

# Institutionalization and inter-organisational behaviours: comparison of SIB development and implementation in Japan and Great Britain

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# STRUCTURE

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3. Our hypotheses
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5. Emerging SIBs in Japan
6. Observations of SIBs in Japan
7. Case study: preventive health care SIB in Kobe
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# 1. RESEARCH AGENDA

**The research agenda:**

## **Comparing *Social Impact Bonds (SIBs)* in Great Britain and Japan**

In generally accepted definition, SIBs can be understood as a one form payment by Results (PbR) with using private capital provided by social investors.

However, there are different emphases in SIBs being developed in two countries

**The research approach:** We focus not just on each of the key stakeholders involved in SIBs, but rather on inter-organizational relations and how these may be mediated by the political and institutional context.

## 2. CONCEPTUAL FRAMEWORK AND RESEARCH METHODS

### The Conceptual Framework:

To Focus on interorganizational Relations of SIBs

To examine implication of SIBs for public services and limitation with considering the inter-organizational relations ⇒ Interorganizational theory ( Institutionalization)

### The research methods:

The review of existing literature

Case studies with using semi-structural interviews: Amagasaki City, Yokosuka City, Kobe City, Essex, Street Impact (2016-2018)

Survey of 153 Local Authorities in England

### 3. OUR HYPOTHESES

- 1. **Stakeholders**: SIB models continue to diversity. Behaviours of stakeholders cannot simply be understood for individual organisational perspective, but are affected by inter-organisational relations and wider political and institutional contexts. ex. Less diversity of social investors, immature EBP and partnership culture in Japan.
- 2. **Results**: SIBs are a form of PbR, payment based on outcomes achieved. But ‘results’ can mean more than ‘operational results’, & include results as: ‘process improvement’, ‘system improvement’, and ‘realisation of vision’ (Pollitt and Bouckaert 2000:pp.97-128).
- 3. **Counterfactual**: Achievement of positive difference assessed in relation to counterfactual, but approaches to establishing this can be different in Great Britain, USA and Japan. ex. In Japan, comparing the outcome data with counterfactual data has not been usual in SIBs.

## 4-1.OVERVIEW OF SIB DEVELOPMENT IN JAPAN

Since 2014, interest in social impact bonds and impact investing has been radically increasing in Japan.

In fact, since April 2015, some local governments and national government departments such as Ministry of Economy, Trade and Industry(METI) have been engaged in pilot experiment projects (Not Bonds) in collaboration with private nonprofit players. The areas of interventions include preventive health care , work integration (NEET), adoption and learning support for children.

“the Act on Utilization of Funds Related to Dormant Deposits to Promote Social Purpose Activities” was enacted in December 2016.

[http://www5.cao.go.jp/kyumin\\_yokin/english/index-en.html](http://www5.cao.go.jp/kyumin_yokin/english/index-en.html)



## 4-2.OVERVIEW OF SIB DEVELOPMENT IN JAPAN- FOCUSING COST-SAVING?

More recently, two local authorities (Hachioji City and Kobe City)announced introducing SIB contracts with using private investing capital in 2017 in which investors will be able to receive return in accordance to the results.

However, in one of two SIBs (Hachioji City) , “investing” has been changed into “donation’. It means that “ real SIB with using impact investing in Japan is just one SIB in Kobe City.

In most current SIBs and pilots in Japan, interventions tend to be concentrated into **preventive health care** area.



## 4-3.OVERVIEW OF SIB DEVELOPMENT IN JAPAN- WIDER SOCIAL AND POLITICAL CONTEXT

- On the other hand, even national and local governments pay attention to effectiveness of SIBs on **local regeneration and community development** in wider social context.
- **The wider social change** such as **the radical decreasing birthrate and aging population** underlines **political priorities** in developing SIBs.
- Such social change tends to be accompanied by **radical increase of medical spending** and **expansion of regional disparity**.
- It means that governments and policy makers pay attention to not only **cost-saving** effect but also **cost-effectiveness**.

