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NETWORK Setups Driving Social Innovation

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Abstract

An organisational and a cross-organisational network setup were implemented to foster social innovation: Both networks endorse cross-organizational, -sector and -disciplinary collaborative social innovation by conceptualizing and implementing novel collaboration setups, new strategies, concepts and ideas meeting social and societal needs. In addition to this type of process innovation targeting sustainable transition of governance relations the cross-organisational network as well focuses on the inclusion of diverse population groups via participation within education and science.

This paper illustrates key elements of network setups driving social innovation and is structured as follows: section 1 is devoted to current environmental demands for social innovation, section 2 describes the positive impact of context management; section 3 carries out clarification of central terms; section 4 illustrates implementation phases of two case studies; section 5 points out presumptions for social innovation in terms of network system learning; section 6 will conclude with the network challenges transforming professional identity of social entrepreneurs and driving process innovation in and between organisations.

1. Uncertainty and complexity provoke social innovation!

Up till now representatives of social systems are used to primarily push own interests or benefits. The common refusal of focusing on interdependencies of social, ecological and economical impacts endangers sustainable developments of organizations, regions, etc. Impacts of escalated interest conflicts and of global cross linking have become unpredictable and destabilize organizational, national and international governance strategies.

Popular day to day business following short and midterm perspectives has turned out to lead companies more often to lethal results (e.g. financial crises 2008), while long term and system oriented thinking leads to sustainable cooperation between organizations and sectors thereby maintaining economic survival of single industrial actors.

These trends encourage organizations and societies to search for new, intelligent strategies of management apart from isolated actions. Instead of taking responsibility for risky business ideas organizations enforce new business models of comprehensive strategies like e.g. *Open Innovation* or *User Innovation (Living Lab)*. These risk management strategies of the 2000-ties (Leitner/Weber/Fröhlich 2009: 37) try to externalize organizational risks to multiple stakeholder networks. Applied innovation researchers maintain that economy and societal innovation cannot be driven by single actors (e.g. companies, policy) but emerges beyond organizational hierarchy and markets.

Beside the challenge to gain insights into the patterns of interplay the governance of complex dynamics has increasingly become an urgent question for the survival: Unexpected critical impact of global interdependencies does no longer emerge as a singular phenomenon but has shown its power as a new pattern of a “continuous discontinuity”. Experienced as pattern-breaking “wild card phenomena”, unpredictable dynamics disturb routines of governance within companies as well as political institutions.

Social innovation tries to run against the world wide lack of soft governance strategies to deal with grand challenges in an adequate way (e.g. escalated interest conflicts and unpredictable dynamics). Its approach focuses on societal needs while in parallel balancing economic demand and technological opportunities to solve trans-disciplinary challenges.

2. Context Management enhances processes of social innovation!

Social innovation focuses on the transition of governance relations in order to address environmental or societal failures. This requires the consideration of business units and organizations within their relevant environments (Willke). This approach is complementary to the intrinsic logic in the sense of operative closeness (Maturana/Varela 1984).

Patterns of complex dynamics are defined by societal, technological, economical, ecological, and political/legal needs and steering modes (Willke 1998: 45). Environmental perspectives and contradictory sub-rationalities of organizations are relevant for arriving at a deeper understanding of cause-effect relationships, trends or discontinuities in their full complexity. Thereby these perspectives are fundamental for avoiding financial crises, loss of loyalty, conflict escalation, exclusion, misguided investments and sunk profit effecting employees as well as organisations in a negative way.

Observing different types of organizations we can assume three key success factors: (1) Firstly the demands of implementing new standards (e.g. methods, systems) into “lively” routines or communication patterns allow economic survival. (2) Secondly respectful communication of clients, partners and staff members as unique individuals prevent organizations from loss of efficiency caused by conflict escalation and exclusions of perspectives and know-how. (3) Thirdly the implementation of “free spaces” allows management, organizational and system learning thus helping to avoid sunken profit caused by short sighted decisions.

To address social and environmental failures and thereby find a time limited and context specific “optimum” process innovation has to offer different tools of context governance in the sense of a soft steering mode.

