal consensus applied through policy action (Jørgensen & Bozeman, 2007). In other words, public value as the PSI major outcome has both a performance and an accountability goal.

Innovations in the public sector aim to improve, directly or indirectly, the wellbeing of citizens (Chen et al., 2020). Thus, the primary goal of PSI is different from those characterising innovation in the private/for-profit sector, such as economic-value creation, competitiveness, etc. Conversely, PSI as an activity towards public value creation allows to compare innovations in the public sector with other types of innovation centred in non-economic value creation, as social innovation or responsible innovation.

Some key dimensions of public value creation by innovative activities in the public sector need to be highlighted: firstly, the directionality of innovation (creating public value as goal of innovation, Mazzucato, 2018); secondly, the participatory character of innovation ideation, management and diffusion (Ewens & van der Voet, 2019). Often referred as collaborative governance of innovation in the literature (Ansell & Gash, 2008), this aspect stresses the idea of fostering inclusiveness and reflexivity in innovation elaboration (Calderini et al., 2023). Lastly, experimentations and the establishment of rigorous evaluation (Sanderson, 2002). Thus, iterative experimental cycle, impact evaluation and informed diffusion of previously tested

innovation are seen as major feature of innovation management in the public sector (Trischler et al., 2019).

2.4. Innovation in Governance: From a Transitional To an Hybridity Understanding of Change in Public Sector Innovation

The public sector has gone through several waves of reforms that have changed profoundly the functioning as well as the idea of how the state should work.

Referred in the literature as paradigms, regime or modes of governance, these major reforms have been a major source of innovation in the public sector. We synthesize the three main paradigms identified in the literature (the Old Public Administration, the New Public Management and the New Public Governance) in the next pages. Furthermore, we present the two main interpretation that the literature have elaborated in order to explain public sector evolution: the transitional approach and the hybridity approach. We conclude the section explaining why the hybridity approach seems to be better equipped to take into account the complexity and dynamics of the innovation process in the public sector.

2.4.1. Public Sector reforms and transitional paradigm shift

Scholars in public management have normally agreed that the public sector is guided by consistent frameworks about how the world works (Skogstad & Schmidt, 2011) and how large reforms and innovations arise from major shift on these global frameworks (Bejerot & Hasselbladh, 2013). The transitional interpretation of policy change is rooted on the work of Hall (1993) and inspired by Thomas Kuhn's (1970) study of paradigm in science. According to this view, change is principally driven by a moment of crisis of large policy failures (Wilson, 2000), described as "anomalous outcomes" that push for the transition from a framework to another (Skogstad & Schmidt, 2011).

Researchers have advanced the argument concerning the transition through three dominant modes in the public sector evolution. In his influential work, Osborne (2006) identifies a gradual transition over the last four decades from a Weberian Public Administration (also referred as Old Public Administration, OPA, Sørensen & Bentzen, 2020), to the private-business-inspired New Public Management (NPM) and the most recent New Public Governance (NPG).

The OPA was the dominant configuration for almost a century (from the late nineteenth century through to late 1970s/early 1980s). OPA focuses on policies decided by elected politicians and implemented by public managers. Hierarchical relationships, dominance of the ‘rule of law’ and the central role of bureaucracy characterised this framework. NPM had as a key element the use of markets and competition coordination for the service delivery and resources allocation (Hood, 1991). It was also characterised by explicit standards, performance and entrepreneurial leadership in public service organisations (Pollitt, 2003), as well as the disaggregation of services into different units in competition with each other (Hansen, 2011).

The NPM was inspired by neo-classical economics and public choice theory (Tiebout, 1956; Niskanen, 1971) and it was strongly directed to the improvement of efficiency and effectiveness of the public sector by emulating private/for-profit organisations. NPM’s reforms are also seen as a major driver for innovation in the public sector: it is under the pressure of fostering efficiency promoted by NPM’s ideas that the automation and information technology development in the public sector emerged (Lapsley & Segato, 2019). Moreover, different managerial, accounting and financial innovations, imported by the private corporate sector have been implemented under the same rationale, as, for instance, the Management by Objectives (Rodgers & Hunter, 1992) or the Balanced Scorecard (Drevetton, 2013) or Public-Private Partnerships (Hodge & Greve, 2007).

According to the transition approach, the NPM model dominated the public sector for a relatively brief period of time and it was seen as a transitory paradigm between the Weberian

OPA and the NPG (Osborne, 2010). The latter is based on a pluralistic conception of the State and focuses on the development of specific management skills for managing and governing multi-stakeholder networks in the ideation and implementation of public policies (Osborne et al., 2008). In this perspective, the role of citizens in the co-production of public services is emphasised (Lopes & Farias, 2022) and public managers are conceived as enablers of collaborative practices (Agger & Lund, 2017). NPG ideas have driven innovations focused on the promotion of collaboration and co-creation practices (Crosby et al., 2017).

For instance, the potential of digital technologies to enhance co-production in public services has attracted a growing interest in the literature (Lember et al., 2019).

2.4.2. Hybridising modes of governance in the public sector

The transitional approach is seen as historically relevant (Pollitt & Bouckaert, 2011). However, several studies have advanced an alternative theory for explaining the public sector evolution (Christensen, 2015; Emery & Giauque, 2014). According to this alternative view, public policy paradigms are persistent (Sørensen & Bentzen, 2020) and change is explained through cumulative reforms that do not lead to a total rupture with the past (Polzer et al., 2016). In other words, during decades of reforms, the features of the OPA has been combined with NPM and NPG features in hybrid fashion (Torfing et al., 2020). Thus, the public sector functioning is never completely vertical and hierarchical, nor purely horizontal or based on competition (McDermott et al., 2015). Even when the replacement of one modes of functioning may occur, this happens through a long process of combination or parallel co-existence.

According to this stream of research, the public sector functioning is characterised by interdependencies between paradigms and cyclical recombination over time (Koffijberg et al., 2012). Concretely, a specific policy initiative may evolve from an initial implementation predominantly focused on network interaction, to a more hierarchical or market-based

functioning. Throughout these evolutions, the modes coexist with one mode acting in front-stage and the others in the back-stage (Ayres et al., 2017). Moreover, layering and blending as a process of paradigm combination are seen as much more frequent outcomes in public sector evolution than complete replacement (Kay & Baines, 2019). Layering refers to the process in which some elements of different modes are added alongside each other (Carey et al., 2019), while the notion of blending conceptualises hybridity as an assembly of elements that are no longer distinguishable from one another (Polzer et al., 2016, see also figure 15). In practice, hybridity is accessed by focusing on the different logics at work in public administration (Skelcher & Smith, 2015) or by studying the characteristic and effect of hybrid management tools (Koppenjan et al., 2019; Sørensen & Torfing, 2019; Defacqz & Dupuy, 2021).

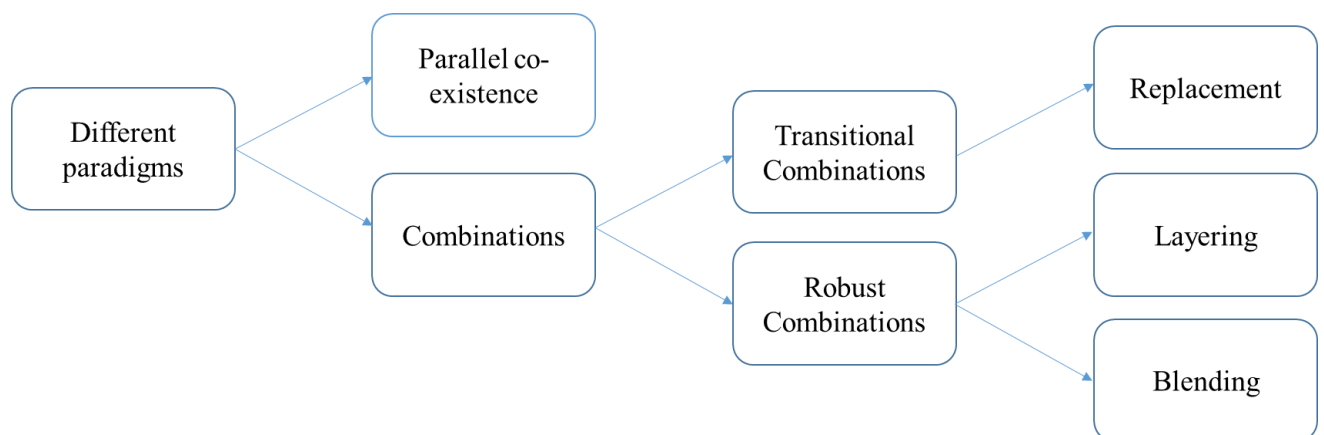


Figure 15 Paradigms combination into transitional or robust hybrid forms (source: Polzer et al., 2016)

Chapter 2. Are Outcomes-Based Contracts in the Policy Field Effective? A Systematic Review on Social Impact Bonds¹⁰

1. Introduction

The willingness to improve public service quality and to mitigate the risks associated with public service innovations have made Outcomes-Based Contracting (OBC) more prominent in recent years (Edmiston and Nicholls, 2018). Moreover, OBCs are also seen as a new way in order to put forward the link between evidence and policy as an important objective in public policy innovation (Boaz et al., 2019; Hevenstone et al., 2022). Thus, OBC is a public procurement mechanism in which the payment for services depends on successful outcomes (Tomkinson, 2016).

Social Impact Bonds (SIBs) are among the latest policy instruments tested in order to concretise these policy goals. First appearing in the United Kingdom in 2010, SIBs are a multi-stakeholder outcome-based mechanism in which private investors fund a social service experiment and are paid back by a public body if predefined social outcomes are achieved (Fraser et al., 2018). SIBs have received increasing amounts of attention from practitioners and academics for ten

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Key words: Evidence-Based Policy; Outcomes-Based Contracts; Social Impact Bonds; Systematic Literature Review

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years, and many experts and scientific publications have focused on both the discussion of the SIB model and on its first applications.

To date, it remains unclear if the expectations for SIBs relevantly relate to their effects. What do we know about the expectations of the SIB model? What do we know about the effects associated with SIBs' application? To address these questions, we conducted a systematic literature review (SLR) covering both the discursive, theoretical production and empirical studies, contributing to the continuing debate concerning this instrument. Previous reviews have focused on the narratives surrounding SIBs (Fraser et al., 2018) and on the academic trends (Broccardo et al., 2019), but there is still no systematic review of SIBs' effects. Thus, we suggest we 'stop right there' (Boselie et al., 2021) in order to identify the lessons that can be learned from SIBs' effects.

The results obtained from the analysis of our *corpus* highlight that the effects of SIBs are mixed and case-dependent. We categorise these effects into two categories: 1) technical issues and efficiency; 2) organisational issues and effectiveness. The expectations of both the promoters and the critics of the model are relevant, according to the literature: although SIBs seem to provide more space for collaboration and flexibility in public service commissioning, they are not safe from manipulative or opportunistic use.

This study propose contributions that are relevant for both academics and practitioners: 1) for academics, we present an original synthesis of the empirical results found in the literature and we contribute to advancing the knowledge on Outcomes-based contracting effects; 2) for practitioners, our research highlights several issues that can be addressed in order to better implement social policies financed using OBC mechanisms.

In this paper, we first present the SIB model. In section two, we focus on our SLR methodology. In the third section, we present the characteristics of the *corpus*. Section four is dedicated to our

findings. The last section presents a discussion, some future research opportunities and concluding remarks.

What are SIBs?

SIBs were first used in 2010 in the United Kingdom (Nicholls and Tomkinson, 2013). Later they were adopted in other countries such as the USA in 2012, Australia in 2013, Canada in 2014 and France in 2016. According to the Government Outcomes Lab¹¹, in 2022, 271 SIB contracts were signed worldwide, of which 203 are being implemented and 68 have been completed.

A SIB typically involves six different stakeholder categories (see figure 16). A *commissioner*, often a national or local public body, signs a contract in which a *service provider* commits to implementing a novel social service, and one or more *private funders* agrees to cover the costs of these services. The commissioner pays back the initial investment plus a financial return if the objectives specified in the contract are reached. An *independent evaluator* assesses the impacts of the services and confirms that the objectives have been met; this triggers payments to the investors. Some SIB arrangements include an *intermediary*, who develops the project along with the commissioner, helps raise funds and tracks the implementation of the social experiment (OECD, 2016). The sixth stakeholder is the *population group* (beneficiaries) covered by the programme.

¹¹ See <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/> (accessed on 16/12/2022).

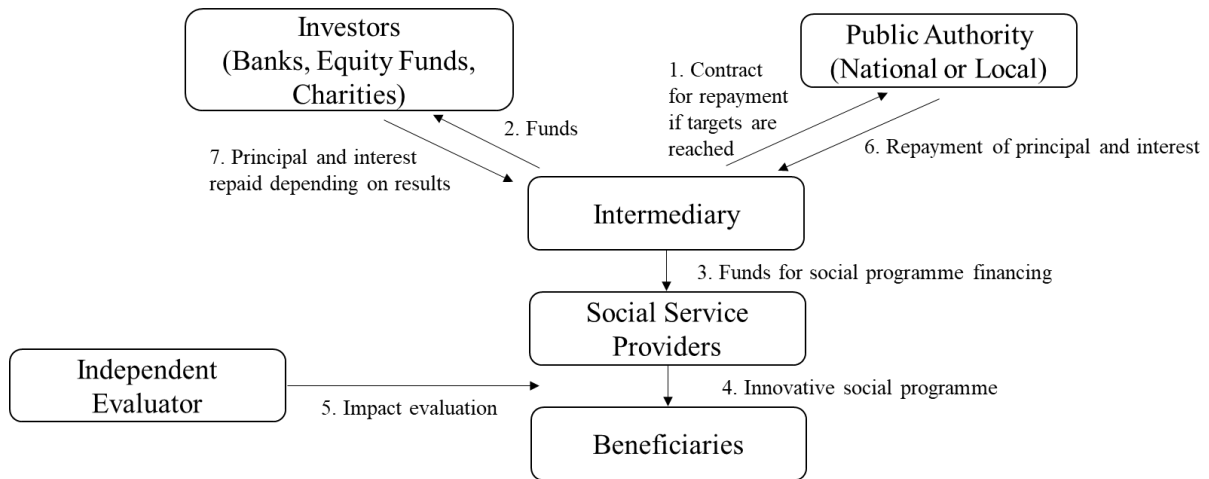


Figure 16 Typical SIB structure

2. Methodology

A Systematic Literature Review is a specific methodology for searching, synthesising and evaluating the contents of primary studies in the evidence-based and policy field (Miljand and Eckerberg, 2022).

Concretely, we performed a qualitative systematic review (Blum and Pattyn, 2022) and we used the PRISMA guidelines (Page et al., 2021). In this section, we explain the different steps used to build our *corpus*, in particular the identification of keywords, textual resources and electronic databases, and the inclusion and exclusion criteria that guided the selection. We also present the coding sheet, highlighting the links to the research questions that frame this SLR and the analysis steps.

We began by identifying keywords. Fifteen different ways of translating the term ‘Social Impact Bond’ into different policy contexts and languages emerged. We retained these fifteen different terms as keywords (we excluded all the keywords that did not directly relate to SIBs, e.g., *impact investing*, *evidence-based policy*).

Like Fraser et al. (2018), we decided to include both academic literature and grey documents (policy reports, think-tank studies, etc.). Regarding scientific literature, we only included articles published in scientific journals. We excluded books, book chapters, working papers and conference papers. Regarding grey literature, we only considered reports produced by practitioners and experts, thus excluding magazines and press articles.

We used the following databases: *EBSCO*, *Direct Science*, *Web of Science* and *Dimensions*. For our search in the grey literature¹², we used electronic databases such as *Google Scholar* and *Google Search* and conducted targeted searches on governmental websites, think-tank websites and international organisation websites. The database searches resulted in 1450 initial references. The searches for grey literature provided another 59 results. We imported all these results into *Zotero* to automatically exclude duplicates. At the end of the first stage, we had 939 references.

The second stage of *corpus* selection involved an additional, non-systematic search through the reference lists of the texts already selected (also called ‘snowball tracking’ in some studies) as well as the inclusion of records suggested by different experts. This additional research allowed us to identify another 72 texts. We used three exclusion criteria: 1) texts that did not refer directly to SIBs (e.g., reports or articles on *impact investing* naming SIBs as an example); 2) texts focusing on processes other than SIBs (e.g., that dedicate a few paragraphs or a single section to SIBs); 3) texts centred on SIBs but that are very limited in terms of size and interest (e.g., less than ten pages, or that are very basic or descriptive). This allowed us to exclude 869 items. The final *corpus* is made up of 142 documents, of which 93 are scientific articles and 49 are reports or non-scientific productions (grey literature).

¹² Searching systematically for grey literature is challenging due to the absence of centralised electronic databases like those used for academic literature. Indeed, academic electronic databases only list a small number of grey literature texts. Consequently, this second group of texts had to be searched for in a non-systematic way (if ‘systematic’, in the SLR protocol, means searching only via electronic databases).

Databases: EBSCO, Direct Science, Web of Science and Dimensions

Sources type: Journal articles, practitioner reports

Language: English, French, Spanish, Portuguese, German, Italian

Search period: no time limit–31/12/2019

Search strings: ‘social impact bond*’, ‘impact bond*’, ‘development impact bond*’, ‘health impact bond*’, ‘pay* for success bond*’, ‘pay* for success contract*’, ‘social benefit bond*’, ‘obligation* à impact social’, ‘contrat* à impact social’, ‘bono* de impacto social’, ‘titulo* de impacto social’, ‘Sozialer Wirkungskredit’, ‘Sozialen Wirkungskredits’, ‘obbligazione a impatto sociale’, ‘obbligazioni a impatto sociale’

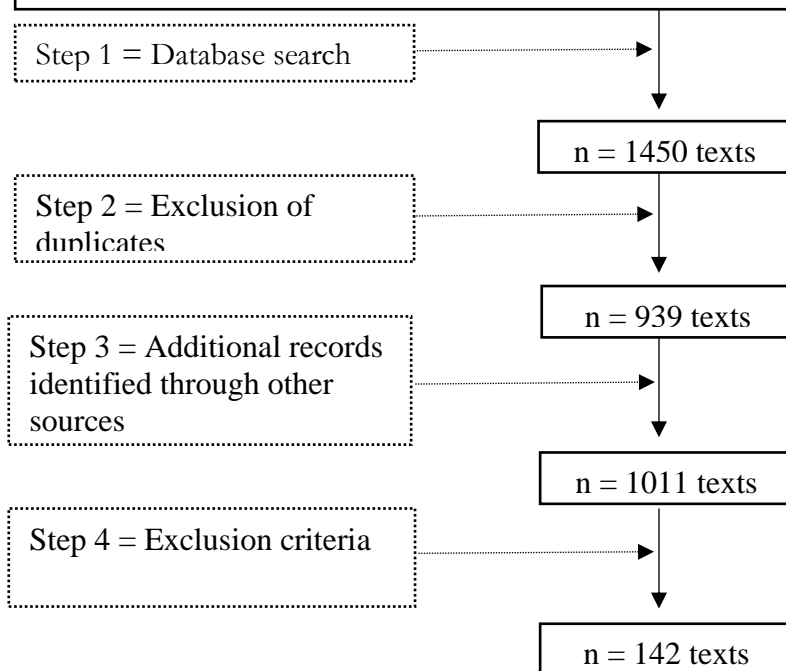


Figure 17 Systematic search and selection process

We classified the dates of publication, the authors and their institutions (university or non-academic), the scientific fields and the methodologies used to provide a first overview of the characteristics of our *corpus* and of the publishing trends. We organised these descriptive inputs to describe the development of an SIB field study.

The coding sheet for the textual analysis had two stages: 1) we first selected the most commonly used arguments in the summaries of twenty randomly chosen texts. Second, we tested these first categories on six complete texts chosen randomly from our *corpus*. This allowed us to confirm the relevance of most of the categories we had already identified, as well as to develop other categories.

A final stage of reflection led us to organise the coding sheet according to categories that would allow us to answer the research sub-questions. The micro-categories that were identified by reading summaries were reorganised according to a macro-level coding sheet that stems from an already established theoretical approach to innovative public policy tools (Lascoumes and Le Galès, 2004; Chiapello and Gilbert, 2013). For these authors, changes in public actions are related to the development and application of technical devices. Innovation is framed as a process of new device design that is justified by a feeling of inefficiency (Lascoumes and Le Galès, 2004).

Categories	Research questions
Contexts	In what contexts do SIBs appear?
Rationales	What problems are SIBs responding to?
Goals	How does the SIB model respond to the problems it addresses?
Risks	What problems can SIBs give rise to?
Criticisms	What are the dangers associated with the SIB model?
Effects	What are the effects of SIBs?

Table 2 Categories and research questions

3. Findings

This section focuses on writings that discuss the potential impacts of the SIB model. These provide rich insights into its emergence and the justifications and objectives that support its expansion. The authors presented in this section also identify risks related to SIBs.

3.1. Debating the SIB Model

3.1.1. Contextualising SIBs

No less than 38 academic articles in our *corpus* contextualise the development of SIBs; they explain their emergence through public action developments in the past few decades. The grey literature also discusses the context in which SIBs emerged, with 21 relevant reports. We identified two different strands in the discourse. The optimistic-normative discourse describes SIBs as an interesting initiative that responds to public sector reform in a period of public-

spending discussions. The second discourse is sceptical and aims to denaturalise the need for SIBs, which was created by austerity and reform during the neoliberal turnaround.

Regarding the first strand of the discourse, several authors place the development of SIBs in a broader socio-economic context, which is mainly based on two processes: 1) the budgetary austerity policies of Western countries tended to constrain public spending and Outcomes-Based Contracting; 2) this was exacerbated by the macroeconomic effects of the financial crisis of 2008 (Dodd and Moody, 2011). Grey literature publications also stress the close relationship between the welfare-state crisis and the emergence of the SIB model (Social Finance, 2012). A second macro-political phenomenon is the development of a more localised approach to public action and social initiatives (Alessandrini and Jivraj, 2017). This tendency towards localism was one of the core aspects of the Big Society doctrine, a conservative community paradigm born with the Cameron government in the United Kingdom in 2010.

In contrast, the second (critical) strand of the discourse interprets the emergence of SIBs in the wider context of the neoliberal turnaround (Joy and Shields, 2018; Cooper et al., 2016), with several texts focusing on the marketization and financialization of public policies. Critical authors aim to denaturalise the policies of austerity, the development of social finance and OBC financing, along with many other aspects of neoliberal projects (Tse and Warner, 2018). For these authors, SIBs are interpreted as a paradoxical response to the 2008 financial crisis (Dowling, 2017). These authors bear witness to the often problematic penetration of financial and market-based governance that could undermine the social mission of public actors and civil society (Saltman, 2017; Cooper et al., 2016). With a few exceptions (Malcolmson, 2014; Whitfield, 2015), experts have neglected the critical narrative concerning the emergence of SIBs.

3.1.2. Theorising SIBs: Justifications and Goals

A wide range of rationales have been invoked to explain the emergence of SIBs. They mainly concern inefficiencies regarding the administrative model and the financial functioning of the public sector. Some justifications specifically reflect financial actors' ambition to gain entry to new markets. The emphasis on the inefficiency of current social service delivery has led to the SIB model's goal of addressing this perceived failure.

The need to develop SIBs arose from a widespread belief in the inefficiency of public policy. Lack of collaboration in the design of social services (Kim and Kang, 2012), a focus on curative interventions rather than on prevention (Bridges Fund Management, 2017), and a lack of evaluation centred on outcomes (Fraser et al., 2018) are cited as the main problems encountered by the dominant approach to solving social issues. Besides the inefficiency problem, in the *corpus*, we detect the view that SIBs would be a solution to the general lack of resources encountered by public actors and NGOs.