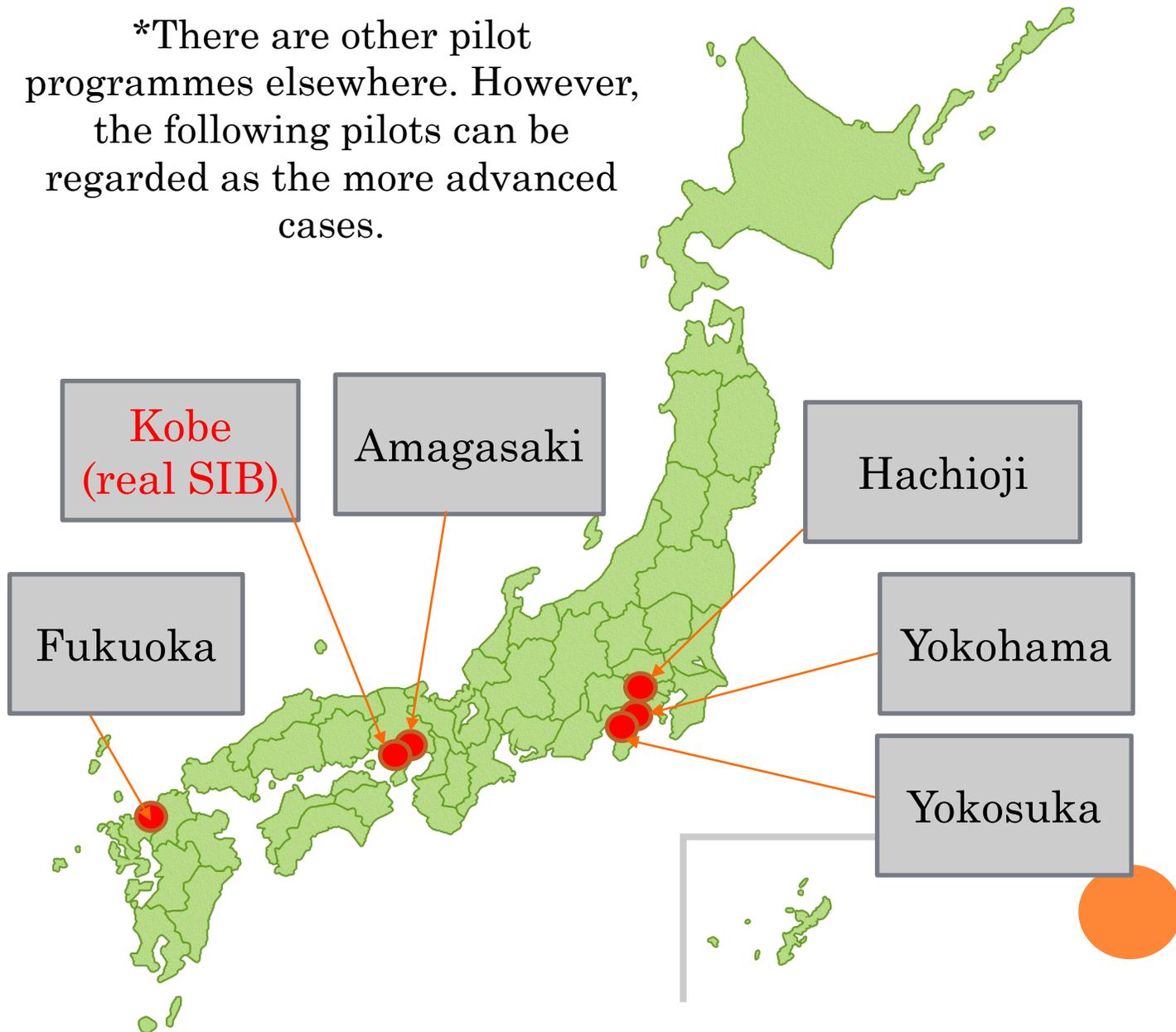
## 5-1. EMERGING SIBS IN JAPAN: SIB PILOTS 2015-2017

Duration	Location	Policy area	Payment to Investors
April 2015— March 2016	Yokosuka City	Adoption	None
June 2015- September 2016	Fukuoka City and other municipalities	Preventive Health Care (Dementia)	None
July 2015- June 2016	Amagasaki City	NEET	None
October 2016-March 2018	Yokohama City	Learning and Social Skill Support for Children at risk	None *Donation from Goldman Sachs
July 2017- March 2020	Kobe City	Preventive Health Care (diabetic nephropathy)	✓ Very small
May 2017- August 2019	Hachioji City	Preventive Health (colorectal cancer)	✓ Very small and investing has been changed into donation

## 5-2 EMERGING SIBS JAPAN: SIB PILOTS 2015-2017

\*There are other pilot programmes elsewhere. However, the following pilots can be regarded as the more advanced cases.