This term of “soft governance” emerged from policy consulting referring to the attempt to intervene in complex social systems. It aims at establishing attractive frameworks for both innovative and effective “business” operations (Willke 2004) and drives social innovation via social entrepreneurship, strong, leading visions, values and trust based negotiations (Rhodes 1996). One impact of this steering mode is strengthening self-management and self-responsibility and thereby social entrepreneurship of all actors involved.

Social innovation has to focus on realizing soft governance setups combining actors and actions in an unexpected and new way. This allows organizations as “complex social systems” to observe former blind spots and to learn how to learn (Willke 2004) by circumventing rigid patterns without eroding existing organizational structures. Network setups re-invent innovation management by bringing innovation to management.

Below we illustrate two different case studies of network setups as a specific mode of context management and extrapolate their benefit for management and organizational learning as well as their requirements on transforming professional identity and attitudes of social entrepreneurs.

3. Central terms of social (process) innovation!

How do we understand social entrepreneurship?

John Elkington (Interview 27.10.2009 / Harvard Business Publishing) characterizes social entrepreneurs as individuals being able to generate impressive results and to capture the imaginations of businesspeople and public policy makers. Their emotion is not about to make money but to widen profit by addressing social and environmental market failures. Dealing with grand challenges (e.g. to reduce poverty or environmental and social catastrophes arising from climate change) they run against dysfunctional structures and processes supporting negative environmental and societal impacts.

Social entrepreneurs emerge from the population on demand and become leaders because they perceive problems available and are well-positioned to take advantage of them. Social entrepreneurs may perceive that they are among the few to recognize or be able to solve a societal problem. [Joseph Schumpeter](#) saw entrepreneurs as innovators and popularized the phrase [creative destruction](#) to describe his view of the role of entrepreneurs in changing business norms and communication patterns.

Management learning in terms of social innovation

Observing organizations as social systems we distinguish subsystems e.g. “management system”, “expert system”, “functional units” etc. By *management learning* we understand the transformation of communication patterns between 1st, 2nd, 3rd etc. management levels as well as between different professional groups within management system or managers representing different subsidiaries within an enterprise. Related to management learning we argue that social innovation emerges from entrepreneurs pooled within “cultural islands” (Schein 2010) and focusing in submarine strategies on problem solving via organisational transition.

Organizational learning in terms of social innovation

Organizations learn more efficiently and effectively compared to their competitors (Willke 2004) if they learn to learn and make clear and transparent decisions about goals of the learning process. Yet how can learning be purposefully interwoven in organizational structures? Willke (2004) proposes that it does require new components that circumvent rigid, normative structure patterns, but without eroding existing structures. More informal forms of organization, including cross-functional teams, networks or task forces may be more appropriate and useful (Willke 2004). In terms of social innovation organisational learning needs entrepreneurs implementing new setups and free space beside normative structures.

Network system learning in terms of social innovation

Observing network organizations as complex social systems we commonly identify different subsystems within context tailored setups. Speaking about system learning we focus on the transformation of communication patterns between these functional elements of the network-system as a whole. In terms of social innovation network systems need a continuous process of transition. These re-inventions react on changes of environmental or social failures that initially were the purpose for setting up the networks.

4. Two network setups innovating management*Family-run global enterprise SWAROVSKI*

The internal network was setup at *Swarovski*, an Austrian family-run enterprise (20.000 employees), to fluidize rigid boundaries and to build new ties between competing units and innovation actors all over the enterprise. Regarding network architecture we can observe the different functions: (1) network coordinator (2) cross functional steering group innovation managers (3) enlarged complementary counsellor staff (4) SWAROVSKI network meetings (5) enabler and innovation projects (6) informal teams.

Phase (1) 2007: Idea creation and network build up : Pressure on economic performance offered a small, cross-functional group of innovation managers a suitable milieu for creating and implementing an internal network through a bottom-up process in order to overcome “not invented here syndrome” based on distrust and passive resistance within innovation processes.

Phase (2) 2008: Standardization and enterprise wide visibility: The steering group carried out a stable mode of self governance following transparent roles and cooperation rules. In addition the group implemented new innovation systems and methods and thereby gained an overview on enterprise wide innovation projects. This was an essential step forward to focus all projects within joint strategic innovation areas.

Phase (3) 2009-2010: The internal network proving as crises manager: The innovation network stood the test of time and utilized a crisis of significant dimension to become visible, strengthen and demonstrate itself as a tool for crisis by elevating invention “in the pipeline” through generating new ideas and additionally speeding up launches of innovations thus raising total revenue of the enterprise.