The SIB model was presented as a possible, efficient answer to those issues. Firstly, in order to address public inefficiency, the SIB model focuses the implementation of social services on impact evaluation (i.e., outcomes evaluation) instead of the dominant service evaluation approach (i.e., outputs evaluation) (Pandey et al., 2018). The content of public policies was no longer important: the thing that mattered was the achievement of social objectives set by public authorities (Arena et al., 2016). This approach would make it possible to better account for the use of financial resources and to efficiently develop practices towards market-based performance management (Jackson, 2013; Social Finance, 2016). This first shift made it possible to relocate the financial risk of new prevention policies to private investors (Cox, 2011; Maier and Meyer, 2017). Moreover, by evaluating the impact of new services, programmes financed by SIBs could avoid costs to the public authorities caused by the consumption of social services more closely related to curative policies (Thomas et al., 2014).

Secondly, SIBs would provide an effective tool for funding prevention policies that had been underfunded until now. Preventive approaches seemed to be perceived as a social innovation *per se* (Gustafsson-Wright et al., 2015). The flexibility of social provision is another social innovation method found in the leading SIB discourse (Farr, 2016; Smeets, 2017).

Thirdly, the SIB financing mechanism would be able to align the (financial) interests of the actors involved (Schinckus, 2015). The alignment between actors with different interests would allow for a positive change in the incentive system (Marty, 2016). The overall objective would be to change the service delivery culture by shifting boundaries between the practices of public, financial and community actors (Bafford, 2012).

Finally, a less homogeneous rationale has arisen from financial actors who claim there is a more powerful way to enter the social service market: financial actors aim to transform this tool into a new asset class and open up a new financial market for social services (Schinckus, 2015). Their involvement is also justified by the desire to bring their knowledge and expertise to social service practitioner. At the same time, investing in SIBs might also be seen as a way to improve the reputation of financial actors.

3.1.3. From Operational to Systemic Risks

Our SLR highlights many kinds of perceived risks, both in the academic and expert worlds. We identified three types of risk. Firstly, some implementation risks are related to practical aspects of the contractualisation and implementation of SIBs. A second category of risk is associated with possible unintended effects associated with the SIB model. The third type of risk concerns the link between SIBs and broader phenomena of modern capitalism.

The first operational risk that we identified concerned high transaction costs. SIBs use separate contracts and transactions and have limited economies of scale. The contracting process often takes a long time to complete, generating high costs (Burand, 2012). Once the contracting

period has ended, other high and difficult-to-calculate costs will emerge when the project is operationalized (Maier and Meyer, 2017).

After contracting, evaluation methods are the most challenging issue (Fraser et al., 2018). Evaluation practice faces some challenges, including implementation difficulties and high costs (Fox and Morris, 2019). The literature also highlights difficulties concerning the effective attribution of social effects to the programme financed by an SIB (Rosamond, 2016).

Some authors highlight the risks linked to information asymmetries between public and private actors involved in an SIB contract (Tse and Warner, 2018). The asymmetry may favour private actors, leading to a poor alignment of interests because they are biased by the prominence of financial actors’ objectives (Saltman, 2017).

Another risk identified by the literature concerns the perverse effects of the contractual structure, which may result in opportunistic behaviour among some participants: investors may be more risk-averse than expected and, as a result, may choose to fund less risky projects (Burand, 2012). Moreover, opportunistic behaviour may lead to pressure from private investors or their intermediaries to concentrate action on easy-to-achieve social objectives (Saltman, 2017; Myers and Goddard, 2018). Thus, risks associated with service provision practices include selecting the easiest beneficiaries to help (Lowe et al., 2019).

Furthermore, the signing of an SIB contract would require a well-established service provider who is able to meet financial requirements and fulfil organisational needs (Battye, 2015), which excludes actors that are not sufficiently equipped. According to this view, SIBs are a funding mechanism that is tailored exclusively to large and ‘investment-ready’ organisations (Marty, 2016).

Contexts	Texts
Budgetary austerity	3 Studies
Financial crisis of 2008	6 Studies
Localism	7 Studies
Neoliberal turnaround	10 Studies
Justifications	Texts
Lack of financial resources	7 Studies

Inefficiency of public policies	16 Studies
Goals	Texts
Outcomes evaluation and performance management	12 Studies
Transfer financial risk to investors and generate cost savings	9 Studies
Prevention and flexibility	7 Studies
Create space for impact-first investors	13 Studies
Risks: Practical Difficulties	Texts
Transaction costs	13 Studies
Evaluation difficulties	7 Studies
Risks: Perverse and unintended effects	Texts
Information asymmetry and agency problem	4 Studies
'Gaming' practices	13 Studies

Table 3 Findings regarding the SIB model debates

3.2. Debating the Effects of SIBs

In this section, we present the findings of empirical studies of SIBs and their related impacts in different contexts. Anglo-Saxon SIBs monopolised the attention of researchers: only six cases in the literature were not based in the USA or UK. The non-Anglo-Saxon SIBs are two SIBs in the Netherlands and a project in Brazil.

We also found one study concerning the French context and one that looks at a project in Peru. These findings on the effects of SIBs are the first academic and systematic look at this mechanism.

Countries of inquiry	SIBs of inquiry	Grey literature	Academic articles
United Kingdom	Peterborough SIB	6 Studies	4 Studies
	Trailblazers Health SIBs	2 Study	1 Study
	DWP Innovation Fund	2 Studies	-
	London homelessness SIBs	5 Studies	5 Studies
	Essex MLT SIB	1 Study	2 Studies
	UK Health-Care SIBs (anonymous)	-	2 Studies
United States	Utah early-education SIB	1 Study	2 Studies
	Chicago early-education SIB	1 Study	3 Studies
	Youth Recidivism Massachusetts SIB	3 Studies	2 Study
	South Carolina early-education SIB	1 Study	-
Netherlands	Utrecht SIB	1 Study	1 Study

	Rotterdam SIB	1 Study	1 Study
Australia	Newpin SIB	2 Studies	-
Peru	Asháninka DIB	-	2 Study
France	General SIBs landscape	-	1 Study
Brazil	Project under development	-	1 Study
Multi-SIB (>3) studies	Several SIBs	6 Studies	9 Studies

Table 4 Empirical analysis of SIBs by country

3.2.1. SIBs between Technical Culture and Technical Failure

In relation to efficiency goals, 24 empirical studies (9 academic articles and 15 expert reports) focus on the effective penetration of a culture of data collection and the evaluation of social impacts. They highlight that SIBs have encouraged all stakeholders to invest in the creation of new databases and in the development of evaluation practices for the measurement of social outcomes (KPMG, 2014; DCLG, 2017). These efforts have improved the skills and know-how of all actors in the field of impact assessment. Empirical studies mention the development of a ‘business-like’ data recording culture (Lowe et al., 2019) and effective collaboration between stakeholders in order to access data; thus, evaluators appear to have gained access to the SIB performance black box (Battye, 2015; Roberts and Cameron, 2014).

Regarding financial risk, the latter is de facto at least partially transferred to private investors in all the projects examined, but no authors have really focused on this central aspect. Indeed, all the projects present investors who pre-financed and it is possible that they will lose all or part of the investment. However, neither the academic nor the grey literature explain how risk transfer affects the model.

The cost-saving goal has also been neglected in the literature’s core empirical analysis: only one study focused on that key issue in the political rationale for backing SIBs. McKay (2013) conducted a detailed cost analysis for the State of Maryland in the US, aiming to prove that pilot projects in the justice field could not generate any cost savings; he also researched justice-related SIBs in Peterborough (UK) and Massachusetts (US). An explanation can be found in

the early-stage description: most of the studies examined in this SLR did not reach the end of the contract during the empirical research. For the moment, this constitutes a knowledge gap.

Nevertheless, another explanation arises if we examine risk mitigation mechanisms and transaction costs in greater detail. In fact, the literature highlights many risk mitigation mechanisms (Saltman, 2017), especially in the US context (Arena et al., 2016). These strategies have sometimes drastically reduced risk transfer to private investors. For example, Arena et al. (2016) found that all the US SIBs analysed included some risk mitigation mechanisms in their financial arrangements. The literature provides examples of such mechanisms: in the USA, the Massachusetts recidivism SIB also featured a first-loss investment made by a philanthropic foundation (ROCA, 2014). In one of the two Homelessness London SIBs, the social provider took on some of the financial risk (Cooper et al., 2016). In the first Australian SIB, the commissioner guaranteed part of the private investment (KPMG, 2014).

Another common finding among empirical studies concerns the significant transaction costs of the first SIB experiments. Several SIB contracts (among them, the Peterborough SIB, the London Homelessness SIB and the first Rotterdam SIB) took more than two years of negotiation before being finalised. The related administrative costs amounted to about 15–20% of the total amount invested in the projects (Cooper et al., 2016). Some transaction costs were also financed by public or philanthropic grants (Fitzgerald et al., 2019), showing that measures taken to reduce transaction costs can also be used to reduce the risk borne by investors, who will not have to bear part of the development costs.

Nevertheless, strategies that aim to reduce transaction costs arose quite early in the UK context with the development of a system of outcome rates suggested in advance by public commissioners, facilitating contractualisation. The Investment Fund established this kind of commissioning strategy, which enabled the signing of ten SIBs in one year (Thomas et al., 2014).

A more controversial finding concerns evaluation practices. Contrary to a promising narrative whereby the SIB funding structure would create a strong culture of evaluation, the literature reports recurring evaluation difficulties (Lowe et al., 2019; Morley, 2019). The first explanation lies in the novelty of the instrument. Authors also mention the complexity of data collection (Farr, 2016) and of database creation for evaluation purposes. Evaluation reports also highlight this kind of issue (Thomas et al., 2014; KPMG, 2014). The latter use a wide range of examples featuring the problems encountered by the first SIB projects on the evaluation side. Authors also criticise the relative absence of outcome evaluation and the persistent tendency to focus evaluation on outputs (Fox and Morris, 2019).

Moreover, some concerns regarding the effectiveness of indicators arose (Neyland, 2018). The Utah Education SIB was criticised for using special education avoidance as a metric (Saltman, 2018). The Homelessness London SIB set a reconnection objective for homeless foreigners (Cooper et al., 2016). Difficulties with choosing indicators or with data collection have led to major problems for some projects; in the case of the Rikers Island project, they led to failure (Cassio et al., 2018).

These first empirical results suggest interesting points regarding the effects of SIBs related to efficiency, which is defined as a better and more informed use of financial resources. While efficiency is one of the major justifications for the use of SIBs and OBCs, paradoxically it seems to have been largely left unaddressed (there is an absence of research on risk transfer and cost savings), or it has been dealt with in an empirically inconsistent manner (difficulty of evaluation, transaction costs and mitigation of risk that would offset avoided costs). Nevertheless, social outcome evaluation practices — one of the central aspects of the efficient use of resources in SIBs — have generally been addressed, but in a rather surprising way: to show cultural and organisational changes such as a new culture of data collection, rather than to show the efficiency of these practices.

3.2.2. SIBs between Collaboration and Opportunism

SIB promoters aimed to establish a funding model for more innovative, flexible and preventive social services. They believed that the presence of different stakeholders with a strong social-first approach would improve the delivery system by aligning interests and creating a space for collaboration between different actors. Consequently, both scholars and experts have looked carefully at that dimension (Farr, 2016; Smeets, 2017). They explain that social programmes financed by SIBs stimulate delivery flexibility, which in several cases has been centred on prevention objectives.

The first pilot project in Peterborough seemed to meet this objective (Fitzgerald et al., 2019) according a degree of freedom for service providers to integrate their services (Battye, 2015). According to Belt et al. (2017), the Asháninka Peruvian project led to a large degree of design freedom. Non-academic experts have strongly highlighted this ‘agile’ commissioning, both in best-practice reports (OECD, 2016) and evaluation reports (KPMG, 2014). In the same vein, the UK commissioning strategy emphasised that focusing on social performance rather than services has allowed providers to have a more flexible approach.

Moreover, the literature has examined SIBs that promoted the development of original services, like the *Navigator* approach tested in UK-based homelessness projects (DCLG, 2015) or the early intervention approach in the education field (Tse and Warner, 2018). These approaches to social policy are not always considered new, but it seems that the development of SIBs in Anglo-Saxon countries allowed them to be disseminated in contexts marked by more classical approaches (Myers and Goddard, 2018).

The SIB contracting and implementation process has often been characterised by collaboration between stakeholders featuring effective exchanges of practices and knowledge (Belt et al., 2017). In particular, academics have highlighted examples in the US context, where SIBs

enabled the inclusion of early-childhood education projects into the policy debate by bringing together public and private actors previously engaged in that field separately (Tse and Warner, 2018). The relationship between different practitioners has promoted the creation of a shared language (Carter, 2019), and to the pursuit of social objectives rather than financial objectives (Tse and Warner, 2018). Furthermore, the grey literature on SIBs cites positive returns by stakeholders in this regard: strong collaboration between providers and investors in the London homelessness SIBs (DCLG, 2015), or the direct ‘hands-on’ involvement of investors in the management of projects for the ten SIBs financed by the Innovation Fund in the UK (Griffiths et al., 2016).

As with the efficiency goals, the literature has shifted concerning the effectiveness of SIBs. Indeed, authors also highlight cases in which financial interests were strongly protected by SIB contract structures.

Tse and Warner (2018), by analysing three education SIBs in the USA, has drawn attention to the excessive financial returns given to the Utah and Chicago SIBs. In contrast, the South Carolina SIB seemed to have more balanced returns and impacts. This finding is also shared by Saltman (2017) for the Chicago early-education SIB. Furthermore, the Innovation Fund programme in the UK also permitted overpayment of the investors (Fitzgerald et al., 2019). This can be explained by the weak alignment of the actors’ interests, notably with profit-first investors who had little incentive to fund risky innovative experiments (Cooper et al., 2016).

A complementary explanation is the possible pressure from financial actors to focus on easily achievable social goals. The Utah and Chicago early-education SIBs can be considered an illustration of this (Saltman, 2017; Tse and Warner, 2018): despite the claim that there was effective collaboration, several authors consider financial protection to have been a disproportionate priority, affecting the ability to create high social value.

The example of the Essex SIB is also cited in the literature in this regard: its structure may be interpreted as being biased as an ‘anti-market’ device (Neyland, 2018). Sometimes, this practice seemed to stem from a conflict of interest: the Utah Early Education SIB used metrics intended to have easily managed students (Gustafsson-Wright et al., 2015; Tse and Warner, 2018). Alternatively, in the Chicago Early Education SIB, investors received a large amount of financing for a programme that extended an educational service that had already been active in the city for twenty years (Saltman, 2017; Tse and Warner, 2018).

Finally, authors have also pointed to an accountability gap, in which public actors naïvely trusted social deliverers who were mostly supervised by investors or financial intermediaries (Carter, 2019). An example was provided by Carter, who concluded that the “the evaluation of Innovation Fund projects was not constructed explicitly to investigate accountabilities.” (Carter, 2019 p. 14).

In the end, the literature expresses a general preference for choosing a service provider from among large civil society organisations. This favours providers with a proven history of success, ensuring low risk investments: Griffiths et al. (2016) tell us that for the Innovation Fund programme, commissioners and investors started ‘partnerships with a smaller number of key players involved fully committed to the central requirements and ethos of the social investment model’ (p. 38). The Homelessness London programme involved organisations who had prior experience with Payment by Results (DCLG, 2016). A preventive health UK SIB made use of a provider that had already had a relationship with commissioners for twenty years (Lowe et al., 2019).

In conclusion, we can say that *effectiveness* has been dealt with in greater depth than *efficiency* in the reviewed literature. Indeed, the objectives of effectiveness seem to be the focal point of both academics and experts with a positive view of SIBs: there are many analyses of relational (collaboration) and operational (flexibility) effectiveness. There is also a limited conception of

social innovation (more deployment than experimentation). While enabling collaboration, contracts often seem to protect certain interests (mainly those of investors, according to the literature). We note that there is little research that seeks to explain how collaboration and opportunism can coexist.

Findings regarding efficiency goals and risks	Texts
Penetration of a culture of data collection and evaluation	15 Studies
Evaluation difficulties	18 Studies
Risk mitigation mechanisms	8 Studies
High transaction costs	7 Studies
Findings regarding effectiveness goals and risks	Texts
Creating space for collaboration	13 Studies
Flexibility of service delivery	13 Studies
Promoting the development of original services	6 Studies
Weak alignment of the actors' interests	7 Studies
Promoting large investment-ready service providers	6 Studies

Table 5 Major findings of empirical literature concerning SIB effects

4. Conclusions and Research Agenda

Research Gaps and Avenues

By embracing the rationales, contextual dimension, risk, but also the consequences and effects of the SIBs for the first time, we have noted several novel avenues for research.

Firstly, while the risk transfer mechanism from citizens and the public sector to private funders is mentioned in most of the texts, the concrete implementation conditions and effects remain understudied. This is a topic that should be investigated by the academic community. The literature acknowledges that in many cases (notably in the United States), the principle of risk transfer to private investors has not properly been complied with. The likelihood of an agency

problem between stakeholders — often in favour of financial actors — was mentioned in several analyses. Nevertheless, there is a lack of explanations for this. Why have public authorities failed to defend their interests and accepted SIBs that carried so little risk for investors? Have civil servants sometimes been unable to assess the financial complexity of SIBs appropriately?

Secondly, another gap in the literature concerns the cost-saving claims made by SIBs. The rationale behind this for policymakers is to improve social services while reducing costs. To our knowledge, only one text in our entire corpus is fully dedicated to this feature of the SIB model (McKay, 2013). In general, authors writing on justice policy are sceptical of SIBs' ability to generate cost savings. Other examples in the literature support this evidence. Moreover, if this means that cost savings are not the central objective, it becomes essential to understand how the model may be adjusted and, perhaps most importantly, how its financial structure (based on financial returns justified by avoided costs) justifies the mechanism.

Thirdly, the characteristics of SIB contracts seem to be a major avenue of research that is still under-exploited. Studies dealing with the contracting process could indeed be a major input into a deeper understanding of how SIB actors operate.

Moreover, they would make it possible to test the hypothesis of a strong tendency towards collaboration between stakeholders — one of the SIB model 'promises' — and, also, to investigate the power relationships between actors and the related impacts on contracts and social outcomes. We think that the role of intermediary organisations and public agencies specifically dedicated to SIB development must be included in the analysis.

Fourthly, the literature neglects what happens after an SIB ends, when the testing period has ended. Nothing has been published on this topic. This gap can be explained by the novelty of the instrument but also, maybe, by the path dependency of the academic community. At the

time of writing in 2021, about 68 contracts had already been concluded¹³; we do not yet know the proportion of SIBs that have been completed and, especially, the ways in which they may be considered successful. Understanding the effects that SIBs have on public policies, social finance development and the welfare sector requires more interest in this issue and also in the potential deployment of social programmes financed by SIBs.

Limitations

The main limitation of our research is methodological. Despite our efforts to embrace the bulk of the literature about SIBs, we cannot be sure that this review is exhaustive in terms of existing research. Even if SLR standards generally accept the exclusion of books, we may have missed some interesting content about SIBs in that type of publication. We also aimed to include grey literature. As explained, there are numerous grey papers about SIBs from very diverse sources and institutions, so our identification and selection procedure may also have missed a few.

Finally, even if our research covers publications in five different languages, we were constrained by our language skills. It is always a risk that we did not identify documents in other languages, among them Dutch, Portuguese, Arabic and Chinese.

Concluding remarks

Our review has systematically analysed the literature published on the emerging research field of Social Impact Bonds as an Outcomes-Based Contract. In our Findings, after having synthesised the expectations of SIBs from both promoters and from cautionary analyses, we highlighted how the effects of the first SIBs are globally mixed.

Regarding the efficiency issues of the model, effect analysis of SIBs has shown both a penetration of a new technique culture among stakeholders and a different technique failure

¹³ According to the GoLab Projects database: <https://golab.bsg.ox.ac.uk/knowledge-bank/project-database/?query=&stage=Completed> (accessed on 06/12/2022).

(concerning the evaluation protocols and the financial arrangements). Regarding organisational issues and the effectiveness of the model, the literature oscillates between recognising good collaboration practices enabled by SIBs and highlighting opportunism. Our discussion finally showed several points that our review helped identify that call for further research.

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Chapter 3. Metagoverning through hybrid governance tools: an alternative to the “shadow of hierarchy”?¹⁴

1. Introduction

The concept of metagovernance has gained prominence in explaining how governments respond to public policy failures (Jessop, 1997; Sørensen & Torfing, 2009; Gjaltema et al., 2020). In the context of the “from government to governance” turnaround (Rhodes, 1996), the capacity to act or to react of public entities is embedded in a complex network of relationships between and beyond public actors (Sørensen & Torfing, 2019) and increasingly characterised by competition and market-based coordination modes (Hansen & Lindholst, 2016). Governing is no more a matter of hierarchical control but, instead, is described as an action of meta-governing self-regulated network of actors (Sørensen, 2006).

Gjaltema and colleagues (2020) define the concept of Meta-governance as: “a practice by (mainly) public authorities that entails the coordination of one or more governance modes by using different instruments, methods, and strategies to overcome governance failures” (p. 1771). While this definition implies a multiplicity of metagovernance configurations, the literature on this topic has been characterised by some dominant visions. Notably, the metagovernance concept has been mostly investigated as an action directed towards networks (Baker & Stoker, 2015; Bristow et al., 2008). Moreover, the majority of researchers have studied cases in which the metagovernance is performed by public actors at different levels from central to local governments (Gjaltema et al., 2020) and in some cases by private actors

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(Fransen, 2015). Finally, the literature has mostly investigated the process of metagoverning as an action performed by public authorities to maintain their control over public policies (Doberstein, 2016; Thuesen, 2013; Vabo & Røiseland, 2012), thus constituting a “shadow of hierarchy” in network governance settings (Whitehead, 2003).

However, these major trends in the literature on metagovernance leave several crucial aspects of the phenomenon largely unexplored. The current literature provides little explanation of what happens when the object of a metagovernance process is directed not only at networks but implies an activity of balancing different modes of governance and where a metagovernance process can be carried out by public and private actors at the same time. Indeed, the recent literature (Koppenjan et al., 2019) has shown how public governance is today characterised by public initiatives in which hierarchical, market and network governance tend to pile up in hybrid governance arrangements (Christensen, 2013; Emery & Giauque, 2014). Moreover, some recent studies have investigated the governance of networks by public authorities by focusing on the interaction between public and private actors providing a more dynamic view of metagovernance over time (Berthod et al., 2017; Defacqz & Dupuy, 2021; Randma-Liiv et al., 2015). What happens when a meta-governor or a group of meta-governors try to steer a hybrid governance public initiative? In other words, how does the metagovernance of hybrid governance emerge and unfold over time? This article aims to give an answer to these still unexplored questions.

In order to answer our research questions, we studied the case of the Impact Bonds (IBs) implementation in France between 2016 and 2022. Appeared in the United-Kingdom in 2010, the Impact Bonds are multi-stakeholders pay-for-success mechanisms where private investors fund an experimental social service implemented by a private social provider and are paid back by a public body if predefined social outcomes, assessed by an independent evaluator, are achieved (Fraser et al., 2018). IBs are an interesting case study because they represent an

excellent example of a recent hybrid policy arrangement aiming to perform co-creation goals in order to better solve social problems (Farr, 2016). Some studies on IBs have highlighted their hybrid character (French et al., 2022; Le Pendeven, 2019) and the challenges faced by the different stakeholders involved in order to perform IB initiatives (Cooper et al., 2016; Maier & Meyer, 2017; McHugh et al., 2013). We investigated our case study by providing a unique dataset based on a triangulation of qualitative data. Our qualitative approach combines seven years of participatory observations, 28 semi-structured interviews and 57 documents analysed. Our findings identify two phases of development, in which the IBs implementation in France is supported by different configurations: starting from a bottom-up emergence, relying on networks, we observe the mobilisation of different balances between network, market and hierarchy over time. Thus, we highlight how the different stakeholders engage in an iterative mobilisation and balance of different governance tools in order to respond to policy failures. Our findings contribute to the theory of metagovernance by conceptualising the metagovernance as iterative (cyclically provoked by the network participants and partially negotiated), hybrid (based on hierarchy, market and networks governance) and distributed (situated in three steering loci – political, administrative and external).