- **Hachioji City (Tokyo)**
- **Yokohama City (Kanagawa Prefecture)**
- **Yokosuka City (Kanagawa Prefecture)**
- **Amagasaki City (Hyogo Prefecture)**
- **Fukuoka City (Fukuoka Prefecture)**



## 6. OBSERVATIONS OF SIBS IN JAPAN

### ○ Enthusiasm and Skepticism

- Emerging “enthusiasm”, but lack of evidence based approach, and common understanding of the potential and limitations of SIBs.
- Unfortunately, in some cases, local government officers such as Amagasaki City were disappointed at results and lessons from pilot program

○ .

### ○ Few players and lack of diversity

- Number of players has been limited. Most SIB pilots have been designed mainly by one charitable foundation (Nippon Foundation) and a related foundation (spun off from Nippon Foundation).

○

### ○ Outcome metrics and impact measurements has been immature

- Lack of trustworthy outcome metrics, performance management and impact measurement without considering counterfactual.

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- Political Preference rather than social sector’s preference affects selection of Social Outcomes sought by SIBs

## 7-1. CASE STUDY: PREVENTIVE HEALTHCARE SIB IN KOBE

<b>Location</b>	<b>Kobe City, Japan</b>
<b>Policy area /outcome sought</b>	Preventive Health care/ Preventing aggravation of diabetic nephropathy(reducing future artificial dialysis treatments)/Improving QOL/ Reducing the related healthcare expenditure/ Reducing the loss of income
<b>Target Population</b>	100 Patients suffering from or at high risk being to suffer from diabetic nephropathy who have been unexamined in medical institution
<b>Contract duration</b>	33 months (contract signing in July 2017)
	July 2017 to March 2018 : intervention by service provider April 2018 to March 2020: Evaluation of the program outcomes

### Intervention

Under this program, a service provider delivers health guidance program given by public health nurses with the aim of improving food and life customs and eating habits . In addition, The program encourages patients to undergo medical examinations.

Program duration is 6 months per person including 2 times of consultation and ten times of guidance by telephone(30 minutes).

## 7-2. CASE STUDY: PREVENTIVE HEALTHCARE SIB IN KOBE CITY

Stakeholders	
Commissioner(Outcome payers)	Kobe City
Investors	Sumitomo Mitsui Banking Corporation (SMBC) and individual investors
Intermediary	Social Impact Investment Foundation(SIIF)
Service provider	DPP Health Partners (company limited by shares)
Independent evaluator	Institute for Future Engineering
outcomes sought	(A) completion rate of program participants (B) improvement rate of life customs ( C) rate of inhibition of lowering renal function
outcome measurement	(A) (B) check test about self controlling behaviors (questionnaire) ( C) quasi-experimental : Propensity score matching
Investment size	JPY 31,540,000 (=GBP 220,000, USD 284,000)

## 7-3. CASE STUDY: PREVENTIVE HEALTHCARE SIB IN KOBE CITY

### ○ Implication and challenges of Kobe SIB:

- Most mature SIB and the first real SIB in Japan
- The first real PbR in Japan
- Transparency of outcome metrics and detail of contract is much higher than other SIB pilots in Japan

However,

- Inconsistency between bearing cost and receiving benefit : Local government bears the program cost but does not benefit from reduction of medical expenditure
- not enough evidence for causal relations between outcomes and intervention
- skepticism about the effect of the program interventions
- Investment size is rather small.
- Less competitions and players entering the contract
- Lack of partnership with social sector service providers

## 7-4. CASE STUDY: PREVENTIVE HEALTHCARE SIB IN KOBE CITY

Inter-organizational relation in Kobe SIB does not seem to be based on partnership structure in the sense that social sector providers play key role in the public-private partnership. Government and its partners who share government's values tend to control inter-organizational relations in the SIB.

From **interorganizational perspective**, “**institutionalization risk**” should be considered. **Institutionalization** is: “the process by which actions are repeated and given similar meaning by self and others” (Scott & Davis 2007: 260).

The more service providers assume the contractual framework under government led priorities (e.g. cost saving), the more organizational behaviors of service providers seem to be resemble each other.

Homogenization of behaviors under institutional pressure has been referred to the concept, “**institutional isomorphism**” (DiMaggio & Powell 1991) .