Phase (4) 2010: The coordinator as a »server« in the net: This was the time when the internal network required its own organization. The network management’s central coordination function thus started to gain first routine in working as a “server in the net” (Grossmann 2007).

Phase (5) 2011: Restructuring process demanding a network setup: The year 2011 started with a fundamental restructuring process of the enterprise caused by retirement of the CEO being also family member of SWAROVSKI. The lack of a stable, hierarchical organisation suspended network purpose thus demanding an interruption of network operation for about a year.

Austrian Science Centre Network (SCN)

The external network was implemented to offer communication setups for building new linkages between diverse social systems like science, education, arts, economy etc. in order to foster engagement of citizens with science and technology. Regarding network architecture we distinguish the following functions (Wilhelmer/Wagner/Streicher/Erlar 2011): (1) SCN Executive Board (EXBO) /Governing Board (2) Network Executive Manager (3) Enlarged complementary counsellor staff (4) SCN network meetings (5) SCN public events, projects, field research and working groups (6) SCA projects.

Besides the SCN-EXBO acting as governing-board and the Network-Executive-Manager nothing was pre-set. Although launched top-down as an innovative “policy instrument” (social purpose) the SCN was implemented by a bottom-up process (process innovation).

SCN Phase (1): preparation phase 2005: The preparatory phase started with the decision of SCN-EXBO to establish a new organization called “Science Centre Network” which included the decision in favour of a network structure (as opposed to e.g. establishing a Science Centre organization with a building),

SCN Phase (2): build-up phase 2006: With a successful “Kickoff” event which attracted considerable interest and 22 immediate partners and with the commitment for first grants, the build-up phase could be successfully started with a Network Coordination Unit and a full-time managing director guiding the conceptualisation of a vision and goals and attracting a lot of potential members.

SCN Phase (3): development: Phase 3 saw the extensive and continued “Development” of the SC Network between November 2006 and September 2008 differentiating unique formats for network meetings aiming at integration of new members while building a culture of trust involving members in joint projects as well as international initiatives.

SCN Phase (4): reflection: A Social Network Analysis brought forth a wealth of ideas and food for thought, since it brought in depth insights on network structure (actors and their connections) and dynamics (processes, etc.) leading to a differentiation between roles and tasks between SCN Association and SCN network.

SCN Phase (5): diversification: The current Phase 5 of the SC Network development – from mid-2009 until today – can be characterized by “diversification” addressing thematic as well as regional priority settings.

5. Social innovation requires self-transformation of networks functions!

Network Executive Board: Questioning management roles and key values leads to more efficiency!

- ⇒ In SWAROVSKI building up relationships between the steering group and the EXBO allowed management learning: Network results proved that time investment into cooperation leads to more efficiency and profit (steering mode: trust) and therefore acceptance of free space can be seen as a critical success factor. EXBO’s staying outside the transformation system allowed avoiding proactive questioning EXBO’s role in terms of organisational development.
- ⇒ SCN-EXBO acts as an autonomous group meeting at least twice a year to decide central positions. Intensive discussions within SCN-EXBO allowed all involved actors to define characteristic logic and dynamic of networks, which was essential for developing a context tailored network setup. The joint heuristic allowed EXBO management team learning on two levels: On the one hand to figure out different functions and steering modes between hierarchical and network organizations and on the other hand to use theoretical heuristics for practical intervention planning. Similar to SWAROVSKI enterprise SCN-EXBO team remained outside the systemic counselling system not allowing to be questioned in its mentoring role for the SCN network-system with the exception of one member of EXBO-Team member.

Network Manager: Personal modesty and submarine strategies reinforce successful interventions!

- ⇒ In SWAROVSKI the network coordinator (VPM) managed to circumvent decision paralysis through implementing an enterprise wide context tailored innovation network.

Coordinator’s lessons learned were: (1) Standing up for his beliefs by searching for solutions beyond top management orders turned out as key success factor of network

implementation. (2) The innovation network functioned as a useful instrument to reduce distrust and endorse cross functional collaboration. (3) Abstinence from top management appreciation being a result of “submarine implementation strategy” was perceived as critical success factor. (4) Using counselling staff meetings as a space for training on the job learning allowed VPM to amplify his options for interventions across external counsellors. (5) Change of roles and tasks between VPM and external counsellors led to an upgrade of responsibility and visibility of the VPM within the innovation network.