The research is structured as follows: the first part concerns the literature we discuss. The second presents our methodology and the empirical setting. The third part explains our findings. In the fourth part, we discuss the literature and we highlight our contributions.

2. Literature Review

2.1. The Issue of Steering Non-Hierarchical Form of Organisations in the Public Sector

The proliferation of network of actors engaged in the conception and implementation of public services is an acknowledged fact in the literature (Raab et al., 2015). The literature explains this

increasing importance of networks in public management due to several factors: firstly, networks have been seen as an effective response to the shortcomings of New Public Management reforms (Kickert et al., 1997) and as a “third way” of organising the public action that goes beyond top-down hierarchical control and marketization (Sørensen & Torfing, 2018). Secondly, governance networks are also important in responding to the complex “wicked” policy problem (Head, 2019). Thus, the use of multi-parties networks has been seen as answer to the multifaceted and cross-boundaries nature of contemporary challenges (Sørensen & Torfing, 2021). These factors stimulate the development of networks populated by actors of different nature engaged in the public services design and delivery, which raises the issue of how to steer and manage this new form of public action (Ansell & Gash, 2008).

Initially defined as “governance of governance” (Kooiman, 1993) or “the organisation of self-organisation” (Sørensen & Torfing, 2009), the concept of metagovernance is concerned with the way of organising non-hierarchical forms of organisation in the public sector (Klijn & Koppenjan, 2016; Torfing et al., 2012). In fact, metagovernance raises the issue of coordinating the public action in a context where the public initiatives are no more the exclusive domain of public administrators and more and more open to private actors and civil society (Sørensen, 2006).

There is an academic debate on the definition of metagovernance. Some authors define metagovernance as pure “network management” (Edelenbos & Klijn, 2007) focusing on managerial actions as the main feature of a metagovernance process, and in which public authorities are one actor among others. Some other authors combine this managerial view with an attention to the role played by political leadership (Sørensen & Torfing, 2017). This second view on metagovernance stresses the involvement of public authorities in strategically (re)organising networks-based initiatives (Jessop, 1997, 2011), to maintain public control despite the shift from government to governance (Rhodes, 1996). This debate on the definition

of metagovernance shows that the notion contains a genuine ambiguity about the role of political leadership in a context of a networked public action, as well as an uncertainty about the legitimacy and relevance for public authorities to use more hierarchical forms of coordination to manage and steer networks.

2.2. The “shadow of hierarchy” and the tendency towards centralisation in networks governance dynamics

The metagovernance concept has often been considered as an act of agency performed by public actors actively aiming to manage and steer a dispersed network of actors (Gjaltema et al., 2020). According to this view, a metagovernance process is often enacted to promote coordination in networks (Baker & Stoker, 2015), starting from the will of a single or group of public actors to advance policy goals (Doberstein, 2016) or to push state capture of networks (Voets et al., 2015).

In their literature review, Gjaltema et al. (2020) underline that most often the metagovernance is performed by public actors, whether described as an organisational level (State or a ministry) or as specific actors within the public organisations (public servants, administrative representative and/or political actors). Concretely, the metagovernance is enacted by the use of different instruments: authority instruments (like strict mandates and task description; Damgaard & Torfing 2010; Haveri et al. 2009), economic instruments (for instance, positive financial stimuli, co-financed project or subsidies) (Frantzeskaki et al., 2014; Harada & Jorgensen, 2016) and informational instruments (like issuing publications or interactive dialogues, Gjaltema et al., 2020). The different instruments are categorised depending on their direct (hands-on) or indirect (hands-off) effect on networks (Sørensen & Torfing, 2009).

Authors have demonstrated how the metagovernance process refers to the role of hierarchical coordination in managing networks governance (Whitehead, 2003). In this respect, the concept

of metagovernance refers to the persistent “shadow of hierarchical authority” (Scharpf, 1994, p. 41) in networks governance, meaning both a *prominence* and a *persistence* of hierarchy as coordination mechanism to steer network governance settings. Moreover, several empirical studies observed how a metagovernance process is directed towards networks to maintain under public authorities’ control their involvement in public policies (Nederhand et al., 2016). These studies reproduce in network governance the more general idea of a persistency of hierarchy as coordination mechanisms despite organisational changes towards flatter and post-modern organisations (Diefenbach & Sillince, 2011; Randma-Liiv et al., 2015). Finally, it is observed how networks governance initiatives tend to shift from less formalised to more formalised form of organising (Provan & Kenis, 2008) thanks to the centralisation and institutionalisation of networks promoted by metagovernance practices (Cheshire et al., 2014).

2.3. Challenging the “shadow of hierarchy” and the tendency to centralization through an hybrid interpretation of metagovernance

The shift “from government to governance” involves different interpretations regarding the emergence of networked forms of organisation. Some studies adopt a transitional interpretation of the administrative paradigms evolution (Skogstad & Schmidt, 2011). Drawing from the Kuhn (1970) conception of paradigm evolution, this process has been described as a transition from a dominant paradigm to another that, even if slowly, replaced the ancient one (Hall, 1993). This transitional interpretation is visible for example in milestone articles in which new paradigms were introduced, like Hood (1991) or Osborne (2006). According to this conception, the bureaucracy and hierarchy-based Weberian Public Administration paradigm, dominant from the 1950s until the 1970s, has been gradually replaced by a market-based New Public Management (NPM) (Hood, 1991; Osborne & Gaebler, 1992). Then, in the 1990s, new forms of governance based on networks, interdependency and horizontal relationship emerged and

became the more and more dominant *vis-à-vis* of NPM (often referred as New Public Governance, NPG, see Osborne, 2006).

However, many studies have proposed an alternative interpretation of public administration evolution based on a more dialectical development in which the original hierarchical public administration has been combined with NPM (markets) and NPG features (networks) (Christensen, 2013; Emery & Giaouque, 2014; Polzer et al., 2016; Torfing et al., 2020). According to this stream of research, the public governance evolves through the hybridization of different modes of governance, rather than by the transition from one mode to another (Howlett & Cashore, 2009; Polzer et al., 2016). Theoretically, the process of hybridization of modes of governance is analysed as a mix or layering of different paradigms (Torfing et al., 2020; Torfing & Triantafillou, 2016). In practice, hybridity is also investigated as a combination of “tools of governance” (Sørensen & Torfing, 2019) or of “coordination mechanisms”: hierarchy, market, networks, self-organisation (Defacqz & Dupuy, 2021; Randma-Liiv et al., 2015).

Drawing from the hybrid interpretation of change, some empirical researches have studied how the metagovernance emerge as a dynamic mixing different modes of governance over time (Gjaltema et al., 2020), actually challenging the shadow of hierarchy and tendency to centralisation interpretation of metagovernance in several aspects. First, a few longitudinal studies highlight a layering between hierarchical and non-hierarchical forms to steer network governance, instead of a stable tendency to go from one to the other, thus challenging the shadow of hierarchy narrative. In this regard, Berthod et al. (2017) study the development of inter-organisational networks in charge of high reliability missions. They show how those networks encompass hierarchical and non-hierarchical modes of coordination, and how their functioning in time rely on their ability to switch from a non-hierarchical mode of coordination

to a hierarchical one. Besides, in their literature review, Gjaltema et al. (2020) identify the use of both hierarchical and non-hierarchical instruments by metagovernors.

Second, several studies show how the development of networks over time leads to different designs. Thus, these studies challenge the idea that time and maturity of networks lead to increased centralisation.

For example, Raab et al. (2015) studied 39 crime prevention networks in Netherland and highlighted how similar networks adopt different modes of governance, depending on their specific context, showing different evolution's paths. Another example concern the work of Saz Carranza et al. (2015) who compared the development of two networks in time and showed how the power dynamics determine the development (or not) of a network administrative organisation to coordinate the network. In other words, the centralisation of the network is not a "natural" tendency in networks evolution.

In the end, literature questioning coordination and steering in network governance as a "shadow of hierarchy" and directed toward centralisation are challenged in the literature, which highlight a dynamic over time characterised by the combination of different modes of governance and the differentiation in the forms of networks.

3. Methodology

An IB involves six different stakeholders: (1) a national or local group of public bodies which signs a contract in which a (2) service provider commits to implementing an experimental social service, and one or more (3) private funders agree to cover the operational costs of the service. The public institution(s) pays back the initial investment and a financial return if the objectives specified in the contract are reached. An independent evaluator (4) assesses the impacts of the services, and confirms if social objectives have been met or not. This triggers payments to the investors. Some IB arrangements include an intermediary (5), who develops the project together

with the public authority, helps raise funds and follows the implementation of the social experimentation (OECD, 2016). The last (6) stakeholder is the population group (beneficiaries) covered by the program.

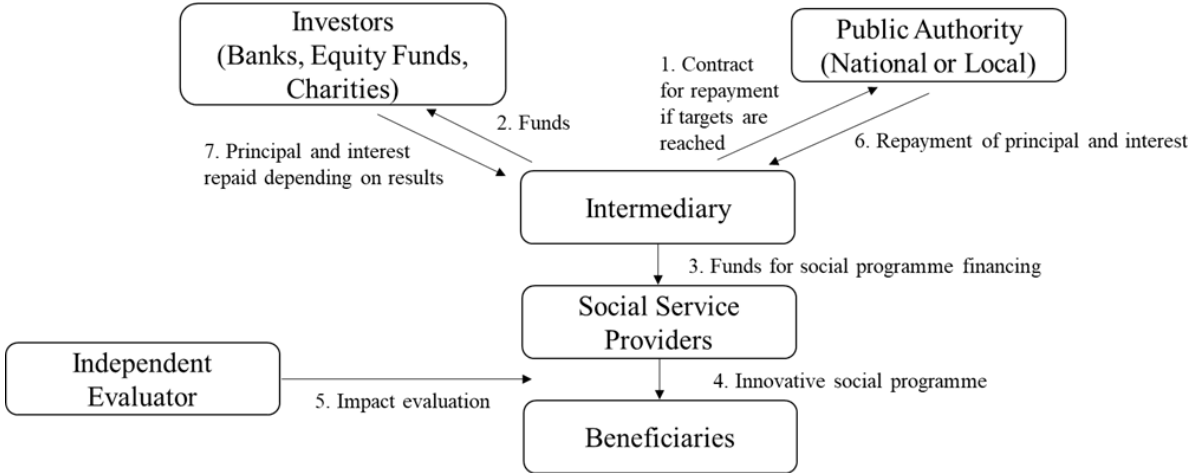


Figure 18 Typical IB structure

3.1. Data collection and analysis

This research is based on a unique empirical setting of the public management of the Impact Bonds landscape in France between 2016 and 2022. Our qualitative approach combines seven years of participatory observations, 28 semi-structured interviews and 57 documents analysed. This triangulation of data allowed us to access a deep understanding of the seven years IBs development in France, and how the public authorities governed this public policy.

Firstly, we got a unique view point during several phases of participatory observation. Between 2015 and 2017, one of the members of the authors’ team was involved in the policy discussions around IBs. As an expert of this tool (e.g. author of a think-tank report of the possibility to develop IBs in France), this author was consulted several times in face-to-face meetings, one-to-one discussions, emails and calls by policy-makers at the top level of the French government (advisors for the French President François Hollande and the French Ministry of Social

Economy Martine Pinville between 2015 and 2017). This author was in contact on a regular basis with those policy-makers and public agents. From March 2017 to December 2019, this author kept working in the field and with people around IBs-governance, and amplified his work on this topic, including the launching of a complementary research project with a PhD student (part of our author's team).

Since then, they worked in the IB ecosystem, in constant relations with public agents. During this period, both informal talks with practitioners and policy-makers and research interviews for other scientific projects about IBs offered us an access to all stakeholders and an inside knowledge of the public management of IBs, the concrete process, the respective responsibilities and aims.

Since December 2019, those two authors have collaborated with one French public agency engaged in the IB development. During that period of time, regarding the expertise of the team, a consulting mission was executed for helping this French Public Agency to prepare and write a call for projects about IBs programs. Then, the team was also in the following evaluation and selection of projects. This work enabled us to attend 5 formal working meetings with the Agency's staff, several less formal or collective calls or meetings between the Agency general secretary and the Social Economy High Commissioner's staff, as well as numerous informal or one-to-one exchanges (emails, conversations, etc...) with Agency's staff and the other private and public actors involved in the process. This unique viewpoint gave us the possibility to finely understand the motivations, management modes, governance decisions, repartition of roles, and changes over time between public agents, policy-makers, outsourced experts, in that particular agency in relation with the French state.

From March 2021 up to now, part of our team of researchers also contractualised a research contract with the same French Public Agency for a long period of time, in order to help it to mature the 8 selected innovative projects chosen at the previous phase, and to help the public

agency to manage those projects from a public perspective. As such, we constantly see what are the public rules for managing and governing the “Impact Bonds policy”, at different levels: in the public outcome-payer (the French Public Agency), but also at the centralized state level, with the Social Economy Ministry team.

This gave us the unique opportunity to observe, at the micro level of the future IBs contracts but also at the general IB-governance level, what are the different interactions, roles, changes over time, etc.

Secondly, we decided to go beyond this participatory observation by conducting complementary semi-structured interviews with the different stakeholders participating in the different phases of the IB development in France since 2015. We contacted all the persons involved in the field, sometimes during only a short period of time within the past 7 years, and some who are present from the beginning: public agents, political advisors, politicians, private investors, social impact evaluators, external experts, etc. Thanks to our deep involvement in this ecosystem, we knew most of them. For the rest, we made some snowball- sampling by asking our first interviewees to write and send introductory emails.

Between September 2021 and September 2022, we conducted 28 interviews (see table 6). The interviews involved different types of stakeholders: eleven interviews with public actors, four with investors, four with intermediaries, one with an evaluator and six with social providers. We conducted twenty-three interviews by phone or digital tools (MS Teams type) and three face-to-face. All interviews were recorded, taped and transcribed. The questions we asked focused on the respondent’s experience on the Impact Bonds in France, on the evolution of the IB procurement and management procedures during the last seven years, the governance mechanisms of the IBs related-policy, and on the different challenges encountered.

Finally, in order to develop the best knowledge possible on the IBs-governance and development in France, we completed our study with secondary written sources, such as official reports and press articles. We also got a specific look on the call for projects (e.g which generate the IB-projects deal-flow in that French context) and the bid solicitations (e.g procurement procedure made by the French Ministry of Social Economy to outsource some expert and governance-works on IB questions from a public perspective). We also examined the policy reports related to IBs (Lavenir, 2019; Cazenave, 2022) who pay a strong attention to the public management of IBs. Finally, we collected and analysed 57 documents. Regarding our strong and long involvement in the IB ecosystem, we decided to complete the ‘insider team’, with one ‘outsider’ team member (Dwyer & Buckle, 2009), who constantly challenged our view of the empirical setting and was cautious not to bias our research. Such an authors’ complementarity with diverse backgrounds is highly recommended.

Data Source	Interviews	Participatory observation	Secondary Data
Data Items	28 semi-structured interviews	7 years of regular implication in the French SIB ecosystem (in total)	57 documents
Data Description	13 public administrators, 4 investors, 4 intermediaries, 1 evaluator, 6 social providers	<u>2015-2017</u> : one author was involved in the policy discussions about IBs (meeting, etc.) <u>Since December 2019</u> : 2 authors have collaborated with one French Public Agency engaged in the IB development (meetings, collaboration about the policy, projects selection, coordination, etc.) <u>March 2021-now</u> : 2 authors work with the same French Public Agency to mature the IBs projects (meetings, interaction with the all IBs ecosystem in France, etc.)	3 policy and thin-tank reports about the IBs 15 Press articles 2 call for tenders when the French State decided (twice) to outsource part of the IB-management at the central state level 4 call for IBs projects And others
Analysis Insights	Role of the public agencies and managers Ecosystem evolution	Tools, practices, procedures, objectives and achievements Interactions among ecosystem Deep knowledge of the different stakeholders for a while (allows to go beyond the “cold” responses in interviews)	Contextual understanding Details of the governance mechanisms and tools in official documents

Table 6 Data sources

3.2. Data analysis

In order to gain empirical insight into a process of metagovernance combining different modes of governance, we carried out a longitudinal case study of the IBs implementation in France between 2015 and 2022. We followed an approach based on a temporal bracketing strategy (Langley et al., 2013). First, we identified two phases for our seven years process: they have been sequenced after the identification of significant events; each event is also embodied in one specific instrument. Second, we analyse the different modes of governance characterizing each significant event composing the two phases. To do so, we identified the actors involved, their strategies, the tools employed, the interaction between actors, strategies and tools and the impact on the dynamic of a hybrid governance and its metagovernance. In doing so, we also flagged the different behaviours and policy-decisions made by the public and political actors, and categorised them depending on their nature (ex: publishing a call for tenders in order to outsource part of the public IB-management at the Ministry of Economics and Central State is related to market practices, in the New Public Management area).

Regarding the complexity of the roles' repartition between public agents and entities within the SIB ecosystem in France, we were cautious to ask details and we cross-checked the facts, procedures and interrelations between different public agencies and different public agents. In order to concretely be able to identify if some relations and decisions about the IB policy are network based or hierarchy based, we systematically investigated the history of the decision and the formal nature between stakeholders. For example, about the decision of ADEME (the French Agency for the environment protection, which launched a call for projects about Environmental Impact Bonds in 2021), we searched to know to what extent this decision to dedicate between 10 and 27M€ on those IBs was based on a formal request from the Social Economy Ministry to the ADEME's head, or if it was an interpersonal relation and common belief in this financial tool which made this decision possible.

4. Findings

In this part we present our findings concerning how public administrations support the development of IBs in France (for a detailed chronology see from figure 19 to figure 21). The first two sections are dedicated to the presentation of the IBs implementation evolution over time. We start our story from the first emergence of the idea of developing IB advocated by private promoters and then supported by some of the higher political institutions in the French central state (Ministries, Presidency of the Republic, etc...). We continue by presenting the two periods of implementation and reformulation of the IB policy in France. In the two chronological sections, we will be particularly attentive in highlighting the challenges that the actors faced, and how they actively promoted ways to overcome these issues. In the third part of the findings, we focus on the more analytical features of the metagovernance process. Particularly, we identify three processes characterising our case in which the metagovernance of the IBs implementation in France is at the same time iterative, hybrid and distributed.

4.1. From a bottom-up policy proposal to a network-based implementation of SIBs (2016-2020).

4.1.1. The appropriation of the IB model by the French public actors

IBs firstly appeared as a topic of interest in France during the G8 organised by the United Kingdom in 2014. On this occasion, a task force on impact investment was organised discussing various topics: the IBs were just one of them. Various private actors supported the idea of testing the IB model in France. Since 2015, a heterogeneous group of private French actors (financial institutions, think-tanks and academic actors) started to produce texts and undertook pedagogy and lobbying with public actors in order to promote IBs (especially Le Pendeven et al., 2015).

After a first lukewarm reception by French politicians, IBs started to gain political support during the end of the Hollande Presidency in 2016. Notably, the François Hollande President’s Office and the office of the Secretary of State for Trade, Crafts, Consumption and the Social and Solidarity Economy (STCCSSE) were interested by this financial tool and started to organise formal and informal meetings with IB private promoters (as well as with some opponents of IBs). Thus, the appropriation of the IB model by the French public actors happened through a bottom-up process carried out by actors outside the public sector.

This appropriation process concretely took place with meetings between public and private actors at the top of the political level (STCCSSE office, Presidency of the Republic office, Minister of Economic and Financial Affairs office).

The SIB model attracted the interest of French public actors in a moment in which the STCCSSE was involved in the promotion of social economy and social innovation and searching for innovative ways to push forward different public policies seen as “*running out of steam*” (Interview public administration 4). More broadly, this was a reflection on the capacity to change the role of the State in promoting the general interest and how to better organise partnerships with the private sector and the social economy in dealing with social issues. This also led to the engagement of the Presidency of the Republic office in supporting the IB initiative in this embryonic period.

IB appropriation by public actors

June 2013 - August 2015	Social Impact Investment Taskforce G8
July 31th 2014	Definition of “social economy” and “social innovation” in the French law (<i>article 15 de la loi du 31 juillet</i>)
2014 - 2015	Preliminary thoughts with the social economy political referent failing to gain political support for IBs
June 2015 - January 2016	Meetings between IBs promoters and the social economy political referent in France
November 2015	Meetings between IBs promoters and the advisors of the French President of the Republic
April 2015- January 2016	Publication of a think-tank report on IBs in France (Le Pendeven et al., 2015)
September, 2015	The Treasury unit dedicated to sustainable finance start to be interested developing IBs
March 15th 2016	Press Conference with the Secretary of state in charge of Social Economy to announce a Call for IBs Projects

Figure 19 Chronology and events of the IB development in France between 2013 and 2016

4.1.2. The first IB implementation embedded in collaborative practices

In 2016, a first official public initiative took place about IBs with the publication of a Call for Projects (CfPs) at the instance of the STCCSSE. This document was written by political advisors of the STCCSSE, with the political support of the President of the Republic Office and the technical support of a few heads of financial institutions and academic experts. The CfPs had the objective to award labels to the projects according to the interest of the social program proposed, and the pertinence to be funded via an IB model. The CfPs received around sixty applications.

Thirteen were selected, awarded and promoted during a press conference with President François Hollande¹⁵. The CfPs did not directly allocate budget for IB financing, but it was rather a way to identify some interesting project proposals, and to help them to create connection with other public administrations able to be financially part of the IB contracts. The absence of public administrations funding the CfPs was a major issue during the successive contracting period. This first initiative has been interpreted by one of our respondents as “*very political*” and as a sign of a first political commitment before the end of the François Hollande presidency’ mandate (May 2017). However, this political signal was quite successful in installing the IBs as a subject of political interest. The STCCSSE wanted to “*leave with everything ready*” (Interview public administration 10) to ensure that IBs would be included in the following mandate.

At this point, no administrative superstructure existed to manage IB contracting and management over time. The only persons dedicated (a few) to the IBs promotion and development in France in the public administration were the political advisors of the STCCSSE.

¹⁵ For more details concerning the press conference of the Presidency of the Republic François Hollande see: <https://www.vie-publique.fr/discours/201289-declaration-de-m-francois-hollande-president-de-la-republique-sur-le> (Accessed on 06/07/2023).

At the beginning of the Emmanuel Macron's Presidency mandate in 2017, STCCSSE was renamed as the Social Economy High Commissioner (HCESS) and affiliated to the Minister of Ecological and Solidary Transition (no more to the Ministry of Economic and Financial Affairs). A part of the member of the former STCCSSE moved to an administrative unit of the French Treasury (the Treasury unit, in the continuation of the text). Since then, the political collocation of the social economy policies into the French central state changed several times between 2017 and 2023 but the dedicated administration (composed of less than 5 people all along the process) remained attached to the Treasury.

This is important in characterising the general context in which IB developed, described by an interviewee as a *“policy without administration”* (Interview public administration 12).

While the CfPs allowed to identify some innovative projects and to bring out a first network of actors interested in the IB concept, the contracting period started without a specific level framework and set of established practices. Moreover, the CfPs was very general and judged: *“a bit naïve, which was to say «this is what a social impact bond is, do you have any ideas of action to finance with this? »* (Interview provider 2). This open approach often led to the selection of projects in need of extensive support in order to be adapted to IB model. It was also particularly difficult to engage public actors, because the CfPs was based on a voluntary implication of different public agencies or ministries (like Ministry of Health & Social Affairs; Ministry of Work; etc.), without any ex-ante commitment to allocate budgets for IBs to come. In this respect, the social innovators needed to *“knock on the door”* of the public agencies in order to convince them to engage and allocate budget to the projects. This was considered particularly difficult and painful by several social innovators and their advisors. One respondent expressed to us this concern in a particular expressive way:

“It was a pilgrim's route, it was like climbing a mountain. That is, it was up to us to do everything” (interview intermediary 1).