## 8-1. CASE STUDY: ESSEX SIB

Location	Contract Duration
Essex	Eight years (Contract signing in November 2012)
Intervention	
<p>Essex SIB was issued to fund the provision of <b>intensive therapeutic support called as MST (Multi-Systemic Therapy) to families where the children are at the edge of care.</b> The intention of the intervention is <b>to reduce the number of days at-risk children spent in care.</b></p>	
Stakeholders	
Commissioner	Essex County Council
Investors	<b>Bridges Ventures, Big Society Capital, Barrow Cadbury Trust, Tudor Trust, Esmee Fairbairn Foundation, King Baudouin Foundation, Charities Aid Foundation, Social Ventures Fund</b>
Service providers	<b>Action for Children</b>
Intermediary	<b>Social Finance UK</b>
Independent evaluator	OPM

## 8-2. CASE STUDY: ESSEX SIB

Outcomes	
Primary outcome	●Reduction in aggregate care days spent
Secondary outcome	<ul style="list-style-type: none"> <li>●Youth Offending</li> <li>●Improved attainment, increased attendance, stability of specialist placements</li> <li>●Health and wellbeing</li> </ul>
Impact measurement method and counterfactual	
Historical data comparison	
Outcomes will be compared to historical case file of 650 cases with data tracked over 30 months	
Cohort	
A total of 380 children (11 to 16 years old)/families in 20 cohorts over its five-year intake period	
Investment (Upfront capital)	Saving to the Commissioners
£ 3.1m	£ total 10.3 m (Project savings of £ 17.3 gross with a £ 7m cap on outcome)

## 8-3. CASE STUDY: ESSEX SIB – FINDINGS

- Social outcomes are classified into two categories, **primary outcome** which triggers payment and **secondary outcomes** which are measured but do not trigger payment.

Such outcome metrics are not just based on cost saving model. Stipulating secondary outcomes are not connected to the payment for investors **but can contribute to avoid dampening service provider's incentive.**

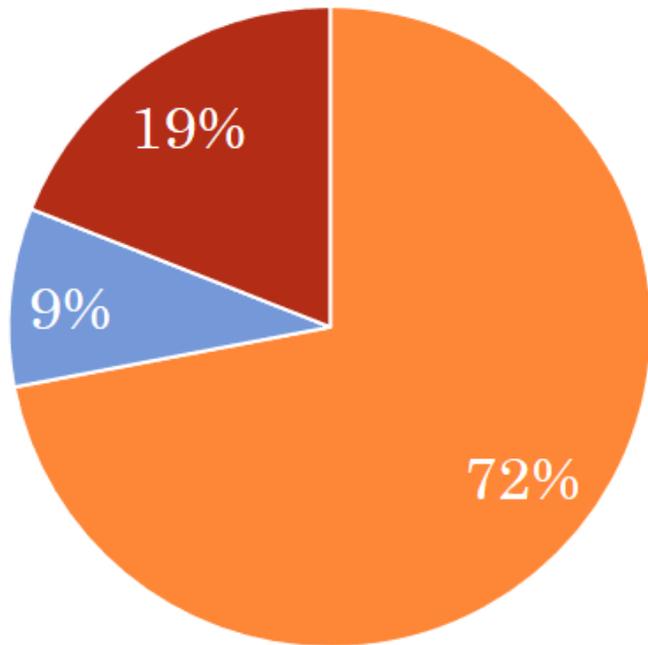
## 8-4. CASE STUDY: ESSEX SIB – FINDINGS

- Possible conflict between the rigorous systemic intervention and innovation and “**implementation risk**” was indicated by OPM as the independent evaluator of Essex SIB (OPM 2014): “the rigidity of the MST model and the flexibility of the SIB may sometimes conflict”.
- Issue of **trust** across partnership important, and there have been suspicion and misunderstandings that influence implementation, governance, etc.
- MST (under a SIB model) seems to be innovative approach for existing social services for the duration of the program. However, in Essex County Council, MST approach has not been introduced more widely. The impact has been limited and cannot bring about wider **system change**.