- ⇒ Within the kick-off-event the *SCN Network Executive Manager* and her EXBO Team experienced the effect of dialogue oriented OD methods. Their learning was complemented by theoretical reflections on network structures within EXBO team. Social entrepreneur’s lessons learned were: (1) to question interventions of process counsellors with respect to “wording” and targeted “effects” allows learning and ensures connectivity of interventions to the mental models of natural scientists. (2) A mixed moderation staffing combining the Network Executive Manager with one external counsellor allows training on the job related to intervention formats. (3) using the outside perspective of external counsellors helps to check blind spots, question undesirable impacts and guide overall process (4) Distinguishing between activities requires network and project methods (5) Raising loyalty and motivation in the network needs the focus on the benefit of each activity for the Network as a whole, not for individual partners. (6) Realising open culture can be fostered by changing one’s own attitude.

Steering Group: Awareness and double membership to line management and network management allows changing structures and values!

- ⇒ *SWAROVSKI steering group* invented itself by deciding for cross functional cooperation on eye level. The (1) lessons learned became the overall target: to put individual unit’s interests into perspective of enterprise wide innovation ability. This step (2) of self-invention was based on a previous critical meta-reflection about dysfunctional cooperation patterns within SWAROVSKI management system, drawing a boundary to these patterns in favour for a new, open and trustful culture in terms of Edgar Schein’s “cultural island” (Schein 2010). Lessons learned (3) was that steering group members had to act as change managers in their line functions transferring new patterns and instruments into operational daily life. This allowed organizational learning inside out without an “outside-in-push” of external innovation advisors.

Complementary counsellor staff: External supervisors reinforce internal visibility and success of social entrepreneurs!

- ⇒ *SWAROVSKI*: In the very beginning the ties between external systemic counsellors and single setup functions were very close as the architecture was developed bottom-up in a step-by-step feedback-loop guided process.

Step (1) In the course of the process the coordinator took responsibility for face to face steering group meetings on monthly basis respectively telephone conferences following a clear time framework. Thus continuity was at the base of success for enterprise wide standardizations of instruments and systems. Meanwhile counsellors transformed their role from continuous moderators to selective steering group supervisors and VPM sparring partners.

Step (2) A seminar questionnaire set VPM under new pressure: While feedbacks gave appreciation to him for conceptualizing managing overall process and offering useful dialogue formats the external counsellors were negative judged by 20 % of participants on a personal level of sympathy and attractiveness beyond their professional interventions. In order to ensure connectivity of the moderators to the organisational culture the moderating staff was setup new as in a complementary internal/external mode. In parallel in a step (3) the coordinator and one of the counsellors started joint publishing of lessons learned at conferences raising appreciation and visibility of coordinators achievements within enterprise.

- ⇒ Also SCN network build up needed a close cooperation at the very beginning of the implementation process although counsellors were not in touch with all functions of network setup (EXBO excluded). Step (1) of transforming counsellor's contributions by rotating the personal presence of two counsellors involved within the series of individual network meetings. The continuous integration of both counsellors within enlarged counselling staff hindered the exclusion from the relationship to SCN network system and allowed Network Executive Manager to utilize diverse strengths of both counsellors. This mode of giving free space for manoeuvre for the network manager and SCN office can be seen as a good practice for balancing closeness and distance in a useful way.

Network Meetings: Meetings act as cultural islands fostering self-transformation of network systems and individual optimization of professional performance!

- ⇒ Within SWAROVSKI network-meetings (1) organizational learning was enhanced by moderating transparent feedback and negotiation processes between the coordinator, steering group members and network members in search for new demands for transforming collaboration roles and rules. Additionally (2) individual learning was supported by options of acting as hosts within world café rounds or drawing conclusions of table dialogues within the large group events. In parallel (3) new insights in single units allowed individual leaning on organizational and content level and optimized the fit of innovations driven by cross over network projects.
- ⇒ SCN network gave itself roles and cooperation rules and thereby built up its own identity and organizational culture. (1) Organizational learning took place in meta-reflecting dialogues on building up roles and rules as well as on (2) drawing lessons learned from partner projects (SCA) as well as from SCN network projects (SCN). In addition (3) system learning was enhanced by presenting results of the field study and moderating feedback loops between all network actors within network. Besides (4) network meetings offered a communication setup for individual learning by gaining insights into current questions and demands of other social systems as well as by learning on content side from communicators or international guests presenting new ways of how to present hands-on experimental science communication for children and grown-ups.