These different issues related to long and unframed contracting procedures were the principal reasons pushing the network actors to provoke a reorganisation of the IB development functioning (the metagovernance of the IB policy). However, during this period, the absence of a specific procedural and legal framework for IBs was partially overcome by co-creation practices. Concretely, thanks to meetings between the different actors involved during the contracting period of an IB, they collectively tried to stabilize the legal, financial and social assessment arrangements.

In this regard, the implication of some private actors was seen as crucial. For instance, a private banking actor, participating since the lobbying period and at that time acting as both an intermediary and an investor, has a prominent place in organising and piloting the collaborations:

*“And without the strength...the willingness of the famous [xx], I’m not sure we got there. I think that without this person, who is completely mind-blowing, potentially it would have failed before. I say that because she moved her teams. She piss*d off the whole world. Someone who would have been lazy (in this organization), I think that potentially we would have never been here now”* (Interview evaluator 1).

However, the limited willingness of most of the public actors to engage into the IB process and the limited network of actors participating in the co-creation of these contracts have hindered the implementation capacity during this first period, with only seven IB projects really contracted between 2017 and 2019 (Pellizzari & Sebag, 2019).

4.1.3. The first institutional consultation aiming to reorganise the IB development in France

The recognition of the problems faced in the first contracting phase led the actors involved in the IBs promotion to question and reformalise the former policy strategy and processes. This

took place through an institutional consultation mandated by the political referent for social economy that engendered policy recommendations in the second half of 2019 (Lavenir, 2019). In this regard, and at the instance of the HCESS, a working group was composed by some of the stakeholders engaged in the IBs contracting. This institutional consultation suggested solutions in order facilitate and standardise the IB contracting and management, as well as giving a place for the actors interested to express their concern:

“So, that was the first thing, to be able to start a standardization process that is sufficiently participatory for everyone to understand, because we don’t impose it like that, but who is then powerful enough for everyone to join and then all those who cannot join do something else” (Interview provider 2).

The working group recommendations invited to both standardise and formalise the process of the IBs’ contracting. The report also suggested procedures in order to engage stakeholders, giving a clearer context for the collaboration as well as for standardising the contracts linking the different stakeholders. The recommendations are produced in a collaborative fashion with the different actors discussing and proposing different solutions in order to reorganise the IB policy in France.

Initially, the idea was also to reorganise the process of promoting, contracting and managing IB through the establishment of two semi-autonomous organisations. The first one was an “Outcomes Fund” centralising the public funding dedicated to the IBs and managing the allocation of this budget with different CfPs to be launched on a cyclical way. The initial idea was to create a dedicated structure, potentially affiliated to the public bank “Caisse des dépôts et consignations” (CDC). Inspired by the Uk’s Outcomes Funds system¹⁶, this solution would

¹⁶ Outcome funds are a mechanism permitting to fund multiple IBs under one structure in which one or more public commissioner provide funding to pay for a set of previously established outcomes. See <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#o> (accessed on 18/06/2023) for more details.

permit to finance numerous IBs in different social areas and following the same simplified administrative procedures bypassing the difficult procedures linked to different agencies having to allocate part of their budgets to IBs at the same time. The second organisation was the “centre of expertise”: an organisation, selected thanks to a public call for tenders, on a multi-years base, aiming to help the public and private stakeholders during the IB contracting period. This organisation would also help in establishing standardised process and promoting learning capitalisation.

However, after a new change in government, leading to the transformation of the HCESS into the State Secretary for the Social and Responsible Economy (SEESSR) in 2020¹⁷, the two initiatives have been aborted. The new political referent for the social economy preferred to adopt some “lighter solution” (more details in the next section) judging the idea to establish the two dedicated structures for IB contracting too much complicated and time consuming. This change in strategy is mainly explained by political timing and the opportunity to prefer a “quick-win” strategy:

“For reasons of political calendar...we were at the end of our mandate, 2 years of mandate remained and I think that [xx] wished to have more conventional objects, less complex and therefore launch a call for projects and value X million euros and X projects, that was sufficient within the political framework.” (Interview public administration 12).

¹⁷ See <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000042153467> (accessed on 18/06/2023).

IB implementation and first consultation

November 24th 2016	Signature of the 2 first French IBs and press conference with French President François Hollande
January - March 2017	Announcement of winners of the Call for Impact Bonds Projects by the French State
2017 - 2019	Contractualisation of IBs
September 2017	Creation of the High Commissioner for Social Economy (in charge of Social Impact Bonds among others)
March - June 2019	First institutional consultation for preparing the report "Lavenir (2019)"
June 30th 2019	Publication of the official policy report Lavenir (2019)
2019 - 2020	Discussions and consultations for an Interministerial Mutualized Outcomes-based for the IB financing
December 2019 - March 2020	Agreement between the public agency ADEME and a private advisor for a consulting mission to support IBs
April 2020	Public Tender for outsourcing a "Center of expertise" for managing IBs (then cancelled in June 2020)

Figure 20 Chronology and events of the IB development in France between 2016 and 2020

4.2. The reorganisation of the IB policy through a metagovernance process (2020-2022).

4.2.1. The IB policy reorganisation through standardisation, budgetisation and outsourcing of expertise

Despite the proposition of establishing semi-autonomous organisations supporting the IBs development, the policy report (Lavenir, 2019) recommendations inspired two evolutions. Firstly, the elaboration of a more consistent and articulated IB public strategy built around three clear policy goals. In this view, the IBs had to be “simplified”, “thematized” and “supported”. Secondly, the political strategy was implemented with a combination of different types of instruments instead of formal organisations (contrary to the recommendations within the Lavenir report). On one side, the “simplified” goal is concretised through the production of standard contracts by the Treasury unit. On the other side, the “centre of expertise” was carried-out by the Treasury unit supported by private non-profit advisor. The “centre of expertise” represents the realisation of the “supported” policy goal. Furthermore, the “thematized” goal, willing to bring both a more precise policy issues identification for the IB projects and a direct allowance of public budget, was concretised through a governmental injunction for some

designated public actors to finance the IBs in specific policy areas and the consequent publication of thematic Call for Projects¹⁸.

As a consequence of this combination of instruments, the French IB policy has been largely reorganised between 2020 and 2022. Three public administrations (the Ministry of Work, the Ministry of Economic and Financial Affairs, and the Agency for Environmental Transition) published three thematic Call for Projects between September 2020 and April 2021 with dedicated funds (minimum M10€ each). Thematisation allows to overcome the problem encountered during the first period process, the above-mentioned lack of public actors' financial engagement in IBs. Concerning this crucial point, a characteristic having influenced the new IB procurement strategy has to be highlighted. Indeed, the identification of the three public entities publishing the thematic CfPs went through a work of persuasion and support within the administration carried out by the HCESS/ SEESSR teams. Concretely, the political advisors firstly identified the policy areas that could have been addressed by a IB financing, and then engaged talks at the top level of the different units of competence (mainly with Ministry offices). In this regard, we observe in this second phase the internalisation within the administration of the previous "*knocking to the door*" made by the social operators and their intermediaries in order to convince the public actors to allow budgets characterising the first phase. Thus, the thematisation and budgetisation of IB procurement occurred through a process that finally resulted in hierarchical political injunctions but that originates in network interactions between public entities.

¹⁸ See <https://www.economie.gouv.fr/contrat-impact> (accessed on 07/07/2023) for more details regarding the CfPs.

Policy reorganization, second IB implementation and new consultation

July 26th 2020	Creation of the State Secretary for the Social and Responsible Economy (SEESSR)
Summer 2020	Political referent of IBs move from the Ministry of the Ecological Transitions to the Ministry of Economics
September 2020	Agreement between the French Treasury and a private advisor for supporting the IB implementation
September 2020 - March 2021	Publication of the three thematised Call for Impact Bonds Projects
2021 - 2023	IBs contractualisation
July 2021	Partnership between ADEME and a private advisor to follow the IB implementation
July - December 2021	Second institutional consultations for preparing the report "Cazenave (2022)"
February 2022	Public Tender for outsourcing a "Center of expertise" for managing Impact Bonds

Figure 21 Chronology and events of the IB development in France between 2020 and 2022

Another feature that characterises the second phase is the involvement of external private advisors supporting the public authorities engaged in the second IB procurement phase. On the one side, the “centre for expertise” assumed this general role in giving financial and juridical support to the different public authorities. On the other side, we find also a specific support to the Agency for Environmental Transition (ADEME) involved in one CfPs. This support is mainly justified by the lack of commitment of the public authorities.

Indeed, despite the presence of dedicated budgets for the IBs, the engagement of the public entity teams was generally limited. Our data shows how the IB initiative is generally poorly understood and, as a consequence, even less appropriated by the public agents working inside the different public entities. Thus, the need of an externalised support seems to reflect a process of managing without learning and appropriation characterising the IB implementation in France for the two phases presented in the study:

“But that was the initial deal I made with my services, that is to say: we are going to launch some SIB at the condition that it will take us as little time as possible. It was the deal: ok, we do this thing on the condition that it mobilizes as few people as possible”
(Interview public administration 6).

The different support from the Treasury unit and the non-profit private advisors was essential in pursuing the IB contracting and management in these conditions. Notably, completing the

policy expertise of the public administration involved with a more financial and technical perspective:

“That was an important role. [...] It will remain a specificity of the Treasury to have this somewhat more financial vision of subjects that complements the [policy] vision of other departments” (Interview public administration 1).

Support was also needed in coordinating the different stakeholders involved, organising meetings and interacting with the different services inside the public administration (notably the legal and accounting services of the ministries). This project manager role was also implemented by the Treasury and the advisors:

“So it requires, it’s not very complicated, but what requires a lot of energies is to get everyone back on track, it’s the project manager’s job, keep the calendar, and make sure that people respond to you. [...] Finding the right interlocutors is sometimes long, it’s quite silly, but, finding the person who will have...who knows the subject and who will have the capacity, the power, or the courage to say yes or no and it is not necessarily the same person.” (Interview public administration 2)

The reorganisation of the French IBs policy resulted, by spring of 2021, in a second wave of IBs contracting concerning fifteen awarded projects. This second contracting period involved more projects than the first one and also mobilises more public funding (around 37 million €).

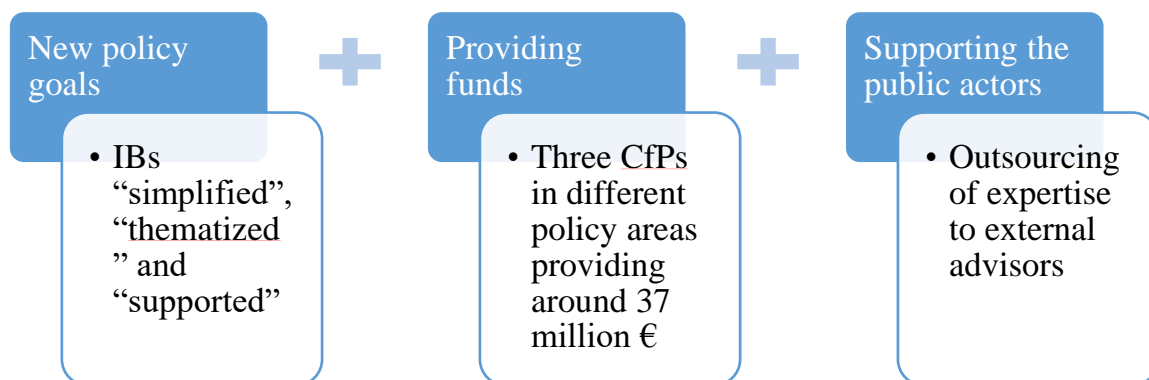


Figure 22 the Reorganization of the IB development

The policy areas financed are increasing as well, notably with the environmental projects financed by the Agency for the Environmental Transition’s CfPs¹⁹. As a consequence, the collaborative network is enlarged, with a (modest) diversification and expansion of the actors participating in IBs. However, even if the network expands, some historical private actors keep increasing their already prominent role in the French IB ecosystem. We highlight in particular the multiple roles played by the banking actor already at the core of the collaboration's impulsion in the first phase. Indeed, this central actor continues to have a role of both intermediary and investor as well as the main promoter of the model with social operators and evaluators. Consequently, despite the impact of the public strategy and process reorganisation, the creation of a network of actors collaborating in an IB initiative seems to be inseparable from the presence of this private actor. The strong presence of this specific actor is also justified by their multiple role in the SIB projects:

¹⁹ Excepting a few US-based IBs related to the environmental issues, these ADEME related contracts were almost the very first in the world related to environmental projects (see <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/> Accessed on : 11/06/2023).

“But yes, our goal is, somewhere, to be an intermediary and an investor. The day when we structure a contract in which we do not want to invest, in principle this is not very understandable by another investors” (Interview investor 2).

This dominant position of one actor of the network is seen by different other participants as “inconvenient” and even problematic: *“investing and intermediating most of the time, it gave them a kind of domination of the discussion”* (Interview evaluator 1).

This implication, while time consuming and not directly profitable, is also interpreted as a way to gain access to an emerging market:

“Notably, large banking institutions, at least one large banking institution wanted to get involved in this and that, I think, in a rather clever way, because even though it costs a lot of time, it is complicated to see the return on investment and so on. But it is also an opportunity to support players in an innovation phase, because we know that these are people who will need everything” (interview public administration 4).

4.2.2. The second period of IB contracting and the second institutional consultation

In the second semester of 2021, the State Secretary for the Social and Responsible Economy decided to dispose a second institutional consultation on IB. In line with the first consultation, the idea was not only to evaluate what was done but also to recreate a moment of sharing between the stakeholders to propose recommendations and expand the initial network of actors, especially by attracting new investors:

“It was as general inspector of Finance that I was asked to lead this working group. Always with a little internal tension. That was perceived including during the presentation of the report, concerning the fact that I am not there to promote the IBs

and I have always been somewhat torn between a vision, I would say of a general inspector of finance and of working group facilitators. Well, I wouldn't have made quite the same report if I had been in a position, if they just asked me for a report from the finance inspectorate on IBs”(Interview public administration 9).

The discussions and consultations happened between September and December 2021 and a policy report was published in the first days of 2022 (Cazenave, 2022). This second institutional consultation is entrusted to a leader external to the IB ecosystem (and besides a well-known figure of the President of the Republic' party, former unsuccessful candidate to the Bordeaux's mayor election), helped by a member of the Treasury unit. The discussions highlight some proposals for improving the IB implementation in France. In particular, it is mentioned that support will be given to the social providers during the contracting period. It is also proposed to select the intermediaries via a call for tenders separating the figure of intermediary and investor. The idea of opening the market to “classic” investors is also mentioned, highlighting the need for a higher rate of return in order to achieve this goal.

4.3. The dynamic of the metagovernance over time: towards a distributed and hybrid metagovernance

The IB development in France shows a mix of hierarchical and non-hierarchical forms of organising to produce social and environmental outcomes dynamically evolving over time. We identify three processes characterising our case: the metagovernance of the French IB policy is at the same time iterative, hybrid and distributed (see figure 23). We detail the three processes in the continuation of this section.

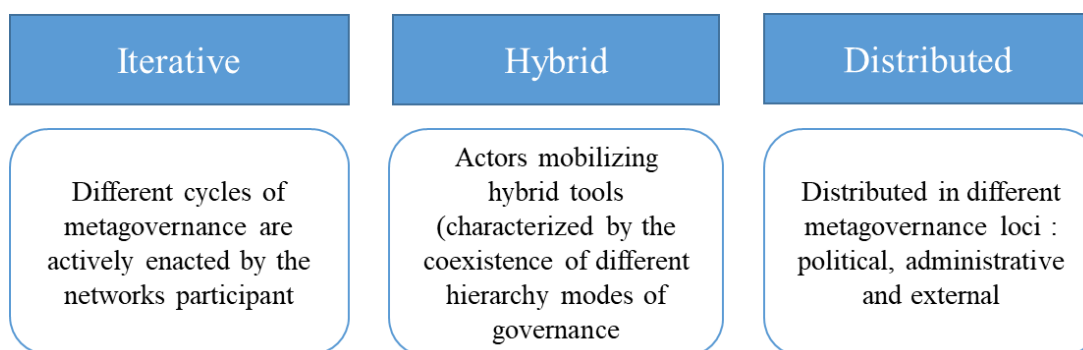


Figure 23 Metagoverning as an iterative, hybrid and distributed process

4.3.1. Metagoverning as an iterative process

The first phase is predominantly based on an informal network, and collaborations. As we have shown, the IB initiative emerged in network of relations between actors of different nature throughout the process of appropriation and implementation of IBs. The relations between public and private actors took place in a collaborative mode and in an informal way, mostly without contractual links or formal delegation arrangements. Notably, collaboration and co-creation efforts were important during the contracting period of the first IBs between 2016 and 2019:

“We knew each other, we trusted each other, we worked together and we tried to move forward. And every problem that came up, we tried to solve them together. Everyone was very caring and there was a collective effort in understanding the issues together. I find that every meeting, finally, the meetings were good working meetings” (Interview evaluator 1).

Moreover, the first institutional consultation (Lavenir, 2019) was also based on network coordination and collaboration. Indeed, while coming from a politically-driven and hierarchy-based impulsion by the High Commissioner for Social Economy (HCESS), it was concretely carried out by a participative consultation, described as a process of *“collaborative standardisation”* (Interview social provider 2).

In this specific context, the metagovernance of the IB policy in France emerged as an iterative and dynamic process. Firstly, we highlight how the network participants cyclically call on political support in order to receive resources and clarify the goals and procedures. In other words, we identify a case in which the actors actively seek to provoke a metagovernance process. This happens formally during the two institutional consultations and informally in different arenas of discussion (such as meetings, conferences and informal discussions).

This iterative process is influenced by the intermittent support of political authorities. Notably, the election cycles, changes of governments and the mobile positioning of the political referents for IBs (moving from Ministry to another nearly at every changing government between 2017 and 2023) create different, and potentially long moment of latency, where the political support is not denied but is simply absent. The moment of latent political support pushed the network to remobilise in order to assure or provoke a more active steering by public administrators. It was critical in moment in which the IB initiative risked to disappear from the political agenda:

“That's right, as when you throw the bride's bouquet you see if anyone catches it or not. It must never fall on the ground or it is ruined.” (Interview public administration 6)

The metagovernance in our case is also partially negotiated. Opposed to a “shadow of hierarchy” that would be imposed by public metagovernors to the networks participant, we observe a process in which the network actively suggests, discusses and potentially contests how to reorganise the IB promotion and management. The institutional consultations concretize also this point. Our long presence into the field enabled us to appreciate how different propositions emerged and are discussed, raising controversies and successively adopted or abandoned. In other words, we show how a large range of possible choices existed and how the final (but instable) form of metagovernance is implemented in this case.

Concretely, we observe a failure to develop dedicated and autonomous outsourced structures (Outcomes Funds, Centre of Expertise) that were the initial idea coming out from the policy recommendation of the first institutional consultation (Lavenir, 2019) and the constant development of hybrid governance tools, which actually support the development of IBs through all the period. In the case of the aborted creation of an outcomes fund, the idea is initially supported by both politicians, public agents and private practitioners. However, during the months between the initial proposition in the 2019 and the concrete reorganisation of the IB functioning in 2020, the transversal support to the outcomes fund fell apart. This happens primarily at the political level: a change in government led to a new political referent to IB that did not support the idea of creating a dedicated structure for the IB financing mainly for political timing reasons:

“However, the constraints and the political agenda make that sometimes the purest solutions are the longest solutions and therefore are not the solutions necessarily retained” (Interview public administration 4).

4.3.2. Metagoverning as an hybrid and distributed process

The process of metagovernance is supported by specific management tools that are usually categorised by their direct or indirect effect on networks steering and management (Sørensen & Torfing, 2009). The case examined in this article permits to appreciate how some specific management tools employed during the metagovernance process mix together different coordination modes. We frame them as hybrid tools. Following the failure to structure the metagovernance of IBs around dedicated organisations, the process is supported by hybrid management tools and remain distributed among different public and private actors steering and managing the IB promotion and distribution.

In our case, we observed the dynamic development of successive and complex hybrid governance arrangements, triggered by the use of authority, market-based and collaborative modes of governance. We can cite three examples of tools and their hybrid features: firstly, the CfPs remain the main way used in order to procure IB. CfPs shared features of the three modes of governance: they are mechanisms launched by the central state (or related agencies, like ADEME) and supported by high political referent, but based on a competition tendering mechanism of providers proposing innovative projects. CfPs also operate on the basis of the mobilisation and collaboration of a network of actors already engaged, or who are willing to engage on this occasion. Thus, the CfPs may be framed as hybrid because they implement a network management objective based on competition, while being stimulated and managed hierarchically.

Secondly, the policy reports produced during the institutional consultation, as we have already mentioned, are characterised by both hierarchical and network functioning. They are commissioned by politicians through mission letters and operate as a mobilisation of actors already engaged (Lavenir, 2019) and/or in order to engage new actors and expand the network of IBs participant (Cazenave, 2022).

Thirdly, IBs are based on a specific performance management process implemented through outcome evaluations. The process is based on indicators that are used to assess whether or not the contract between the public commissioner and the investors has been honoured and, thus, trigger the payment. Outcome evaluations are also used to control the policy orientation and encourage more informed hierarchical decisions. Seen under this light, the performance management process in our case is based on both market and hierarchical coordination modes.

Hybrid tools	Hierarchical coordination	Market coordination	Network coordination
Call for Projects	Unilateral decision and political injunction	Selection of projects through competition	Network formation/expansion

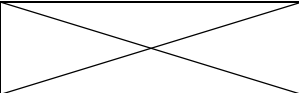
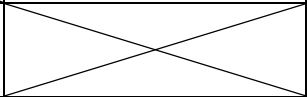
Policy report	Hierarchical political injunction		Collaborative standardization and network mobilization
Performance Management	Informed centralized policy decisions	Linking outcomes evaluation and financial performance	

Table 7 Hybrid forms of the metagovernance tools

Finally, the IB policy is reorganised through a shared and distributed steering localisation that function also on hybrid fashion: firstly, we observed the presence of a political steering locus represented by the interface between the Social Economy units (the HCESS and then the SEESSR) and the three public authorities allowing budgets for IBs (the Ministry of Work, the Ministry of Finance and Economy and the Agency for Environmental Transition). We showed in the findings how this first locus was essentially hierarchical in nature but network-based on its concrete functioning.

Secondly, an administrative steering locus was composed at the same time by public agents working in a Treasury unit and private advisors supporting the different people working “in the field” in the different public authorities. As a consequence, we interpret this second locus as an interrelation between networks of financial/juridical support and externalisation of expertise typical of a market-based functioning.

Finally, a third external steering locus seems to appear regarding the central role played by the private actors dominating the networks of collaboration. The private banking actor playing multiple roles represents this third locus. In this regard, it performs a hybrid external governance role characterised by a simultaneous network-based approach (by pushing the collaboration) and a market-based orientation.

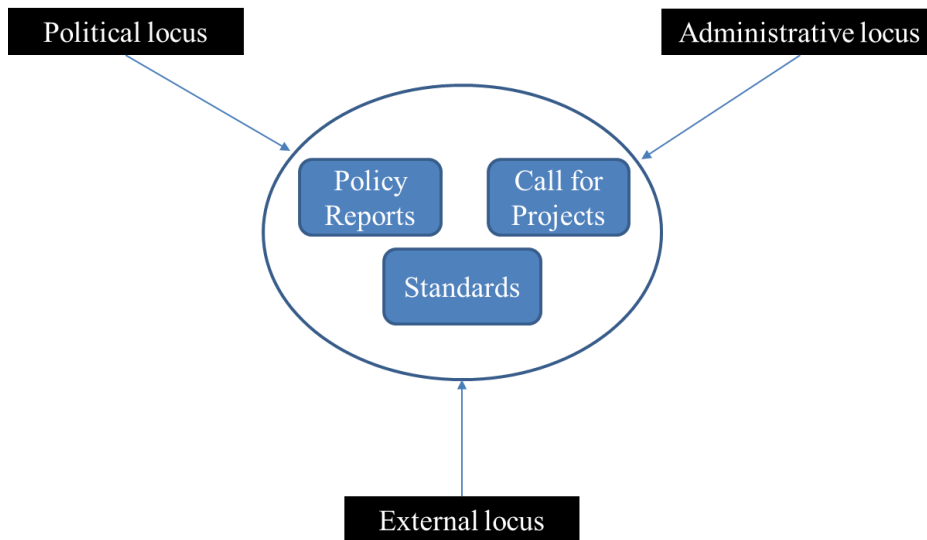


Figure 24 the distributed process of metagovernance supported by hybrid tools

5. Discussions

In this research we investigated how a metagovernance emerges and unfolds over time. Our longitudinal study showed the IBs emerged embedded in networks dynamics and how the implementation of IBs in France have been reorganised in order to better perform. Our findings show how this specific metagovernance emerged processually, in response to different issues raised by the network participants. The progressive emergence of a metagovernance in our case is concretised by the use of different hybrid tools and distributed in three different steering loci of metagovernance, each one supporting the IB policy differently.

Researchers have described hybridity as one of the biggest challenges for contemporary public management (Koppenjan et al., 2019). In line with this standpoint, our research contributes to the theory of the metagovernance as a combination of modes of governance (hierarchy, market, and network) by highlighting the potential interest in supporting governance arrangements with a dynamic metagovernance, relying on the emergence and combination of several management tools.

In this research, we propose a renewed theoretical view of metagovernance as processual and iterative, as well as hybrid and distributed. In addition, we have highlighted in this model the role of material productions and management tools in supporting the process of governing networked public initiatives. We characterise those material embodiments as hybrid themselves and as links between the different steering loci of metagovernance.

Furthermore, we highlight the interest to consider metagovernance as a process. Here, metagovernance is not given at the beginning of the process but, on the contrary, emerges along the process of the IB development. The steering loci emerge in response to the necessity to address the practical problems the actors faced in the development of the IBs. Considering metagovernance as a process helps to define a problem solving dynamic for the development of metagovernance. In this process view, we also nuance the tendency of metagovernance to institutionalise networks through formal structures (Chesire et al., 2014; Gjaltema et al., 2020). In this case, if steering loci emerge, they have no official existence, nor names nor institutional forms: they are just a coalition of actors who produce metagovernance for the advancement of the IBs. There is no certainty about their status (permanent or transitory), they have a potential capacity to evolve and to rearrange if the problems that brought them together change, and, in any case, they present no actual institutionalisation.

In our case, the distribution of the steering on several loci and their hybrid composition is the foundation of a precarious equilibrium between actors and coordination mechanisms in a policy initiative governance, developed and metagoverned through this multifocal and iterative functioning. We also observe that material “objects” and management tools have a role in the setting: call for projects, experts’ reports and standards as guidelines to follow. Therefore, we propose the following view of metagovernance as iterative, hybrid and distributed contributing to a more processual and dynamic understanding of how public policy performed by a variegated network of actors are managed and steered.

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Appendix 1 List of interviewees

Role/Organisation	Interviews' name
Public administration	Public administration 1
Public administration	Public administration 2
Public administration	Public administration 3
Public administration	Public administration 4
Public administration	Public administration 5

Public administration	Public administration 6
Public administration	Public administration 7
Public administration	Public administration 8
Public administration	Public administration 9
Public administration	Public administration 10
Public administration	Public administration 11
Public administration	Public administration 12
Public administration	Public administration 13
Investor	Investor 1
Investor	Investor 2
Investor	Investor 3
Investor	Investor 4
Intermediary	Intermediary 1
Intermediary	Intermediary 2
Intermediary	Intermediary 3
Intermediary	Intermediary 4
Provider	Provider 1
Provider	Provider 2
Provider	Provider 3
Provider	Provider 4
Provider	Provider 5
Provider	Provider 6
Evaluator	Evaluator 1

Chapter 4. Diffusion Barriers: Why Successful Policy Innovations Are Not Diffused?²⁰

1. Introduction

Innovation is a crucial way to solve grand challenges and complex social problems (Ferraro et al., 2015; George et al. 2016). Public policies that foster both creation and spread at a large scale of sustainability-oriented innovations must be considered as a major issue for both scholars and practitioners (Mazzucato, 2018; Læg Reid et al. 2011; Quélin et al. 2017; Torfing & Ansell, 2017). However, many innovations are not diffused on a large scale after successful experimentation. Universal basic income represents a clear example of a promising innovation that has been successfully experimented in different countries, without ever having been implemented and diffused as a public policy in any country (Taylor, 2022).

Scholars, citizens, and policy-makers might be surprised to see such evidence-based programs²¹ not massively diffused yet, and might worry because the experimentation of new solution *per se* is not sufficient to achieve an innovation's transformative potential (Albury, 2005; De Vries

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²¹ See for example Larimer et al., 2009 about Housing first program.

et al. 2016; Schot & Steinmueller, 2018). Surprisingly, current scientific and practical knowledge does not elaborate on this matter.

Considering the importance of the public sector innovation (PSI) diffusion both theoretically and empirically, the literature concerning downstream phases of innovation is underdeveloped (Hartley, 2005; De Vries et al. 2018). Moreover, while the academic community recently became conscious of the limited transformative and scaling capacity that characterise innovations (Konrad & Palavicino, 2017; Schot & Steinmueller, 2018), in particular in the public context (Borràs & Edler, 2020), we still lack consistent explanations of why successful PSIs are not widely diffused.

In our paper, we tackle this paradox of the limited diffusion capacity of successfully-tested innovations by analysing the specific barriers to the diffusion phase in a public-sector context. This focus on the downstream phase of PSI bears the ambition to unpack and deliver new theoretical explanation by answering to the following research question: what are the barriers to the diffusion of successfully-tested innovations in the public sector?

To understand the challenges PSI face during the diffusion phase, this paper uses the theoretical concept of innovation barriers (Hadjimanolis, 2003; D'Este et al. 2012) and applies it specifically to the diffusion stages of PSI, especially *policy-centred innovations*, which scope is to bring systemic responses to grand challenges and societal problems (De Vries et al., 2016). While the innovation barriers theory has been used mostly to study innovation and R&D process in private industries, we join with this research an expanding community of researchers (Demircioglu & Audretsch, 2017; Cinar et al., 2019, 2021) that use this management theory in a public policy context.

For that, we investigate eight innovative social welfare public programs, which were the first successful experiments that were funded via a Social Impact Bond (SIB). A SIB is a multi-

stakeholder pay-for-success tool for funding innovative programs (Fraser et al. 2018). SIBs are a particularly interesting context to study diffusion barriers because they finance *policy-centred innovations* that should be diffused as public policy if the experiment proves the innovation to be effective (Social Finance, 2009; Social Finance, 2012; Warner, 2013). The most famous example is the Peterborough SIB, an experimental program in a British prison whose objective was to reduce reoffending by prisoners with short custodial sentences.

We have specifically studied the diffusion stage of these programs, after the experimental phase ends. They have been tested in different countries and were (sometimes) diffused ex-post at a larger level. From this rich and unique empirical setting, we extracted qualitative material composed of 32 semi-structured interviews, with a multi-stakeholder perspective (social innovators, public agents, private investors, social evaluators, etc.).

Our research makes several contributions. First, we reveal barriers that are specific to the diffusion phase of innovations. Second, we expand the theory by enlightening *willingness barriers* as a type of barrier type occurring in *policy-centred innovations*, bringing a pro-active vision of innovation diffusion whereas scholarship has adopted a more natural view of diffusion process. Third, we suggest a non-linear model of innovation barriers through different configurations of relations between diffusion barriers.

This paper is structured as follows: The first part concerns the literature we discuss. The second presents our methodology and the empirical setting we worked with. The third part explains our findings in which our cases' diffusion barriers are identified and explained. In the fourth part, we discuss our results using the theoretical framework we previously presented. The fifth part is the conclusion; it also describes promising avenues for future research that can be investigated using other empirical settings and methods.

2. Literature review

Our literature review deepens three pieces of literature, upon which we will develop to build theorisation from our empirical set. First, we invite the academic community to pay more attention to systemic and complex dimensions of innovation in the public sector that we labelled *policy-centred innovation*, and our research is a starting piece of knowledge on this direction. Wicked societal and environmental issues and grand challenges are indeed tackled by this kind of innovations that are little investigated in the literature. Second, the policy diffusion literature does not clearly distinguish the forms of diffusion in terms of degree and impact, we propose a typology that can take account of these crucial differences. Lastly, we suggest addressing the study of the innovation barriers in a more detailed way that the most of the literature normally do, enabling us to consider both the lack effectiveness and the lack appropriateness of innovation as a source of barriers.

2.2. *Policy-centred innovation*: how to integrate more complex and systemic understanding of innovation in diffusion theory

The innovation diffusion process in the public sector is described, according to the uppermost adoption-diffusion theory (Rogers, 2010), as the replication and spreading of predesigned innovations which are adopted by different units of analysis (individuals either organisation). These researches have explained the process of innovation adoption as a spreading based on a market process allowing researcher to describe it within a curve of adoption (Geels & Johnson, 2018). Scholars have produced an extensive literature (Damanpour, 1991; Damanpour & Schneider, 2006, 2009; Piening, 2011; Pope et al. 2006), based on this assumption.

Empirically, researchers were mainly focused on innovations that ensure the internal improvement of public administrations such as digital tools, information systems (Bekkers & Tummers, 2018), organisational innovations and innovation policies (Damanpour, 1991; Pope

et al., 2006; Berry & Berry, 1990), governance modes (Andersen & Jakobsen, 2018), technological tools (Meijer, 2015; Qiu & Chreim, 2021), funding mechanisms (Park & Berry, 2014; Wang et al. 2020) and norms (Heilmann & Schulte-Kulmann, 2011; Kim et al. 2018). Such innovations are geared towards the internal activities of public administrations in terms of capacity, operations and process which fit well with the traditional adoption curve of technical innovations.

Conversely, PSI that are related to solving complex social problems using new services that are delivered directly to users and citizens, and more broadly to the mission and strategy of public authorities, have been neglected by scholars interested in PSI diffusion. These “mission-oriented” PSI to solve societal problems (Torfing & Ansell, 2017; Mazzucatto, 2018) are labelled differently in existing literature: “policy” innovation (Chen et al., 2020, Windrum, 2008), “product/ service” innovation (Hartley, 2005), “strategic” innovation (Moore, 1995) or “mission” innovation (Chen et al., 2020). Such innovations are generally more complex because they involve not only public organisations, but also a set of various stakeholders and are often co-designed at both local and supra level to solve systemic societal problems. In our paper, we use the term *policy-centred innovation* to characterise this set of specific PSI. This type of innovation has received surprisingly little attention among studies that deal with the diffusion of public sector innovations (Zhu & Zhao, 2018; Safuta, 2021 are exceptions).

Moreover, *policy-centred innovations* are increasingly deployed by an iterative process of experimentation-evaluation-further implementation and diffusion. Thus, the diffusion theory is mainly based on diffusion model explaining the spreading of single adoption of predesigned product. In *policy-centred innovations*, the aim of diffusing a successfully-tested innovation is to expand the impact of an innovation that cannot be described only by a linear curve of adoption among public administrations of the innovation. On the contrary, other contexts and

forms of diffusion need to be taken into account in order to understand diffusion as an expanding impact process of a *policy-centred innovation*.

Another criticism that arises from this linear model of adoption is that research has produced limited understanding of how diffusions occur (Gruber, 2020). Thus, we miss theories integrating different types of post-adoption, enabling to take into account other forms of diffusion than are not described as a rate of adoption but by other variables as degree and impact (Damanpour & Schneider, 2006). Another criticism or peculiarity to be taken into account is the intrinsically political nature of the object of diffusion. While recognising that all kinds of innovation are at least somehow political (Borras & Edler, 2020), *policy-centred innovations* involve stronger political confrontation compared to more technological or process innovations. More specifically, it has been clearly shown that policymakers have bounded rationality in the decisions they make, especially when implementing public policies, are subject to numerous biases (Cairney et al., 2016). Consequently, the relatively dominant individual adoption approach in the literature is difficult to apply to the study of the diffusion of *policy-centred innovations*, which calls also for a more consistently political understanding of the reasons that lead to the diffusion of a successfully tested innovation.

2.2. Different perspectives on diffusion scale and impact

Types of diffusion that lead to large scale implementation and normalisation have been largely neglected in the diffusion-adoption literature. However, as we can see in several similar streams of literature, such as the social innovation literature (André & Pache, 2016, Bauwens et al. 2020, Westley et al. 2014; Moore et al. 2015) and transition experiments (Johansen & van den Bosch 2017; Gorissen et al. 2018; Grin et al. 2010), time, space and scope are crucial to creating more public value during the diffusion phase of innovation. Transferring the typologies of diffusion that are described in these streams to *policy-centred innovation* in the public sector seems

potentially helpful in describing the diffusion process of PSI and also appropriate given their similar purpose and their focus on innovation (Desmarchelier et al., 2021). Four types of diffusion can be identified, in addition to the scenario where there is no diffusion at all.

The first type of diffusion is *sustainment*. It occurs when the initial experiment is repeated and continues after the experimentation phase, leading to the stabilisation of the experiment (Lam et al. 2020). In this case, there is no change in scale (Naber et al., 2017) and the diffusion is considered only in its time dimension (its ability to endure over time) because no more units of adoption are involved.

Secondly, *replication* refers to a situation where the initiative is deployed in a limited number of new places (André & Pache, 2016). It can be seen as the extension of the experiment to new places (or adoption unit) with no change in the innovation's goals and scope.

Thirdly, *expansion* occurs when an experiment is significantly enlarged and massified in terms of resources (van den Bosch & Rotmans, 2008). In this case of diffusion, new stakeholders are engaged and new beneficiaries are reached by the diffused PSI (Meijer, 2014). The ambitions and goals of the project may also increase or change in scope (André & Pache, 2016). The expansion process is associated with significant growth in size of the successfully tested innovation (Bauwens et al., 2020), without a significant change in the global functioning of a policy field (Gorissen et al., 2018; Sengers et al. 2019). These first three types of diffusion are considered *partial* in degree because they do not impact the global functioning of the field to which the innovation has been applied. Even if the innovation has been diffused, its diffusion potential has not been achieved.

Lastly, *institutionalisation* occurs when the initial experiment is transformed into a formal policy (Naber et al., 2017; Bloch & Bugge, 2013). *Institutionalisation*, which is also called "*upscaling*" (Gorissen et al., 2018), does not necessarily involve the same administrative level,

and it would depend on the specific administrative, institutional and political context (i.e., at the regional or national level). The literature describes the *institutionalisation* of a PSI experiment as the process of becoming “mainstream” (Johansen & van den Bosch, 2017) or as the movement from ‘novelty to normality’ (Shove, 2012).

This type of diffusion generates the *normalisation* of the project practices that subsequently become standard procedure for policy makers and administrators (Moore et al., 2015). This last category concerns a diffusion type that is not only diffused in terms of the size, impact and scope of the initial PSI, but also involves the normalisation of the new practices as a standard for public action. This type of PSI diffusion is called *Complete Diffusion* (see Table 8 for a synthesis of the four types of diffusion).

Diffusion Type/Degree		Definition
No Diffusion		The experiment does not generate any ex-post application or replication at all, nor is there sustainment.
Partial Diffusion	Sustainment over time	The experiment is applied in another time and continues after the experimentation phase.
	Replication in other locations	The experiment is applied locally in new places.
	Expansion	The experiment is significantly enlarged and massified in terms of resources, stakeholders and beneficiaries.
Complete Diffusion	Institutionalisation	The experiment becomes standard procedure for policy makers and administrators.

Table 8 PSI diffusion types

2.3. Innovation Barriers of Public Sector Innovation

A large body of literature has emerged on barriers that hinder the technological innovation process (Galia & Legros, 2004; Holzl & Janger, 2014; Leoncini, 2016; Thomä, 2017). This has categorised barriers related to an internal or an exogenous perspective to resource problems, whether financial (Pellegrino & Savona, 2017; García-Quevedo et al. 2018), human or institutional (Galia & Legros, 2004; Hadjimanolis, 1999; Madrid-Guijarro et al. 2009).

The innovation barriers approach is also used for the study of the innovation process in the public sector, with several studies exploring the specific factors that characterise the public innovation context (De Vries et al., 2018; Vickers et al. 2017) and their related barriers (Cinar et al., 2019; 2021). Nevertheless, the endogenous/exogenous distinction for technology innovation does not capture the nature of the challenges of PSI and more precisely *policy-centred innovations* diffusion stages because of its specificities: i.e., systematic multi-actor commitment, social and political dimensions, strong territorial anchoring, etc. (Osborne & Brown, 2011; Hartley et al. 2013). Some researchers tried to specify this issue by studying the impact of the relationships between the barriers depending on the stage of the PSI process, ranging from the upstream stages, i.e., idea generation and development (van Buuren & Loorbach, 2009) to the downstream stages i.e., diffusion (Damanpour & Schneider, 2006; Pienning, 2011). These innovation barriers, as applied to the PSI diffusion stages, highlight how the diffusion of PSI is limited when an appropriate level of organisational, financial and administrative capacity is lacking. Cinar et al. (2019) identify contextual barriers, internal barriers related to innovation characteristics, capacity barriers (i.e., financial and human resources) and process and interaction barriers. Despite the identification of process barriers, the literature does not clearly distinguish the types and degree of diffusion (from sustainment to institutionalisation).

Most of the literature on innovation barriers is based on a conception that the actors involved in the innovation process are rational. In this view, public actors engage in the diffusion of a successfully tested innovation every time they consider an innovation effective. Nevertheless, some studies (Korteland & Bekkers 2008, D'Este et al., 2012) have proposed a more complex approach to innovation barriers and created a new and complementary body of knowledge. Indeed, researchers have shown how the appropriateness of an innovation, interpreted as a process of meaning creation and the willingness to engage in an innovative process, is as

important as its effectiveness (Korteland & Bekkers 2008, Kim et al., 2018). Following the work of D'Este et al. (2012), the so-called *detering barriers* stress the importance of considering the actors' perceptions during the innovation and diffusion process and how perceived barriers can potentially lead them to stop the innovation process. In order to be diffused, a successful experiment needs to be embedded in a meaningful political agenda, it must be well timed politically and it must address a perceived political, economic or social problem (Fry, 2019). These perceptions also matter for public managers and have an impact on diffusion decisions (Cristofoli et al. 2011).

This literature provides crucial knowledge of the factors that limit the diffusion of successful innovations in a public context. However, the barriers concerning the diffusion of PSI are not specified for *policy-centred innovations* and most studies focus on the sustainment or replication stages of innovations' diffusion process. Consequently, a significant gap remains in the literature: we do not know what the barriers are to the complete diffusion of successfully tested policy innovations.

3. Methodology

3.1. Methodological Approach

In order to understand what the diffusion barriers are, and how they are interrelated, we used a qualitative approach (Eisenhardt & Graebner, 2007). As Table 9 shows, eight empirical cases were analysed in order to examine the rationale behind diffusion barriers in a public sector context. This multiple-cases study uses interviews from different types of stakeholders, which gives us to find regularity in a setting involving multiple countries. This unique and rich dataset concerning an unexplored topic presents the opportunity to suggest the analytical generalization of theoretical categories (Langley, 1999; Power & Gendron, 2015). This method also makes

sense for analysing research results in an organisational and institutional context from a different perspective (Yin, 2009; Eisenhardt, 1989).

Case#	Location	Case name	Period	Social field	Post-program diffusion	Degree of diffusion
1	UK (Peterborough)	HMP Peterborough	2010- 2017*	Justice/prisoner rehabilitation	The program was scaled up to the national level as part of the Transforming Rehabilitation Reform	Complete Diffusion: Institutionalisation
2	UK (different locations)	DWP Innovation Fund Round I	2012-2015	Education and work integration	Partial policy diffusion: Some projects have been continued with new SIBs	Partial Diffusion: Sustainment over time
3	UK (different locations)	DWP Innovation Fund Round II	2012-2015	Education and work integration	Partial policy diffusion: Some projects have been continued with new SIBs	Partial Diffusion: Sustainment over time
4	UK (London)	London Homelessness	2012-2015	Homelessness	Partial policy diffusion: Program replicated in other areas, funded by new SIBs	Partial Diffusion: Replication
5	Netherlands (Rotterdam)	Buzinezzclub Programme (Rotterdam)	2013-2015	Work integration	Partial policy diffusion: Program replicated in two other Dutch cities, funded by new SIBs	Partial Diffusion: Replication
6	Germany (Augsburg)	Youth with Perspective	2013-2015	Education and work integration	Total absence of policy diffusion	No diffusion
7	Belgium (Brussels)	Duo for a Job	2014-2016	Work integration	Regional diffusion of the successfully tested program	Complete Diffusion: Institutionalisation
8	Portugal (Lisbon)	Academia de Código Júnior	2015-2016	Education	Partial policy diffusion: Replication in a different place	Partial Diffusion: Replication

* Program ended before the end of the contract

Table 9 Details of the eight cases

3.2. Research Context and Sample

The empirical setting is composed of eight innovative social programs originally funded by Social Impact Bonds in the world. SIBs are pay-by-result tools designed to fund innovative programs operated by social providers and financed by private investors. If they are successful after a predefined period of time, the investors are paid back with interest by a public agency

(Le Pendeven, 2019). The SIB mechanism is deemed to be profitable for the public agency because the success of the program generates cost savings (thanks to preventing costly situations) and it allows them to evaluate what works. The SIB-funded innovations mostly deal with social policies: unemployment, reoffending, homelessness, school dropouts or children at risk (Gustafsson-Wright, Gardiner & Putcha, 2015). After their first use in 2010 in the UK as part of the Big Society program led by Prime Minister David Cameron, approximately 227 SIBs have been launched in 30 countries in the world, attracting \$700 million in total investment (Outes Velarde et al, 2023).

SIBs' promoters claim that SIB-funded programs must be diffused at a large scale if, after rigorous evaluation, they are positively assessed: “*Social Impact Bonds offer an innovative way to scale what works*” (Social Finance, 2012 pp. 32). The program’s evaluation must clearly define success and failure, and consequently shows the potential of massive diffusion of the programs after the experimental phase concludes. While empirical research on SIB have showed mixed findings concerning the effectiveness of the evaluation protocols in concrete applications (Fox & Morris, 2021), the rationale behind the SIB model is strongly based on the assumption of an experimentation-evaluation-diffusion process.

Our study includes the first eight successful SIBs in the world, whose experimental phases finished at least two years before the beginning of this study (March 2020). As such, this is the only study that uses a wide variety of social policies funded by SIBs across five European countries as an empirical setting. The primary reason we decided to wait two years between the end of the programs and the beginning of the analysis is because national and local administrations need at least 18 months, regarding the political processes (votes, Draft Budget, etc.) and budgetary protocols in public administrations to potentially develop a policy based on the successful SIB-funded program. The relevance of this two-year period has also been confirmed by interviewees.

3.3. Data Collection

We relied on semi-structured interviews with each case's engaged stakeholders, and we performed a document analysis of secondary data. The stakeholders are public commissioners, providers, private investors and evaluators. In some cases, stakeholders also include intermediaries, advisors and experts (academics, think-tanks and consultants). We found the relevant stakeholders of the SIBs in official documents or in press articles. Snowball tracking allowed us to expand the sample. We attempted to contact everyone they identified (71 people). Of the people we contacted, 45% (32) considered themselves relevant interview subjects and agreed to talk to us. We followed the methodological recommendations of Low (2019) and Rowlands et al. (2016) to conduct interviews until theoretical saturation in a multiple-case studies context by using at least four cases and at least 25 interviews in total.