Projects: Self organised cross over projects raise awareness for environmental grand challenges and bring innovative solutions forward!

- ⇒ Within SWAROVSKI enterprise cross functional projects allowed building up new expert networks on specific topics thereby enabling organizational as well as individual learning

on content side. The bottom-up implementation of *technology and market-driven* innovation projects enabled cross-functional/hierarchical organizational learning between experts and decision makers.

- ⇒ Projects between partners of SCN foster organizational as well as cross-organizational learning, changing patterns of the partners' home-organizations via cooperation within cross-organizational projects.
- ⇒ SCN projects on current topics target "society" learning by raising awareness for specific critical questions.

6. Benefits and results of network setups for social entrepreneurs and social innovation

Sociologist Dirk Baecker describes context management as the "revolution of organization" (Baecker 2003). This revolution transforms a recurring concept of the 19th century ("*those who work, produce*") into a new one ("*those who work, communicate*"). Against this background innovative communication setups incorporate a high potential of raising awareness for environmental and social problems to be solved by cooperation (Grossmann 2007). Purpose and motivation for cooperation stem from an increase in productivity, which is arising from dealing with opportunities and crises through the pooling of complementary interests and recourses.

How do networks operate and contribute to process innovation?

Networks reintroduce trust, endorse difficult settings, integrate negotiations independent of existing hierarchies and govern themselves through awareness and envisioning. In terms of social innovation they need a social entrepreneur taking the risk of founding and operating reflection spaces in order to pool entrepreneurs within "cultural islands" focusing on social innovation. Thereby network setups can speed up transition of social systems in penetrating rigid organizational structures without compromising performance (Wilhelmer/ Wagner/ Streicher/Erler 2011). Thus they concentrate all energy and wisdom not to fight against "XY" but to run for effective solutions with respect to environmental or societal challenges.

Networks of cooperation

- result from organic growth and create themselves as an individual social system provided with visions, goals, rules, and structures (and hence, they cannot be prescribed from outside);
- have a function and culture that is distinct from other organizational forms;
- are emergent and fragile;
- require a constructive approach to differences and change and
- exist only as long as they are needed, wanted, coordinated, and supported (Gray/Wood 1991).

As an innovative communication format guided networks are able to transform governance relations by offering free space for entrepreneurship, organizational and network learning by

- exploiting network capabilities to address difficult situations and
- making decisions about the nature and type of “missing information” to be communicated and circulated within the organization or public (society).
- fostering awareness and responsibility within civil society.

What do networks offer to social entrepreneurs?

Network actors take the role of “change agents” within organizations or civil societies. Thoroughly engaged and capable individuals perceive and compensate for what organizations or societies are still lacking. They are offered no security or comfort zones, and cannot fall back on a permanent function in terms of a structural solution. Thus acting as social entrepreneur requires a steady self awareness toward hassling problems and critical questions.

Several features making networking attractive for social entrepreneurs include:

- professional growth by taking on rewarding tasks;
- opportunities for shaping and participative decision-making of relevant open issues;
- responsibilities for driving topics and results;
- visibility as a stepping stone for advancing professional carriers;
- experience of rewarding relationships with partners or colleagues based on appreciation of contributions and
- culture based on content & quality as well as joy & enthusiasm (Grossmann 2007).

Networks create change energy from the distance of their members to theories in use, from their neutral position with regard to organisational units or levels of hierarchy and diverse social systems, as well as from their balance of “transformation” and “preservation”. The effectiveness of networks depends to some extent on central actors, whose failure can seriously affect a network’s performance and calls for rules of engagement between actors.

Depending on content and planning, networks are a useful instrument for balancing sub-rationalities (economy, intimacy, knowledge) in complex social systems and are thereby fostering sustainability of social systems. Being effective instruments for social change raises the attractiveness of networks for social entrepreneurs.