We conducted those 32 interviews by phone or using digital tools like Teams and Zoom. Interviews lasted from 50 to 93 minutes, with an average length of 58 minutes. We collected 1856 minutes of interviews. We recorded and transcribed all of them, which filled 434 pages in Microsoft Word (Garamond 11, double-spaced). Most interviews were conducted in English (27); the remainder were in French (4) and German (1). The interviews took place from April 2020 to October 2020. Our sample is balanced between the different cases, and between UK (4 programs, 18 interviews) and continental Europe (4 programs in Belgium, Germany, Netherlands and Portugal, 14 interviews). The list of interviews is detailed in Appendix 1.

We used a semi-structured interview guide, which was divided into three topics: a description of the experimental program funded by the SIB, the situation after the end of the SIB, and the explanation for the post-SIB situation with specific questions about the diffusion barriers. All interviews were conducted by at least two members of the research team, and some were conducted with three members. One member of the research team attended all the interviews in order to ensure consistency among all the interviews.

In order to gather the most accurate knowledge possible of these finished SIBs, we completed our study with official reports and press articles. These documents come from web searches (using the names of the SIBs as keywords) and suggestions from the actors interviewed. We collected and used 29 documents. These documents give us useful information on the context and details of our empirical data. Notably, they were essential to the comparison of the general information about the different SIB programs and about what happens after their contract period ends to the information obtained by interviews. The evaluation reports were also used to qualify the success of the SIB-funded programs.

3.4. Data Analysis

To analyse data, we use an abductive and iterative approach (Saldana, 2021). First, we summarised the main characteristics of each case by merging the accounts from the different interviewees and the information provided in secondary data. We focus on the features of the experiment and on ‘diffusion episodes,’ i.e., how the programs, after the experiment period ends, generate larger social programs or other outputs. It gives us a good understanding of the concrete presence or lack of outputs after the SIB period (see Table 2). We also reported the main explanations for the post-experiment situation. Second, all the interviews have been systematically coded using a thematic coding framework. The framework we used is based on the classification of innovation reported by Cinar et al. (2019). This framework was appropriate because it both encompassed the whole process of innovation diffusion, particularly at the diffusion stage, and provided initial categories of barriers to develop our thematic coding. Third, collaborative brainstorming sessions between the authors about the most striking barriers to diffusion, according to each researcher, lead to an inductive list of categories. Fourth, the coding created during the second step has been deeply analysed. Some coding categories have been split into two or three sub-categories, some other categories have been merged with similar

ones, and other codes that had no associated relevant verbatim have been eliminated. A new typology was thus created.

Fifth, we compared the categories found in step 3 and those created in step 4. A new structure was created. At this stage, we compared, challenged and validated possible inferences from each specific context and features. The output of this step was to reorganise the categories around two new macro-categories. Sixth, we tested the relevance of our categories and macro-categories by coming back to a case study analysis. This last step confirmed the relevance of our findings and helped us to create boundaries for the categories.

The process was iterative with constant reference to the data, the conceptual frameworks in the literature, using several authors' analysis, we cross-checked our understanding of the eight cases and their related diffusion barriers. We did not try to identify causal relations between barriers and the degree of diffusion of a PSI or the features of our PSI cases. Given the way we built the sample, finding correlations is not possible. All the barriers we identify concern several cases to a certain extent, occur in different geographical contexts and are applicable in different social fields. For the cases where an innovation has been largely diffused, barriers have been mentioned in interviews in two different ways: as the presence of obstacles that have been overcome during the process, or as the absence of barriers that explain the diffusion.

3.5. Presentation of the Eight Studied Cases

Our study is based on the eight social programs funded by Social Impact Bonds that ended at least two years before our data collection began²². They are policy innovations, given that they provide services to citizens in order to solve a specific social issue.

²² For a summary of the different cases see <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/> (Accessed on 26/07/2023).

The first program is *HMP Peterborough*. It aims to reduce re-offending rates of short-term prisoners at the HM Prison Peterborough (Gustafsson-Wright et al., 2015). The Ministry of Justice halted the Peterborough pilot program three years before its planned end after it decided to reform the prisoner rehabilitation system with a program called “Transforming Rehabilitation.”

The second and the third cases are the two rounds of a pilot program that aims to integrate people who are Not in Education, Employment or Training (NEET). This pilot program has been launched by the Department of Work and Pensions (DWP). The pilot projects aim to prevent young people from becoming NEET, or to help those who are already NEET to re-engage with education, training and employment (Thomas et al., 2014). The fourth case is a program dedicated to homelessness in London. This program developed new services for rough sleepers, called the *Navigator* approach (Mason et al., 2017). Based on individual support by a key worker, a personal budget is dedicated to each rough sleeper in order to sustain an intervention in the long run.

The fifth case is the *Buzinezzclub* Program (Netherlands), which is an experiment for people who have been unemployed long-term in Rotterdam. It provides 18-months support for young people covering traineeship, personal coaching and group training. *Youth with Perspective* is a program funded by the first German SIB, and it is the sixth case in our sample. It supports unemployed young people under 25-years old who have flown “under the radar” and are not eligible for existing support services for young unemployed people. The program aims to help these young people secure a job or professional training. In Belgium, a program called *Duo for a Job* helps young migrants from 18- to 30-years old find suitable employment through an intergenerational mentoring program in Brussels.

The final SIB-funded social program that we study is the *Academia de Código Júnior*, which was developed in Portugal, and aims to test the impact of teaching computer programming to primary school children to improve their cognitive skills and school performance.

The evaluation reports demonstrate positive outcomes regarding the initial contracted objectives defined in these programs. Consequently, the private investors of all the SIBs were paid back by the public commissioners. Even if we know that pay-outs do not fully mean that programs were successful (Hajer & Loxley, 2021), these innovative programs are likely to prove success and should be widely diffused throughout the public sector as PSI.

We reported the diffusion trajectories of these eight policy innovations, which follow a wide range of post experiment diffusion trajectories, from no diffusion at all (*Youth with Perspective* in Germany) to institutionalisation through a new policy (*HMP Peterborough* in the UK). The diffusion trajectories are described in Table 2.

4. Findings

Our findings suggest that there are specific barriers for the diffusion phase of *policy-centred innovations*. Two main families of diffusion barriers emerged. For each, we identified different related barriers. The two families of barriers, namely the *lack of willingness to diffuse* and the *lack of capacity to diffuse* show how both willingness/perception and capacity issues may hinder the innovation process of a public innovation, specifically in its diffusion phase. The barriers are summarised in Table 10. In Table 11, we present the existing diffusion barriers within the eight cases analysed in this research. In the last findings’ section, we focus on the relationship between the barriers in our cases and we propose two different configurations of barriers (in Appendix 2 we provide some additional data from interviews).

Type of barrier	Barrier
Lack of willingness to diffuse	Barrier 1: Limited initial willingness to diffuse
	Barrier 2: Low priority of the policy to be diffused

	Barrier 3: By-design limited potential to diffuse
	Barrier 4: Limited financial resources
	Barrier 5: Unstable human resources
Lack of capacity to diffuse	Barrier 6: Low interorganisational collaboration
	Barrier 7: Legal and accounting constraints

Table 10 Diffusion Barriers

4.1. Lack of Willingness to Diffuse

“*We can do it if we want to.*” This popular expression represents the first family of diffusion barriers. Indeed, several interviewees explained that a lack of *ex-ante* willingness to diffuse, decisions to prioritise public policies other than the ones tested via SIBs, or characteristics of the experiments hindered the diffusion of the innovations. This can appear as paradoxical regarding the expected strong motivation to diffuse experimental programs formerly tested with success.

The interviewees frequently state that limited initial willingness to diffuse (*Barrier 1: Limited initial willingness to diffuse*) hinders the diffusion of the tested innovation. Contrary to the underlying rationale about the diffusion motivation for SIBs (Social Finance 2009; 2012), our interviewees often explained that the decision to engage in the experiment was not directly inspired by an ambition to widely diffuse the successfully evaluated programs:

“It seems to me that [people] understand SIBs as being a mechanism which establishes the merit and the evidence base for an intervention to be something useful and valid and that will persuade a commissioner to continue with it. But in fact, in many SIBs, that is not the founding premise at all.” (HMP Peterborough, Commissioner 1).

Instead, the main objective was, notably in the UK context, to test a Payment by Results (PbR) mechanism financed by private investors and therefore to expand the use of that financial mechanism once the first experiment ended:

“So this was very much driven by [the public commissioner]... but behind the scenes it was driven by the [British government], and the [British government] they were more interested in the bringing in of private capital than they were about the actual social outputs.” (DWF IF 2, Advisor 1).

The need “to be smarter about spending their budget” (Buzinezzclub, Commissioner 5), the interest in innovative public–private partnerships in the social field, and the political interest in engaging in a well-publicised global initiative, seem to be the most relevant drivers that led to the development of SIBs. The promise of diffusion that was attributed to the SIB model was mentioned in the politicians’ speeches, but it was not really a priority to push for implementation of the experiments, at least for the first wave of SIBs.

In addition, the willingness to diffuse the successful experiments funded by SIBs is influenced by policy choices and priorities, as well as the context in which the program takes place - the political momentum and the perception of the specific urgency of social needs (*Barrier 2: Low priority of the policy to be diffused*). Several cases show how the diffusion process is unlikely to begin unless it is placed at the core of a political agenda (of the central government or local authorities, depending on the case and the institutional structure). For instance, while the issue of youth unemployment was particularly urgent at the beginning of the Dutch program in 2013, that same issue was no longer central in the national and local political agenda at the end of the program: “it became I think more difficult for the [Social Provider], unemployment is extremely low so there is less need for programs like this” (Buzinezzclub, Investor 2).

Furthermore, external or conjectural factors impacting social issues may affect the perception of the wide diffusion of a program. For example, the Covid-19 crisis had an impact on political priorities. Homelessness policies have been dramatically recentred as urgency initiatives during lockdowns at the expense of preventive and individualised interventions like the homelessness program.

Thus, timing is particularly important: a political agenda can change during the experiment or between the evaluation of the experiment and the potential beginning of the diffusion phase. The diffusion process cannot be easily scheduled according to a national or local political calendar, or the urgency of the social need may evolve, which would impact the need to diffuse the experiment.

Finally, our third barrier (*Barrier 3: By-design limited potential to diffuse*) shows that the design of experiments can also impact the post-experiment diffusion process. This barrier has a strong perceived impact in most of the cases in our sample. A low degree of adaptability of the experiments and poor evaluations during the programs are the two main factors that can hinder the diffusion. On one side, the capacity for a designed experiment to be adapted at a broader level is a key factor in the diffusion process, especially in the procurement phase within different types of public administrations. It highlights the importance of designing a feasible diffusion strategy during the experimentation phase, through the choice of a policy area and a delivery process that can realistically be replicated or used on a large scale. It also underlines the effectiveness of a process of evaluation of the results that is applied to the decision of whether or not to go ahead with diffusion. The Buzinezzclub case is an example of an experiment centred on specific and local interventions, with few target beneficiaries and a limited potential to be diffused. On the other side, despite the fact that all the programs in our sample have been considered successful according to the results of the evaluation, some features in the evaluation are an obstacle to the diffusion of the experiments. Two problems are identified here: the quality of the evaluation design and the communication of the results.

In several cases, the evaluation process is described as not rigorous enough, with no strong counterfactual approach to show the impact of the experiment. Indeed, some programs have suffered from a lack of data to help rationalise and justify possible diffusion. This lack of scrutiny during the experiment is a factor that may delay, slow down or limit the diffusion

process, and, surprisingly, the SIB environment in some cases “*doesn't bear too much scrutiny*” (UK Homelessness, Evaluator 2), as an evaluator states. The interviews also suggest that the diffusion of the program was hindered by the bad image of the experiment itself, owing to the complexity of the financing mechanism, which may influence diffusion willingness. Indeed, SIBs are complicated contracts to formalise, which seems to limit the diffusion process in some contexts, due to the necessity “*to explain so many things, so many things before starting working in those projects*” (Youth with Perspective, Provider 6). For instance, the perception of complexity seems to have had an impact in the Dutch context: “*There's not many SIB fans in Holland left, a lot of these municipalities said 'ok it's so difficult, and [consider that there is] so much trouble [with] all this measurement twice a year' ...*” (Buzinezzclub, Provider 6).

4.2. Lack of Capacity to Diffuse

The limited capacity to organise, finance and sustain new services has a major impact on the diffusion trajectories observed. Indeed, some actors who might want to replicate or develop the innovation at a larger scale were not able to do so due to limited capacities.

Firstly, the lack of financial resources (*Barrier 4: Limited financial resources*) is often described in our cases as one of the major barriers to diffusion, especially for the UK-based programs in our setting. Despite their potential cost-saving benefits, the programs are not often deployed because of cuts in social service budgets and the difficulty of mobilising financial resources after the experimental phase. In this context, public actors often prioritise basic curative services over a major deployment of innovations based on preventive measures. This economic pressure creates difficult choices between funding established services and developing innovative ones (those successfully tested via SIBs, for example). Social providers feel that they often cannot “*withdraw money from mainstream services [...] because the*

demand for those services is still there and the money invested in those services is less.”
(London Homelessness, Provider 6).

Secondly, *Barrier 5: Unstable human resources* relate to the instability of the workforce inside the public bodies, in both political and administrative entities. If the public actors (either political or administrative) change during or after the experiment, a loss of objectives, energy and attachment to the initial program may occur, which makes its diffusion less likely. Turnover in public organisations negatively impacts the ability to diffuse successfully tested PSIs in three ways: 1) it takes more time for new people to assume control of the projects; 2) the project may lose its “*champions*” who support its diffusion; 3) loss of the long-term vision, replaced by a short-term and result-based vision that serves the civil servants’ career ambitions. Many of our interviewees in different cases of our sample considered this to be one of the greatest barriers, and explained that diffusing *policy-centred innovations* requires time and stable teams:

“You have public servants who want to be very innovative, who have a strategic vision, who set up social impact contracts or other types of contracts and then during the term of the contract or the program people change. Maybe that the perspective changes a little bit to become less innovative and to be a little more focused on “this contract has to come to an end, we have the results we wanted to achieve” but perhaps having lost a little bit of that prospective, strategic and long-term vision.” (HMP Peterborough, Intermediary 1, our translation from French).

Thirdly, other barriers may appear when the diffusion phase implies coordination between different administrative levels, especially when the experiment was first promoted by the central government and was then moved to the local level for the diffusion phase (*Barrier 6: Low interorganisational collaboration*). The low level of engagement by local authorities in the diffusion process can be justified by a lack of collaboration between administrative levels, for instance, where the experimental phase “(...) was seen [by local authorities] as something

just parachuted in and then finished” (DWP IF 1, Provider 2). The limited knowledge sharing capacity between the central and local authorities in the UK, especially the inability to share knowledge regarding the new central government's procurement practices, “*what we would call silo working*” (DWF IF 1, Provider 2), seems to have prevented the innovations’ diffusion at a local level. Moreover, concerning more regionalised institutional contexts, where both the experimental phase and the diffusion phase are carried out by local governments, the geographic diffusion of the *policy-centred innovation* can be hindered by the limited capacity to spread knowledge between different regions (such as municipalities, regions, etc...):

“I think there would be an opportunity if you talk about scale to have such a company if the cities work together in this kind of area. Which I think they do but it is just not working somewhere” (Buzinezzclub, Investor 2).

Finally, *Barrier 7: Legal and accounting constraints* points how policy PSIs tend to stress laws, norms and the normal accounting practices of public agencies. While this barrier can be overcome in the upstream phase due to the special status of experiments (due to their relatively limited scope or more lenient legal framework), it often becomes more difficult when the diffusion phase begins. The normative and legal bricolage that often characterises the innovation process can be more difficult to maintain when actors try to generalise and institutionalise innovative “norm exceptions”: *ad hoc* derogations can be accepted for experiments, while the diffusion phase has to respect the law and rules to be accepted:

“There were some issues. First the procurement procedure. So we procured quite easily with the subsidy actually, but in 2016 it all changed, because the legislation changed and now you need to tender it like any other tender but until 2016 you could use innovation paragraph” (Duo for a Job, Investor 2).

In Table 4 we present the existing barriers in the eight cases, for additional empirical details.

Case#	Cases	Barrier 1: Limited initial willingness	Barrier 2: Low priority of the policy to be diffused	Barrier 3: Experimentation features	Barrier 4: Limited financial resources	Barrier 5: Unstable human resources	Barrier 6: Low collaboration	Barrier 7: Legal & accounting constraints
1	HMP Peterborough			Partially Present Globally poor evaluation and accountability	Partially present Limited financial resources distorted the pilot project			
2	DWP IF I	Present and crucial Other objectives by the central government (testing Pbr and performance management)		Present Different experimentations poorly evaluated with soft outcomes, other focused on narrow scope	Present and crucial		Present and crucial Low collaboration and learning between central and local authority	
3	DWP IF II	Present and crucial Other objectives by the central government (testing Pbr and performance management)	Partially Present Focus shift in the central government leading to less consider as urgent the topic of the experimentations	Present: Different experimentations poorly evaluated with soft outcomes, other focused on narrow scope	Present and crucial	Partially Present Following a focus shifting of the central government, different public agents changed of units	Present and crucial Low collaboration and learning between central and local authority	
4	London Homelessness	Present Initial willingness not really there but initial aim to continue funding experimentations on the same topic	Present The momentum shifted with the covid crisis with an urgency for curative/crisis intervention		Present The local authority struggled to refinance the diffusion after the experimentation		Present Lack of support by the central government in order to equip the local authorities for diffusing	
5	Buzinezzclub		Present Reduction of unemployment rate which reduced the need for new approaches + lack of political will in Amsterdam	Present and crucial Project to narrow in scope and ill situated for large diffusion, (very urban and little replicable)			Present Competition and low collaboration between Dutch cities	
6	Youth with Perspective	Present Opportunistic way of convincing other stakeholder in engage in the experimentation. Everybody "disappeared" after the experimentation	Present and crucial No political support because no policy manager focused on impact finance issues and little interest from providers because sector globally well-funded	Partially Present Poor evaluation and issues in implementing the evaluation's process	Partially Present			
7	Duo for a Job			Partially Present Specific features of the program cannot be directly implemented by the public sector			Present Local authorities' compartmentalisation hindered communication and sharing	Partially Present Instability of the financial mechanism due to accounting rules
8	Academia de Código Júnior		Present After the HR "turnover", the new person in charge was less interested and involved		Present Limited financial resources for large diffusion	Present Key and highly influential politician changed post (from Mayor to Prime Minister)		Present The EU fund used for experimenting were not utilisable for diffusing

Table 11 Diffusion barriers faced by the eight first SIBs in the world

4.3. Dynamics, degree and relationship between barriers

Our findings also highlight the presence of dynamics between diffusion barriers, and they do not have an equal impact on the diffusion. Moreover, they identify possible relationships between barriers.

Two of the UK-based cases, DWP IF I and DWP IF II, are particularly interesting in showing how the interrelation of willingness and capacity barriers may lead to a partial diffusion. Indeed, in both cases we identified an initial absence of willingness to diffuse the programs by the central British government (mostly interested in experimenting new public-private partnerships and performance management practices). Moreover, it clearly appeared the incapacity for local authorities to support the diffusion due to a lack of financial resources and intergovernmental collaboration (Barrier 2 leading to Barrier 4 and Barrier 6). In these cases, we can identify the willingness barriers are situated on the side of the initial public actors involved in the experimentation, and the capacity barrier affecting the other public administrators possibly interested in diffusing the innovation at the local level. In this context, some projects have been sustained over time by other SIBs (new experimentations) and fell into what we can call an experimentation loop. Others failed to gain local financial support leading to stop the programs:

“I think it was in the second year of the second phase of the project that we had to stop, because it was making a loss, it was losing money and we couldn't sustain it as a charity, which was a real shame. Again, going back to the results, we know it worked well, but without the schools being able to commit to pay for the service, we were unable to continue to deliver.” (DWP IF 2, Provider 5).

The Portuguese case, Academia de Código Júnior, stresses the difficulty to find stable funding for diffusing innovations and how legal and accounting barriers may exacerbate financial resources barriers (Barrier 7 leading to Barrier 4). Indeed, a large diffusion needs for more long-

term and large funding than for the experimentation phase, even if on a long term the program generates cost savings for the public budget. In this case, we see how the impossibility to use the EU fund utilised during the experimentation, due to legal constraints, led to lack of financial resources for large diffusion. Moreover, the Portuguese case explicitly demonstrates the challenge that legal barriers pose, which may endure during the diffusion phase, and also demonstrates the instability that can result from it:

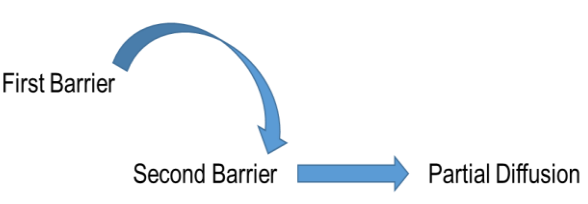
“So we needed rules to comply, but there weren’t any, because they were never created before... there were no financial instruments... so there were not a lot of people to ask questions... even inside the European Commission... so they were all constantly, like... passing the ball to each other, and saying to us: look, go and whenever you cannot go further, we will stop you” (Academia de Codigo Junior, Commissioner 6).

The German case, Youth with Perspective, highlights how the willingness to incorporate an experiment-diffusing process into preventive policies was also less influential in contexts where the SIB initiative was primarily pushed by private actors rather than public agents or politicians. This is the only bottom-up experimentation in our sample, in which a German private foundation promoted the SIB initiative and convinced a public authority to test a program, but the public body’s engagement decreased after the experimentation phase. The practitioners’ explanation mentions the specific and well-funded corporatist social field in that country. Germany “[doesn’t] have a political party very much in favor of these ideas” (Germany Case, Provider 6). The project, although successful, did not motivate either public authorities or providers in continuing the project. This case highlights the importance of the need perception to engage in a diffusion process and how the low urgency in diffusing barrier alone can lead to non-diffusion of a successful project.

The two cases of large diffusion are also particularly interesting in showing us how the absence of willingness barriers can overcome the presence of other type of barriers.

Concerning the Peterborough case, the decision to launch a national policy concerning prisoners serving short sentences was driven by the strong political willingness to implement a reform on this topic: *“But they definitely wanted to revolutionise the way that probation services and the criminal justice services were working”* (UK Peterborough, Evaluator 1). In this case, a strong initial willingness and political priority to diffuse the experimentation sustained the objective of complete diffusion throughout the process, leading to not consider the barrier 3. Furthermore, the Belgium case was a complete local diffusion with scaling of the project of the initial provider and routinisation of the specific practice experimented. In this respect, the initial willingness to diffuse was supported by presence of engaged public agents in key positions and of a specialised social innovation unit within Actiris (the public agency) that diffused the successfully-tested experimentation. In the Belgium case the coordination barrier hindered the capacity to diffuse the experimentation in other regions.

Based on the multicase analysis and the links between barriers, we identify three configurations of inter-barriers relationship: 1) *Waterfall of barriers*; 2) *Combination of barriers*; and 3) *Mix of barriers’ waterfall and combination*. They are summarised in Table 12:

Configurations	Definition	Details	Configurations’ visualisation
Waterfall of barriers	Process in which the presence of a first predominant barrier leads and contributes to other barriers	The waterfall process may appear as a link between a first willingness or capacity barriers leading to another or more barriers of the same category or not. For instance, a willingness barriers leading to a capacity barrier.	