7. Networks challenge transformation of social entrepreneurs!

The implementation process pushes learning of social entrepreneurs on following levels:

- a) They have to confront themselves with unpredictability of partners' reactions as well as of environmental impacts. They have to utilize external counsellors and network members as a resource for observing the process via feedback loops in order to continue planning next steps and improvements.
- b) Social entrepreneurs have to learn by explaining their implicit mental models related to governing (network) organizations. Within dialogue settings they have to endorse processes of mutual understanding about interventions on levels of (1) context-management, (2) soft-governance and (3) breaking of communication-patterns.
- c) Individual learning on the job within complementary staffing enables social entrepreneurs in the role of network managers to act as moderators of novel process oriented communication settings driving innovation of governance relations thus transforming communication patterns inside out.
- d) Newly created and implemented cooperation paradigms encourage all partners to critically question traditional role expectations on management.

Consequent orientation along benefits of networks guides social entrepreneurs to constantly questioning their roles and procedures. This requires role-distance, courage, and faithful standing for own beliefs.

Are networks suitable instruments for social innovation?

Looking at application areas for network organizations we observe that they are often employed as means of communication. They are in place to coordinate transformations between different subsystems such as economy, science, and politics with the aim to compensate the impact of lack related to the logics of economy, intimacy or knowledge and to increase spread and availability of knowledge within and between systems (cf. Fig. 2).

Networks constitute specific types of social systems. They incorporate features, structures, and pathways that are familiar one's own environmental experiences. The use of generalized empirical values and experiences (in face-to-face relationships) makes networks a tool for governing complex social systems.

There are no networks "as such" but only network structures with roles and rules of the game designed and shaped according to the local context and development. That is to say, networks as tools for soft governance cannot be copied from one context to another or serve as best practice examples. Instead, they are a useful framework for how to think (not what to think) and need be tailored to the specific underlying organizational context. As such the design and setup of any network constitutes an individually acting social subsystem (with its own sub-rationalities) within the whole system of the organization.

Networks and sub-rationalities		
Economy / Order	Intimacy / Trust	Knowledge / Insight
Decreasing opportunistic behavior in favor of increasing the development of mutual, economic and personal relationships as a signal for interest in a long-term cooperation	Reorientation from competing to cooperating relationships Investment into the development and growth of trust-based communication	Selection of suitable network partners and establishing an openness for the unusual and the new (open mind)
Negotiations between network partners while keeping a balance of individual interests – in order to create individual benefit	A quality of relationships built on long-term partnering (networking) aligned by a common vision and intrinsic values of all network partners	Systematic gain of insight into the functioning of networks by developing suitable network structures according to specific network activities as well as selection of suitable roles and processes for realization

Fig. 2: A systematic for Network governance based on Sydow Windeler 1999
(Source: Wilhelmer 2010)

Networks answer a learned lesson from complex systems: top-down management of political and organisational government has become obsolete for a sustainable realization of goals. They enable living in self-governance according to autonomous drivers, including vision, goals, roles, and rules, and offer context management through sufficient scope to create self-governance tools focused on the expected benefit of all relevant stakeholders. They also visualize a basic principle of social systems, namely that complex organizations have no single optimum but different optima in different times. Networks are a visible proof for successful viable alternatives building on system dynamics. Their competence lies in dealing with inequality, risk, and unpredictability – not on order and standardization of operations.

Network architectures reintroduce knowledge put under taboo into main communication channels of the organization, and transform it into collective process steps/processes of the organization without claiming an intellectual ownership. The participation in networks provides participants to raise ones professional performance and living of principles of social entrepreneurship in the sense of systemic management (Willke 2004). As our case studies reiterate, networks function as “cultural islands” (Schein 2010) and “submarines” of organizational and societal change.

Addressing complex social processes networks cannot enforce social innovation speeding up in solving societal problems. They need awareness of failures and social purposes and a set of new

formats of context management driving social innovation on process and IKT level. Thus social entrepreneurs have to deal with the paradox of the management of complexity that decisions have to be made in situations where no one has sufficient information at hand to make the correct one (Simon 2004). Being decision makers social entrepreneurs are part of a communication system that offers other means than making decisions alone – attract the attention of others and in this way achieve a steering/governing effect that provides opportunities on higher effects for social innovation.

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