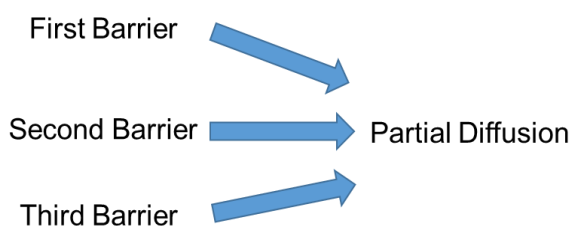
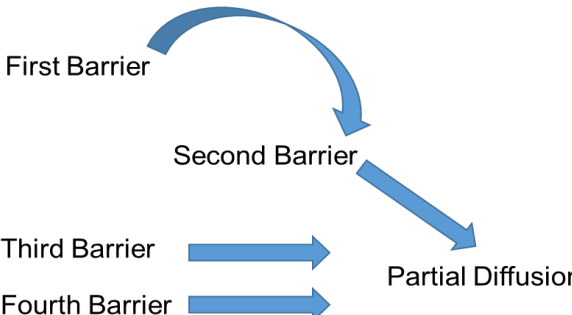
Combination of barriers	Different independents barriers appear leading to a strategic misalignment hindering the diffusion.	While appearing independently, the barriers may influence each other in some case but they not “create” other barriers. The combination may be composed of barriers of different nature (capacity and/or willingness).	
Mix of barriers' waterfall and combination	Both a waterfall of interrelated barriers and a combination of independent barriers hinder the diffusion.	Possibility of a double independent waterfall of barriers (example: a capacity barrier leading to another capacity barrier and parallelly a willingness barrier leading to another willingness barriers) or to a waterfall of barriers cumulated with a combination of independent barriers.	

Table 12 Configuration of diffusion barriers

In Table 13 and following lines, we detail these configurations of diffusion barriers, and use the different empirical cases of this study to illustrate them.

The first configuration, *Waterfall of barriers*, relates to the presence of a first predominant barrier which leads to other barriers. In the cases we study, this configuration appears with the *lack of initial willingness to diffuse* as a predominant barrier, leading to other capacity barriers. The diffusion process has been seriously hindered by the lack of initial willingness to diffuse the experiment. In that case, the practitioners who decided to launch the experiment had another objective than diffusing the policy innovation: they wanted to experiment the funding tool rather the social program. Given that they were not willing to diffuse after the experimentation phase, they did not act to reduce or overcome two other capacity barriers, namely, lack of financial capacity (Barrier 4) and low collaboration between actors (Barrier 6). This configuration clearly occurs in the UK cases DWP IF 1 and DWP IF 2.

The second configuration, *Combination of barriers*, shows that diffusion can be hindered by a combination of barriers leading to a strategic misalignment. In this configuration the interrelation of two willingness barriers (*Low political urgency* and *By-design limited potential to diffuse*) result in a partial diffusion. Either the policy field chosen or the specific program characteristic are not adapted to large diffusion, and low political urgency may often reinforces this situation. This configuration can be found in the Buzinezzclub (Netherlands), Youth with Perspective (Germany), Peterborough (UK) and Duo for a Job (Belgium) cases.

The third configuration, *Mix of barriers' waterfall and combination*, concerns cases where interrelated barriers coexist with independent barriers, in the same time. This configuration characterises two out of the eight cases we study: the Portuguese case (Academia de Código Júnior) and Homelessness London (UK) in which the presence of one capacity barrier leads to another capacity barrier and one willingness related barrier act independently. In the first case, as we presented previously the Barrier 7 leads to Barrier 4. On the top of that, the barrier *unstable human resources* (Barrier 5) and leads to change in decision-makers' perceptions about key political topics (Barrier 2). The politician who replaced the previous one had another political agenda and did not decide to diffuse the innovation. The combination of these two interrelated blocks any possibility of large diffusion in this situation.

Case#	Cases	Relationship between post-SIB diffusion barriers	Diffusion barriers' configuration
1	HMP Peterborough	Strong initial willingness and political priority that sustained the objective of complete diffusion throughout the process (B1+B2), leading to not consider B3. B4 hindered the qualitative ambition of the complete diffused policy.	Combination
2	DWP IF I	An absence of initial willingness of the central government (B1) led to the lack of financial capacity and low collaboration with local authorities (B4+B6), which hindered other actors possibly interested in the diffusion. Due to lack of initial willingness, some projects were also ill situated for ambitious diffusion due to poor evaluation or narrow scope (B3). The projects sustained over time fell into an experimentation loop.	Waterfall
3	DWP IF II	An absence of initial willingness of the central government (B1) led to the lack of financial capacity and low collaboration with local authorities (B4 + B6), which hindered other actors possibly interested in the diffusion. Due to lack of initial willingness, some projects were also ill situated for ambitious diffusion due to poor evaluation or narrow scope (B3). The projects sustained over time fell into an experimentation loop.	Waterfall
4	London Homelessness	Interrelation of barriers leading to partial diffusion via replication. Firstly, lack of initial willingness (B1) of the central government to largely diffuse, then limited resources, and collaboration hindering the diffusion capacity of the local authorities (B4 + B6). The urgency shifts also impacted the process (B2). There	Mix

		is in this case a dissemination of practices financed during the experimentation without large diffusion.	
5	Buzinezzclub	Partial diffusion et the local level and some adoption in other cities. Process hindered by the narrow design of the experimentation (B3) and the low collaboration between municipalities in the country (B6).	Combination
6	Youth with Perspective	The project, although successful, did not motivate either public authorities or providers, as the need may not have been there.	Combination
7	Duo for a Job	Complete local diffusion with scaling of the project of the initial provider and routinisation of the specific practice experimented. But the innovation struggle to largely diffuse in other regions (despite some other local experimentation). Combination of B6 (for diffusion outside the original region of the experimentation) + B3 (limited effect) did not help attaining larger diffusion. The barriers did not hinder the local diffusion, but only the possible spread in other regions.	Combination
8	Academia de Código Júnior	The program was a success, but by the time it could have been largely diffused, the person in a key position changed positions. This “turnover” (B5) therefore generated a lack of motivation (B2). In this already compromised situation, the lack of financial resources to largely diffuse the program (B4 exacerbated by B7) have an impact in the diffusion trajectory.	Mix (two waterfalls of combinations)

Table 13 Relationship between barriers and diffusion’s barriers combinations in the eight cases

5. Discussion

Policy-centred innovations aim to meet the needs of citizens and to solve societal problems (Torfing & Ansell, 2017). The diffusion of this type of more complex innovations calls for a different understanding of the diffusion process. They often depend on political decisions at a high level (Chen et al., 2020), and imply collaboration and coordination between different organisations and levels of government. Thus, our study contributes to a better understanding of the diffusion phase of public innovations aiming to solve grand challenges in two ways. First, we distinguish the specific barriers to the diffusion phase of a public innovation, especially for large-scale diffusion. Second, we identify and develop the willingness-related barriers, which expands the theory in the field. Third, we enlighten the interrelations between barriers and contribute to a more complex view of how barriers hinder innovation diffusion.

Firstly, the literature on the barriers to public sector innovation does not distinguish between the types of barriers faced by different types of diffusion. Indeed, even if the literature identifies barriers at mature stages of development (Cinar et al., 2019), scholars have widely neglected

what we consider larger degrees of diffusion, named *expansion/massification* and *institutionalisation/normalisation* (Johansen & van den Bosch, 2017). Regarding the fundamentally different natures of the upstream and diffusion phases of innovation (as explained by Cinar et al., 2019), we consequently acknowledge that the barriers they face are different.

Our findings show that the barriers faced during the experimental phase of an innovative project are different depending on the type of diffusion. For example, workforce instability is not a critical issue in sustaining an experiment because organisational routines already exist, while in *institutionalisation/routinisation*, it necessitates the creation of new organisational regimes, practices, etc. Also, the legal and financial terms that can be derogated and applied for experiments or small size replications do not work at a larger scale, and thus new specific legal, accounting and financial barriers might emerge. Moreover, conducting local experiments or replicating an innovation at a small scale normally involves a small number of politicians and public agents while the massive expansion or the institutionalisation of a new practice requires the cooperation of many at different institutional levels: the diffusion phase generates specific problems and needs. Consequently, the low interorganisational collaboration (Barrier 6) and the low priority of policy diffusion (Barrier 2) are specific barriers for the most ambitious types of PSI diffusion (i.e., *expansion* and *institutionalisation*).

Our second contribution concerns the nature of diffusion barriers. We enlarge our knowledge of the diffusion barriers in a policy-making context by identifying two original macro-categories concerning the PSI diffusion process. Whereas the first main category (*Limited willingness to diffuse*) emphasises the role of actors and their choices in the diffusion phase of PSI, enlarging the existing theory on this aspect of innovation barriers and its management, whereas the second category (*Limited capacity to diffuse*) is consistent with previous research on barriers to PSI (Cinar et al., 2019).

The *limited willingness to diffuse* barriers highlight that the inability to integrate the diffusion process into a well-defined political agenda or the lack of a sense of the urgency of large-scale change within the political and administrative body reduces the likelihood of diffusing a successful PSI. This calls attention to the importance of a pro-active vision of diffusion that can partially contrast with natural diffusion and taking a “*laissez-faire*” approach. Moreover, by creating this original category, we propose a more sophisticated view of the study of barriers in the diffusion phase of a PSI. This finding is consistent with authors who show that the perception of an innovation, the meaning creation and the appropriateness of an innovation matter (Korteland & Bekkers, 2008; D'Este et al., 2012) and these factors may influence the diffusion process as much as the capacity factors. We take this idea further by specifying what willingness related barriers appears in a process of PSI diffusion.

Lastly, we also demonstrate that the diffusion barriers are not only characterised by different nature, but also that they have different inter-relations. By presenting three configurations, we respond to the call to fill the limits of the linear model of diffusion (Gruber, 2020). We highlight how, in our cases, the different diffusion barriers may influence one other and combine in specific configuration of barriers. The two main processes that we identify for constructing our configurations are the *waterfall* process in which the presence of a first predominant barrier leads and contributes to other barriers and the *combination* process characterised by an interrelation of independents barriers leading partial diffusion. We also identify a *mix* configuration in which both processes are in place in hindering the diffusion process. Our three original configurations contribute to a more dynamic understanding of the diffusion process of a PSI and the barriers influencing this process, by modelling the complex relational patterns of diffusion barriers.

6. Conclusion

Our study of diffusion barriers helps to elucidate the problems successful *policy-centred innovations* face. Based on a unique empirical setting of the first eight social programs financed by SIBs in five different countries, our findings highlight seven diffusion barriers, which are sorted into two categories: lack of willingness to diffuse and lack of capacity to diffuse. Our research demonstrates that even for programs that are promising in terms of diffusion (such as successful SIB-funded programs), willingness to diffuse does not come naturally, and needs to be confirmed, structured and organised *per se*. We emphasise the specific barriers related to willingness of decision makers and analyse the role they play in the diffusion of *policy-centred innovations*.

6.1. Limits

Our study of the diffusion barriers of *policy-centred innovations* is based in a rich setting: the world's first programs funded by Social Impact Bonds. However, this specific context might lead to some specific barriers that could, in other cases, be less or more important. Furthermore, the novelty of the financial tool may lead to a strong focus on the tool itself (the SIB) rather than on the funded programs (the *policy-centred innovation*). Indeed, in such a dynamic period for the creation of SIBs, it is not surprising to see that the public authorities are more interested in the development of SIBs as mechanisms than they are in spending time and energy on the diffusion of successful social programs. The barriers to diffusion might be different for policy innovations that are not funded by Payment by Results tools, or in more mature contexts of PbR development.

Moreover, four of our cases also appeared in the UK in the specific context of the Big Society movement, when reforms of the public sector were substantial and affected the power distribution between local and national authorities. Some barriers that appear in our interviews

in the UK can be partially linked to this context. More generally, we could say that our cases are all set in the Western Europe area, and a study set in a very different country and institutional context might produce some different findings (for example, corruption, massive political instability, etc.).

Finally, our abductive qualitative approach does not permit us to identify strong systematic relations or causalities between the presence of the barriers we identify and the degree of diffusion of the PSIs. A quantitative approach that uses a large dataset of PSI diffusions would be an appropriate way to identify those kinds of relationships.

6.2. Research Avenues

In a period when ecological and social transitions are time-critical, it is crucial to understand the barriers that limit the diffusion of successful sustainable purpose innovations. In doing so, our study contributes to the broader movement to diffuse social and environmental policies. Because of these characteristics, we can understand *policy-centred innovation* as a particularly relevant form of innovation to tackle grand challenges. Its multi-actor character, which is rooted in local context, but with global aim in terms of problem solving, refers to the numerous calls for a better of innovations and, above all, of modes of action to support and diffuse them on a large scale. There are many avenues for possible future researches.

First, we invite the academic community to keep investigating the barriers related to the diffusion phase of innovations in both the public and private sectors, in different empirical settings and using different methods. Knowledge of these topics is too limited. It would be a valuable contribution to develop substantial knowledge of diffusion barriers in specific contexts, like we did in the context of social policy innovation, but in fields such as green energy diffusion, new managerial practices, etc.

Second, we invite the academic community to produce more studies about *policy-centred innovations* in order to enhance knowledge of this type of public innovation. They are crucial for improving the environmental and social public systems in all countries. This is also crucial for helping governments and public agents to better understand the limits and barriers they face in trying to develop new paradigms (and not only new limited procedures).

Lastly, causal analyses of the diffusion barriers related to the context of innovation and the degree of diffusion may enrich our knowledge of that crucial phenomenon. By using survey data or other quantitative data, scholars may be able to develop fascinating new studies to help refine our knowledge of diffusion barriers and their impacts. They could specify the results of the different policies (defense policies, economic policies, agricultural policies, environmental policies, etc.) but also distinguish between the specific social fields (education, workforce development, homelessness, childcare, health, etc.) and the diverse national and administrative contexts (are the barriers exactly the same in terms of degree and nature for centralised countries like France or for decentralised countries like the USA? Are the barriers the same in different legal systems? Are the barriers the same depending on the welfare systems?). Future academic researchers might help us better understand and consequently bypass those barriers, and thus help practitioners to develop new and impactful (almost) completely diffused policy innovations.

6.3. Policy and Practical Implications

Our study has direct implications for both policymakers and (social) innovators. Thanks to their knowledge of specific barriers to diffusion of policy innovations, policymakers should be aware of conditions related to the tested programs themselves before the experiment begins (metrics of social impact, nature of the experiment, etc.) and of the best conditions for diffusion once the experiment ends (availability of skilled workers, financial resources, etc.).

Our study demonstrates the need to anticipate the potential diffusion of successfully tested innovations. Moreover, despite strong evidence of success for experimentation, financial and organisational resources can lack, and the political consensus for diffusing can't be found after the experimentation. In order to avoid wasting promising innovations (and resources), policymakers and stakeholders need to be aware of the precarious link between a first innovation and its broader diffusion. In other words, we show how rigorous evidence is not sufficient to diffuse successful policy experimentation without appropriate preparation for the diffusion phase. We invite policymakers and public agents to conceive the two phases (innovation and diffusion) together and simultaneously when planning policy experimentation. Our results prove the relevance of looking at *policy-centred innovations* because of their systemic and game-changing nature and help practitioners to manage their inherent complexity. Our findings help them first by being aware of the existence of a more important variety of innovation and that they should manage those innovations in different way. Second, our barriers guide them to better integrating the diffusion phase by stressing the importance of temporal consistency (knowing innovation and related barriers from experimentation phase to more downstream one) and the spatial dimension and the paradox it raised (local/global tension). It is a real paradigm shift that can take place if politicians take into account these considerations, offering them real managerial perspectives to truly tackle grand challenges. Our findings might also be useful for practitioners and innovators in different types of organisations because the diffusion barriers highlighted are generic and possibly applicable to other sectors and societal problems.

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Appendix 1 List of interviewees

Case	Role	Interviewee
Peterborough One Service	Commissioner	Commissioner 1
		Commissioner 2
	Intermediary	Intermediary 1
	Provider	Provider 1
Department for Work and Pensions (DWP), Round 1	Evaluator	Evaluator 1
	Provider	Provider 2
	Provider	Provider 3
	Provider	Provider 4
Department for Work and Pensions (DWP), Round 2	Expert	Expert 1
	Provider	Provider 5
London Homelessness Program	Advisor	Advisor 1
	Commissioner	Commissioner 3
	Commissioner	Commissioner 4
	Provider	Provider 6
	Investor	Investor 1
	Provider	Provider 7
	Evaluator	Evaluator 2
Youth Unemployment in Rotterdam (Buzinezz Club)	Evaluator	Evaluator 3
	Commissioner	Commissioner 5
	Advisor	Advisor 2
	Investor	Investor 2
	Provider	Provider 8
Junior Code Academy (Portugal)	Evaluator	Evaluator 4
	Investor	Investor 3
	Provider	Provider 9
Youth With Perspective (Germany)	Commissioner	Commissioner 6
	Investor	Investor 4
	Provider	Provider 10
Duo For a Job (Belgium)	Evaluator	Evaluator 5
	Commissioner	Commissioner 7
	Intermediary	Intermediary 2
	Provider	Provider 11

Appendix 2 Additional data from interviews

Type of barrier	Barrier	Data from interviews
Lack of willingness to diffuse	<i>Barrier 1: Limited initial willingness to diffuse</i>	<i>“And then I think on a political level, that idea of social innovations, social finance, is very popular on a European level and is very popular for example in France as well where you have this high commission for social innovations and you have a proper place within the government. A person within the government promoting these ideas like pushing it forward. And so far in Germany we don’t have this person and we don’t have a political party very much in favor of these ideas. We are just starting this process of like discussing it, getting it really into the political agenda.” (Youth with Perspective, Investor 4)</i>
	<i>Barrier 2: Low priority of the policy to be diffused</i>	<i>“[The project] is not suited for young adults with severe problems... they are more suited for adults that... like... need just an extra push.” (Buzinezzclub, Commissioner 5)</i>
	<i>Barrier 3: By-design limited potential to diffuse</i>	<i>“Because we set this one up in Scotland, it was attracting attention... it was new, it was different... everybody wanted to talk to you... so you spoke to a lot of different people and begin to realize there is significant potential and interest but the model was going to make it very difficult to move that to any volume or scale..” (DWP IF I, Provider 5)</i>
	<i>Barrier 4: Limited financial resources</i>	<i>“ But back to my other point, unfortunately, that period coincided with austerity in the UK, and that meant that the only thing local authorities could really think about was how are they going to make the cuts and not leave people without services. So, unfortunately,</i>

Lack of capacity to diffuse		<i>it meant that it sorts of stifled their innovation, their capacity to innovate for that period.”</i> (DWP IF II, Provider 2)
	<i>Barrier 5: Unstable human resources</i>	<i>“We know that in institutions such as public entities and the government, we can have a lot of turnover, and that also plays a role in understanding the value and in the ability to sustain the project over time”</i> (HMP Peterborough, Intermediary 1, our translation from French)
	<i>Barrier 6: Low interorganizational collaboration</i>	<i>“It was all done centrally by Central government the first time around, so actually handing over all that procurement expertise to local authorities... that just didn’t happen. So even though it happened in Liverpool, nobody in Liverpool or any of the local authorities really had a clue how to procure this”</i> (DWP IF I, Expert 1)
	<i>Barrier 7: Legal and accounting constraints</i>	<i>“There were some issues. First the procurement procedure. So we procured quite easily with the subsidy actually, but in 2016 it all changed, because the legislation changed and now you need to tender it like any other tender but until 2016 you could use innovation paragraph”</i> (Buzinezzclub, Investor 2)

Chapter 5. New development: From social impact bonds to impact bonds—an outcomes-based framework²³

1. Introduction

Impact bonds (IBs), or social impact bonds (SIBs) in the traditional literature, are innovative, public–private financial mechanisms based on a pay-for-performance logic to fund social or environmental services (Tan et al., 2021). Typically, private investors provide upfront capital to finance innovations designed to tackle social or environmental issues in multiple policy areas. Investors are repaid by a national or a local government or agency with a success fee, which is based on the achievement of the programme’s agreed social or environmental objectives (Warner, 2013) measured by an independent evaluator (Edmiston & Nicholls, 2018). In theory, IBs are also expected to generate additional cost savings (beyond the budget allocated to the programme) for the public administration in charge of the IB contract because the potential improved outcomes are linked to preventive interventions that reduce the consumption of costly public services (Fraser et al., 2018).

The prototype model of IBs has been stretched in practice (Carter, 2020). With 235 IBs contracted in 38 countries with different governance and financial arrangements (Brookings Institution, 2022), the model is now very different to the original. Researchers have identified which discriminant technical features have moved IBs away from the ‘social’ prototype, showing how many IBs are now only partially, or even marginally, compliant with the initial

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model (Arena et al., 2016; Carter, 2020; Economy et al., 2022; Ronicle et al., 2022). On top of that, with their original application to social services as the starting point, variations of the IB model have appeared, such as ‘development’ impact bonds (DIBs) to fund programmes in developing countries (Alenda-Demoutiez, 2020); or ‘environmental’ impact bonds (EIBs): an adaptation of the IB logic to environmental challenges such as wastewater management, circular economy (a mode of production and consumption aiming to expand the life cycle of products) or wildlife conservation (Hall, 2017; Brand et al., 2021).

Currently, the distinction between types of IBs is made according to the area of intervention (social domestic policies for SIBs; state environmental policies for EIBs; and foreign development aid and assistance for DIBs). In the specific case of DIBs, practitioners acknowledge that the interest of using the IB model does not lie on the monetization of impacts and generation of cost savings but, rather, on the introduction of a new financial mechanism that stimulates social innovation within the development aid area. Thus, IB financing is currently expanding in scope—resulting in an extension in the nature of the outcomes targeted.

This evolution questions some of the core assumptions of the model and poses several challenges to practitioners. In addition, the focus on cost savings as a rationale for commissioning IBs has been very much influenced by the public policy sector involved, the cultural context and the political narrative around IBs. In the French case, the centrality of cost savings in the financial structure of IBs has grown more and more dominant.

Nevertheless, the capacity to base the financial structure of an IB (at least in theory) on some avoided cost still matters in practice when the different actors contractualize an IB. Notably, the nature of the outcomes (social or environmental) can affect the financial structure of an IB and influence the capacity to design workable business plans for the financed projects.

However, the relationship between the outcomes and the possible cost savings generated by IB projects has been neglected in the literature. There is a lack of categorization that would enable academics and practitioners to distinguish between IBs according to the nature of their outcomes and then link that to expected quantifiable gains for the public sector.

This article aims to fill the gap by proposing a framework to analyse this link in order to establish a classification based on what generates practical and concrete implications for practitioners when it comes to designing IBs. As such, we focus on the link between outcomes and quantifiable gains in order to be able to set up an IB contract. We contribute by expanding the concept of cost saving and by proposing three types of IB categories through analytically linking outcomes to quantifiable gains.

The framework was generated based on abductive reasoning. Starting from an empirical reality, we initially analysed 30 different IBs in diverse countries and sectors. This first analysis enabled us to identify the patterns according to the nature of the main outcomes evaluated in the different IBs. Second, we further structured our categorization by using the literature for both general outcome evaluation and the literature that was specific to IBs. Third, we tested the framework on another set of IB experiments in order to confirm our categorizations.

2. Findings

2.1. Categorizing outcomes in impact bond contracting

Impact evaluation, as a part of the broader agenda of evidence-based policy, refers to the shift from outputs to outcomes as the focus of the evaluation (Gertler et al., 2016). Evaluating an impact typically means estimating a difference in the indicator (X) with the intervention (X1) and without the intervention (X0) (White, 2010). This with versus without approach is considered the cornerstone of impact evaluation, from which a variety of methods, mostly quantitative but also qualitative, are used in order to attribute the effect of an evaluated project.

Different elements may be identified in order to characterise various types of impact evaluations. First, an impact assessment targets a human system or an ecological system. When targeting a human system, the evaluation is directed toward a group of individuals that the intervention intends to influence. For instance the first IB in the world, in Peterborough, UK, targeted two cohorts of 1,000 short sentenced male prisoners.

Conversely, an ecological system evaluation does not directly affect a group of individuals but, rather, the assessment of a change status of an ecological space or a physical entity (Hall, 2017), like with DC Water, the first EIB in the USA, which focused on improving stormwater management through the installation of green infrastructure in Washington, D.C. and reducing pollution in the Rock Creek River.

Second, impact evaluations may be characterised according to the scope of the expected impact. A desirable outcome targeting a human system aims to improve the well-being of a targeted population. In this case, the project has an impact on an individual basis—affecting the people in the target population. On the other hand, targeting an ecological system implies that, in most cases, the interventions cannot be directly linked to individual impact but, instead, aim to have a diffused impact that affects the whole society by influencing an ecological target.

This type of intervention does not target, *ex ante*, a specific population that will benefit from the programme but aims to create a global impact that will positively affect the wellbeing of the planet. For instance a reduction in carbon dioxide emissions cannot be directly linked to an improvement in an individual's well-being but creates a diffuse impact. When it comes to IBs, this difference appears in the performance indicators that will be used to evaluate the programme and determine investor repayment: in the case of an IB targeting an individual impact, the indicators will typically directly measure the individual health improvement, access to employment or the housing of a certain population, whereas IBs with a diffuse impact will focus on assessing the reduction of flooding, or the reduction of carbon dioxide emissions.

Third, outcomes-based projects can be distinguished according to the nature of their main objective. In other words, it is possible to differentiate projects by seeing whether their main evaluated outcome assesses the improvement of the selected target by avoiding or remediating an identified social or ecological issue. The literature refers to these two kinds of actions as ‘preventive’ or ‘curative’.

Socially-focused projects are defined as preventive if the main objective of the intervention addresses the improvement of an individual’s situation in order to prevent the consumption of (costly) public services.

Alternatively, curative social outcomes are focused on access for people excluded from some basic services, such as housing (for example the London Homelessness SIB) and healthcare (for example the Improving HIV Treatment SIB). Ecological system projects may also be differentiated according to whether their main objective is preventive or curative. In preventive ecological system projects, the intervention aims to avoid the degradation of the selected ecosystem target and to improve its resilience capacity (for instance circular economy projects such as Envie Autonomie IB in France). In their curative form, ecological system projects are intended to restore a degraded environment (such as soil restoration, wildlife reintroduction or re-forestation projects).

Starting from the characterisation of an IB outcome and looking at its target, scope and nature, three main categories of quantifiable gains can be distinguished, which makes the concept of ‘cost savings’ (a fundamental element of the prototype IB model) broader in practice.

2.2. From cost savings to non-cashable externalities

Starting from the differentiation that we propose in order to analyse an outcome, we can link these characteristics to different quantifiable gains for the public sector in an IB framework (see Figure 25). While the prototype IB model suggests only the creation of direct cost savings, a

wider spectrum of concrete situations exists (Table 14). Thus, some direct cost savings may occur in preventive human system focused IBs in which the programmes lead to less consumption of services. This case concerns only a minority of social IBs (Arena et al., 2016). In many cases, the improvement of outcomes avoids negative and monetizable externalities, such as the cost attached to carbon emissions or the degradation of the health of an individual, but not directly linked to a reduction in public expenditures. In other cases, the externalities targeted by an IB are linked to specific metrics that enable evaluations but are not attached to economic values. This last case characterises projects focused on wildlife conservation.

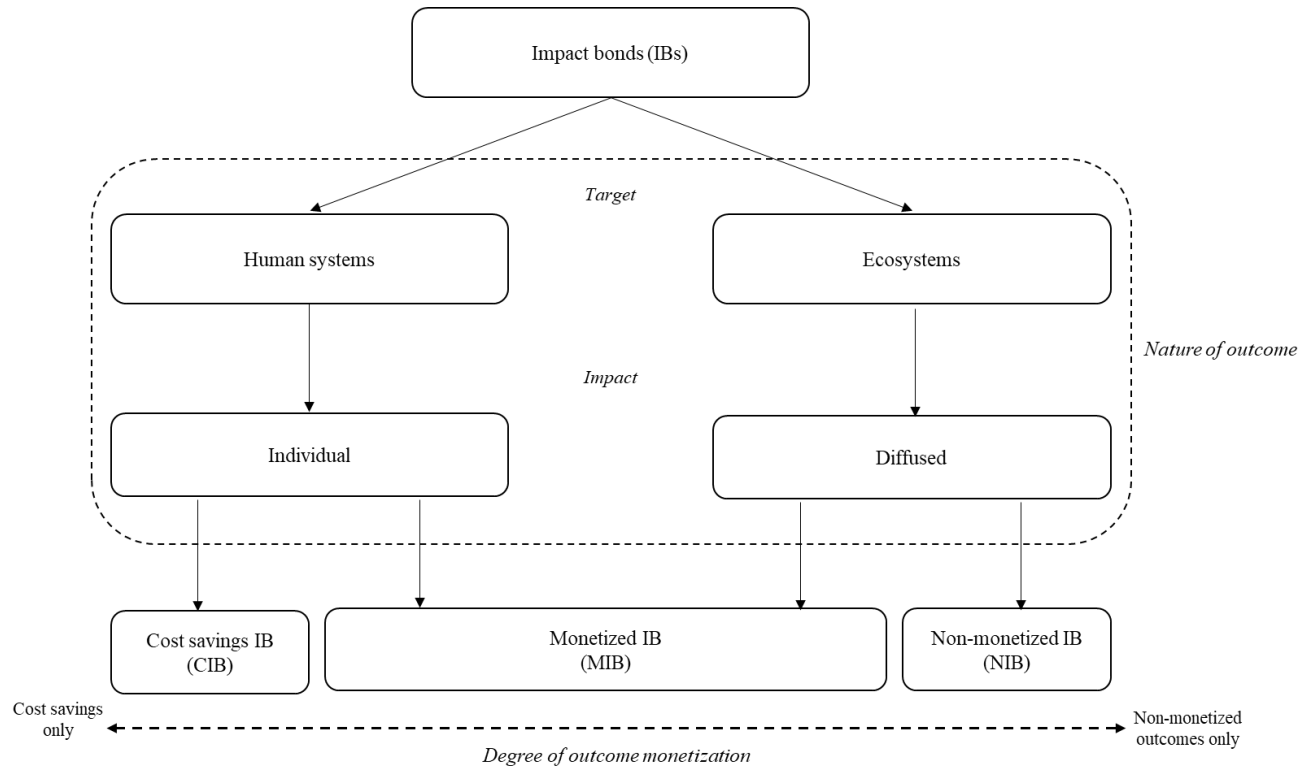


Figure 25 IB categorization according to the nature of the outcomes

	Cost savings IB (CIB)	Monetized IB (MIB)	Non-monetized IB (NIB)
Social	<ul style="list-style-type: none"> • Resolve Social Benefit Bond (Australia) • Norrköping Impact Bond (Sweden) • On TRACC Social Impact Investment (Australia) • Sweet Dreams SIB (Canada) • Peterborough SIB (UK) 	<ul style="list-style-type: none"> • End of Life Care Incubator (UK) • Improving HIV Treatment SIB (UK) • Asháninka Impact Bond (Peru) • Mother Teresa Middle School (Canada) • Chicago Child–Parent Center PFS Initiative (USA) • Réseau Eco Habitat SIB (France) • HCT Independent Travel Training SIB (UK) • Menstrual Health and Hygiene Impact Bond (Ethiopia) 	<ul style="list-style-type: none"> • Community Hypertension Prevention Initiative Health Impact Bond (Canada)
Environmental	X	<ul style="list-style-type: none"> • DC Water Environmental Bond (USA) • Atlanta Department of Watershed Management (USA) • Hampton, VA EIB (USA) • Buffalo, NY EIB (USA) • Envie Autonomie (France) 	<ul style="list-style-type: none"> • Wildlife Conservation Bond (South Africa) • Yuba Forest Resilience Bond (USA)

Table 14 Classification of IBs according to their outcomes and quantifiable gains

Cost savings impact bonds (CIB)

CIBs target human systems at an individual level. The main objective of the intervention is preventive, in the sense that it aims to avoid, *ex ante*, a situation where an individual would need a costly public service. This category of IB is the most compliant to the prototype IB because it reduces dependence on a public service. If the main outcome is to exit a public service, the intervention is therefore capable of generating actual cost savings for the public administration. In 2016, the first SIB implemented in Sweden by the Municipality of Norrköping aimed to reduce the risk of placement for young people that were in foster care by providing school support and tutoring. In other public policy sectors such as health, the Resolve Social Benefit Bond in New South Wales, Australia, aimed at improving the well-being of people struggling with mental health issues. The main outcome metric of the intervention was the reduction in the consumption of health services.

Monetized impact bonds (MIB)

Contrary to CIBs, MIBs go beyond cost savings to include a monetization of the avoided negative externalities. The logic of the MIBs is to attribute a monetary value to the social and/or environmental impacts of the IB intervention that will not generate cost savings, such as carbon dioxide emissions, food waste and biowaste. MIBs often include both a proportion of pure cost savings (especially in IBs that mix social and environmental outcomes such as the French *Envie Autonomie*) and the monetization of avoided negative externalities. A significant number of the IBs focused on social issues are linked to curative actions instead of preventive interventions. They mostly consist of giving access to basic public social services to beneficiaries participating in the programmes: for example helping young students to stay in education, or providing better care for a particular disease (such as AIDS). IBs in developing countries (DIBs) are also mostly focused on increasing service coverage for deprived populations, such as the Menstrual Health and Hygiene Impact Bond in Ethiopia.

Environmental IBs, while often taking a preventive approach, are also mostly based on avoiding externalities other than direct cost savings. Environmental outcomes often have a diffuse and long-term impact, making it nearly impossible to link their effects to specific budgets as we usually do for social services. Nevertheless, preventing environmental interventions can be linked to monetization in different ways.

Non-monetized impact bonds (NIBs)

A third category of IBs almost erases the core concept of cost savings or cashable externalities from the financial design. In the NIB, the quintessential logic of outcomes' monetization to generate savings for the public sector totally disappears and can even lead, in the most extreme cases, to an increase in the public spending dedicated to a specific public service (for example in IBs that aim to give access to administrative rights or minimum allowances to excluded populations). This can be attributed to multiple factors: for instance the complexity of translating the outputs of an intervention into quantifiable outcomes, due notably to the lack of available data in some policy sectors such as biodiversity. Even when new methodologies do exist, there is sometimes a lack of awareness or a disregard of the extensive work on evaluation frameworks for natural ecosystems by the stakeholders during the contracting phase of the IB. Finally, the question of outcome attribution remains central in outcome-based contracting, as it is often very complex to isolate the impacts of an intervention and to determine to what extent the change can be attributed solely to the intervention funded through an IB (Tan et al., 2021).

The Wildlife Conservation Bond, issued in 2022 by the World Bank, is a good example of this IB category because the outcome payment is based on the expected growth rate of the rhino population. In that sense, the aim is not to generate cost savings but to restore and preserve the existence of a species. In this example, the comparative advantage of introducing outcomes-

based contracts such as IBs is to provide additional private funding in an underfinanced public policy area, as well as including a performance measurement.

Similarly, the Community Hypertension Prevention Initiative Health Impact Bond launched in 2016 in Canada justifies the outcome payment structure by considering the increase of individuals' wellbeing in the health sector as a priority over public savings (Carè & De Lisa, 2019).

3. Conclusions

In this article, we present a framework that challenges the common justification of cost savings as a central and unique quantifiable gain of the IB model. Instead, we consider the question of cost savings as a continuum, which results in the emergence of multiple categories of IBs according to their degree of monetizability. Looking at the IB's economic models through the nature of outcome and quantifiable gains allows us to broaden the concept of the IB itself, which is often studied as a single and static entity. Instead, we suggest viewing IBs as plural when it comes to the nature of quantifiable gains. In that sense, our framework interacts with the concept of IB 'stretchiness' that has been developed in the recent literature about IBs (Carter, 2020) and to the extent that some IBs are based (or not) on an invest-to-save logic (Ronicle et al., 2022).

Looking at the quantifiable gains and the relationship with the outcomes targeted in a designed IB, our framework also blurs the basic distinction between types of IB (social, development or environmental) that are currently being used in the literature by both practitioners and academics. We propose, instead, looking at the link between the types of quantifiable gain (monetized or not) and the type of policy sector targeted, as well as the nature of the main outcome, in order to differentiate between IBs in practice. Another research avenue we suggest is the question of the justification of IBs for the public administrations engaging in IB contracting. Given the reconsideration of cost savings in the newer IB models, we should be

questioning the relevance and advantages of IBs over other types of financing. Acknowledging the expanding nature and scope of IBs, we look forward to future research that empirically tests and expands the findings of the present research.

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Chapter 6. Conclusion: Contributions, Limitations and Research Avenues

In this last chapter, we will highlight the general contributions of the research and then discuss the limitations and perspectives for future research before concluding the thesis. The contributions are at the same time theoretical, empirical and managerial. The idea here is to quickly discuss together the contributions of the four articles in order to provide a more general vision of our work, and to compare it with the recent development in the literature.

1. Theoretical Contributions

The theoretical contributions of our research are organised around the concepts of diffusion barriers and the expanded conceptualisation of metagovernance as iterative and hybrid. The two concepts contribute to the innovation and public management fields. The first concept contributes to a better understanding of the PSI's diffusion phase. The second concept sheds a light on the process of metagoverning actors of different nature engaged in an innovative process in the public sector. We will briefly present the two contributions and highlight how they generally contribute to the study of the innovation process in the public sector.

Firstly, our thesis advances our knowledge on the processes and challenges of the PSI's diffusion phase. Following Kattel and Mazzucato (2018), an innovation: “has not only a rate but also a *direction* and, thus, can have multiple *alternative* directions.” (p.787). In line with this, we developed the concept of diffusion barriers. With this concept, we provide a new framework for analysing the process of innovation of PSIs in the downstream phase. It enables us to take into account the different directions and scales that an innovation may take during the diffusion phase. We also specify the innovation barriers for that specific phase of the innovation process. Moreover, the concept of diffusion barriers completes and expands the

theory in policy diffusion and innovation barriers in different complementary ways: firstly, we consider different types of diffusion. In this way, we provide a first answer to the question of understanding diffusion not only as a rate of adoption of individual innovations, but also as the capacity of an innovation to expand its impact while diffused. This is particularly relevant for innovations addressing grand challenges and developing innovative policies directly delivered to citizens (Borras & Edquist, 2019). Thirdly, by proposing the category of *lack of willingness to diffuse*, we join authors having highlighted the need of a constructivist understanding of policy diffusion and innovation barriers (Korteland & Bekkers 2008; D'Este et al., 2012). More generally, by providing the implementation phase of innovations (Garud et al., 2013), our work helps to understand how the diffusion of innovation in public sector needs to be framed, confirmed and managed *per se*.

Secondly, our work sheds new light on the concept of metagovernance (Sørensen, 2006) by framing it as an iterative process supported by hybrid tools. In the context of the evolutions “from government to governance” (Rhodes, 1996), different hybrid forms of steering and managing the innovation process in public sector emerged. Our work permits us to appreciate a more complex and dynamic process of metagovernance in a context of collaborative innovation in the public sector. Thus, we expand the theory by proposing a different view of this concept that is predominantly understood in the literature as a proactive action from governments towards networks (Sørensen & Torfing, 2017). We propose an alternative view showing a process in which the network participants actively provoke and ask for the metagovernance process. Furthermore, in our case, the process remains distributed among different types of actors that dynamically support the policy initiative. We also provide theoretical insights concerning the potential role of hybrid tools in supporting the innovation process in the public sector (Sorensen & Torfing, 2019).

Finally, the two main theoretical contributions of our thesis contribute to the *differentiation* and *inversion* approach to public innovation theory (Djellal et al., 2013). Firstly, in line with the first *inversion* approach, we conceive the public sector innovation as an independent object of study that needs specific analytical frameworks focusing on the specificities of the public sector functioning (Chen et al., 2020). Throughout our research, we have been attentive in highlighting these specificities, starting from the focus on the political aspects directing the willingness to diffuse PSIs, passing to the political-administrative interactions influencing the governance of the French IBs development. Secondly, our contributions also show how the study of the innovation process in the public sector may contribute more generally to the knowledge of innovation in other contexts. In other words, our research allows an *inversion* with respect to the dominant way of conceiving the relationship between commercial and public innovation in which the theoretical development of the first informs and directs how we study the former.

Indeed, by providing an analysis of an unconventional context for innovation studies (Bamberger & Pratt, 2010), we have been able to challenge some assumed theoretical frames for general management study (Bansal et al., 2018). The conceptualisation concerning the diffusion of innovation and the capacity to steer collaborative networks through hybrid tools are *transferable* (Lincoln & Guba, 1985) to other contexts of research. Indeed, we have addressed different issues related to the innovation process and diffusion thanks to our specific empirical context, embedded in collaborative practices between actors of different natures and supported by tools focused on impact evaluation and financed through specific arrangements inspired by impact investing practices. Thus, while specific to the para-public context in which they emerged, our findings inform other contexts of innovation and contributes to the general understanding of innovation directed towards grand challenges.

2. Empirical and Managerial Contributions

Our research also provides different empirical and managerial contributions. In this thesis, we have collected extensive primary and secondary data informing the reader on the emergence and development of Impact Bonds with an international perspective. Moreover, our contributions may help managers in general, and public managers in particular to better understand and organise the development of innovative policies financed by IBs throughout the different phases of the innovation process.

2.1. Empirical Contributions

The four studies composing our thesis advance our knowledge concerning the Impact Bonds development in different contexts and at different levels of analysis. In particular, in our systematic literature review (chapter 2), we analysed the academic and practitioner literature on IBs providing a synthetic understanding of the effects of IBs in their first concrete applications. Our review follows and completes previous reviews that have focused on the ideological debates (Fraser et al., 2018) and the academic trends (Broccardo et al., 2019) on IBs. Moreover, our longitudinal study on the French IB development (chapter 3) proposes a deep understanding of the IBs development in a specific national context over almost ten years. This approach is, to our knowledge, unique in the empirical literature on IBs. Finally, our multi-cases study on the diffusion of policy innovation financed by IBs is the first empirical study focusing on the “post-IB” phase and the diffusion capacity of the tool.

More generally, our empirical approach, based on a qualitative methods’ *bricolage* (Klag & Langley, 2013), joins the call for ‘new ways of seeing’ (Shaw et al., 2017) in management studies fostered by qualitative research. As noted in our general introduction, management research is expected to be renewed through qualitative research and deep case descriptions (Bansal et al., 2018). This type of approach is not opposed to more quantitative approaches but

completes them by proposing new conceptualisation based on a deep understanding of empirical cases.

2.2. Managerial Contributions

Our thesis also helps policymakers and public managers to oversee their innovation process. We focused on different issues related to the public sector innovation journey in the Impact Bonds development.

In this sense, we pointed out how public managers could better take into account the dynamics related to collaborative innovations when they incite or respond to call for reorganising networked policy initiatives. We showed the importance of providing space for discussion and network mobilisation, as the institutional consultation in the French case, in fostering a negotiated and inclusive governance of innovation. But also, how public managers need to be cautious of network capture by influent private actors during the collaborative innovation processes.

Our research also demonstrates the need for policymakers to anticipate the diffusion of innovations and to consider together the implementation and diffusion phases when planning policy experimentation. Moreover, we show how impact evaluations and rigorous evidence are not sufficient to diffuse innovation without appropriate preparation for the diffusion phase.

Finally, we developed a framework potentially useful for practitioners interested in designing IBs, in which we show the importance of carefully considering the relationship between the nature of the targeted outcomes and the financial structure of an IB. This point is important in highlighting the challenges to design workable business plans for the social or environmental projects financed through IBs. We also recommend that public managers and policymakers should compare the relevance and advantages of IBs over other types of financing.

3. Limits and Research Avenues

In this section we discuss the limitations of our research as well as different research avenues.

Firstly, while our studies are based on a rich qualitative setting, the context dependencies of our empirical approach might lead to specific findings that could, in other cases, be less relevant. Transferability is possible but needs to be proven by further research. Furthermore, we specifically focus on the IBs first implementations in different contexts. This was the case in all the countries investigated in our multi-case study as well as for the longitudinal analysis for the French case. The novelty of the instrument in our cases may have influenced the findings of the research. Research in more mature contexts of development may be suitable to advance our theoretical conceptualisations. Moreover, while having expanded the scope of empirical research on IBs by also focusing on non-Anglo-Saxons contexts, our research provides insights only for European countries. In order to fully assess the strength of our contributions we may need to expand our inquiries to non-European and non-western countries.

Secondly, our abductive qualitative approach presents also limitations in identifying more systematic relationships in our cases. For examples, the capacity to assess strong causality between the presence of the diffusion barriers we identify, and the degree of diffusion, is limited by our methodological approach. More quantitative approach exploiting large dataset of PSIs would be an appropriate way to overcome this limitation. The same limitation applies also for our empirical case. Indeed, while at the beginning of our PhD the number of IBs in the world prevented quantitative approaches, nowadays the IB development may allow research based on quantitative methods.

Finally, concerning the stakeholders engaged in a collaborative innovation process, our research has been primarily focused on public administrators and on the management practices influencing the IB implementation (mainly the contractualisation of IBs) and diffusion. We

probably did not highlight enough the daily work of the providers engaged in addressing the grand challenges financed by IBs. This is a crucial aspect that needs to be studied in order to fully understand the capacity of innovations to solve these issues and the specific impact of the IBs. The prosecution of our research may be more focused on this major point of interest. Moreover, we predominantly analysed process of coordination and collaboration between actors in the innovation process. Other processes as power relationships, controversies and conflicts may also have an important role in an innovation process and further research need to pay more attention to these processes.

To conclude, we believe that through our research, the original concept that we have developed and the general understanding of the innovation process in the public sector that we have provided, and given the limitations and research avenues that we just presented, we are participating in a rich and developing research program.

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Titre: Le processus d'innovation dans le secteur public. De l'expérimentation à la diffusion des Impact Bonds.

Mots clés : Innovation Publique ; Impact Bonds ; Diffusion des Innovations ; Gouvernance Publique

Résumé : Cette thèse explore le processus d'innovation publique avec pour cas d'étude principale les Impact Bonds (IBs). Les Impact Bonds sont des montages financiers fédérant des acteurs privés (les investisseurs) et des acteurs publics (les payeurs finaux) avec pour objectif le financement des programmes sociaux. La thèse par travaux s'organise autour de quatre essais exploitant des récoltes de données qualitatives uniques permet de rendre compte théoriquement et empiriquement de l'émergence et le développement des Social Impact Bonds à la fois en France et l'internationale. La thèse suit les différentes étapes du processus d'innovation, en partant de la conception et des premières expérimentations de l'outil (1er étude basé sur une revue de littérature systématique sur les SIBs entre 2010 et 2019), en passant par son adoption en France (2^{ème} étude longitudinale sur l'adoption des SIBs en France entre 2016 et 2022), pour enfin étudier les effets sur les programmes financés en termes pérennisation et diffusion (3^{ème} étude multi-cas sur la diffusion des innovations publiques post financement SIB). La thèse propose également des contributions pratiques notamment avec sa 4^{ème} étude proposant un cadre opérationnel qui conceptualise la relation entre résultats sociaux et économiques attendues lors de la contractualisation d'une innovation publique financé par SIB.

Title: The innovation process in the public sector. From the experimentation to the diffusion of Impact Bonds

Keywords : Public Innovation ; Impact Bonds ; Innovation Diffusion; Public Governance

Abstract: In this thesis, we explore the emergence and development of a relatively new form of social innovation financing mechanism in a para-public context: the Impact Bonds (IBs). IBs are financial assemblies bringing together private, associative and public actors with the purpose of financing social or environmental experiments. The dissertation is organized around four articles exploiting an original and unique qualitative dataset. It provides a theoretical and empirical account of the emergence and development of Impact Bonds both in France and internationally. The thesis begins with a first study based on a systematic literature review

(SLR) on IBs between 2010 and 2019. Then it continues with an analysis of public governance evolution of IBs in France (longitudinal study in the French between 2016 and 2022). A third empirical work studies the barriers to the diffusion of the first 8 IBs contracts in the world (3rd multi-case study on the diffusion of public innovations after an IB funding). The thesis also proposes practical contributions, notably with a fourth study that proposes a new typologisation of Impact Bonds, based on the possible monetization of the social and economic outcomes expected during the contractualisation of an Impact Bond