## 9-1. LA SURVEY

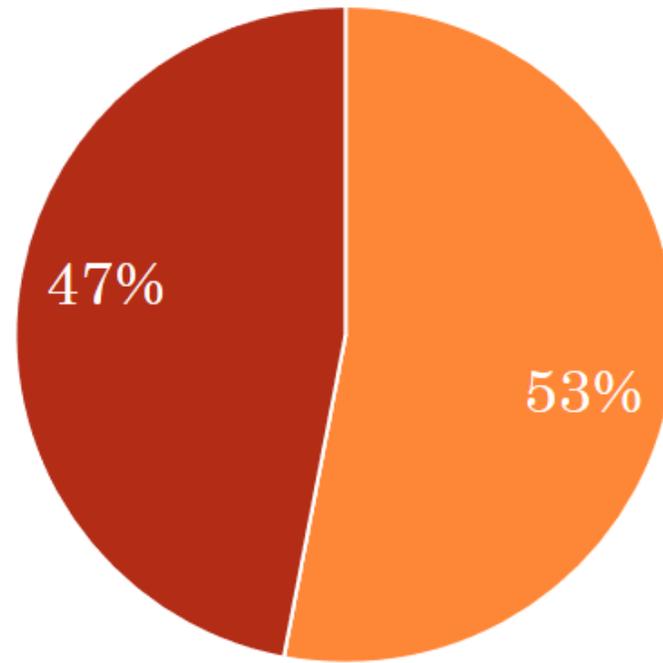
- 32 complete responses (2 incomplete responses), from 153 LAs.  
21% response rate. Likely self-selection bias, with those LAs that have more experience of such commissioning being more likely to have responded.

OBC



■ Current   ■ In the past  
■ Never

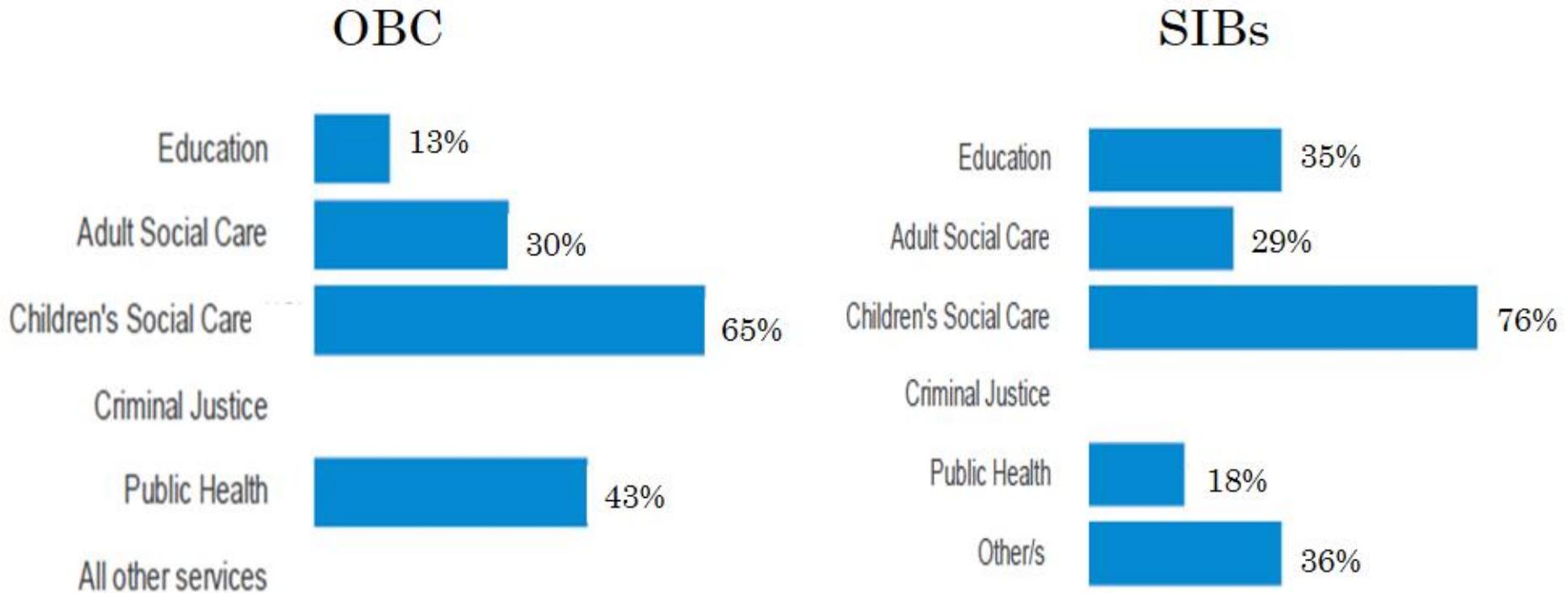
SIB



■ Current   ■ Never

## 9-2. LA SURVEY

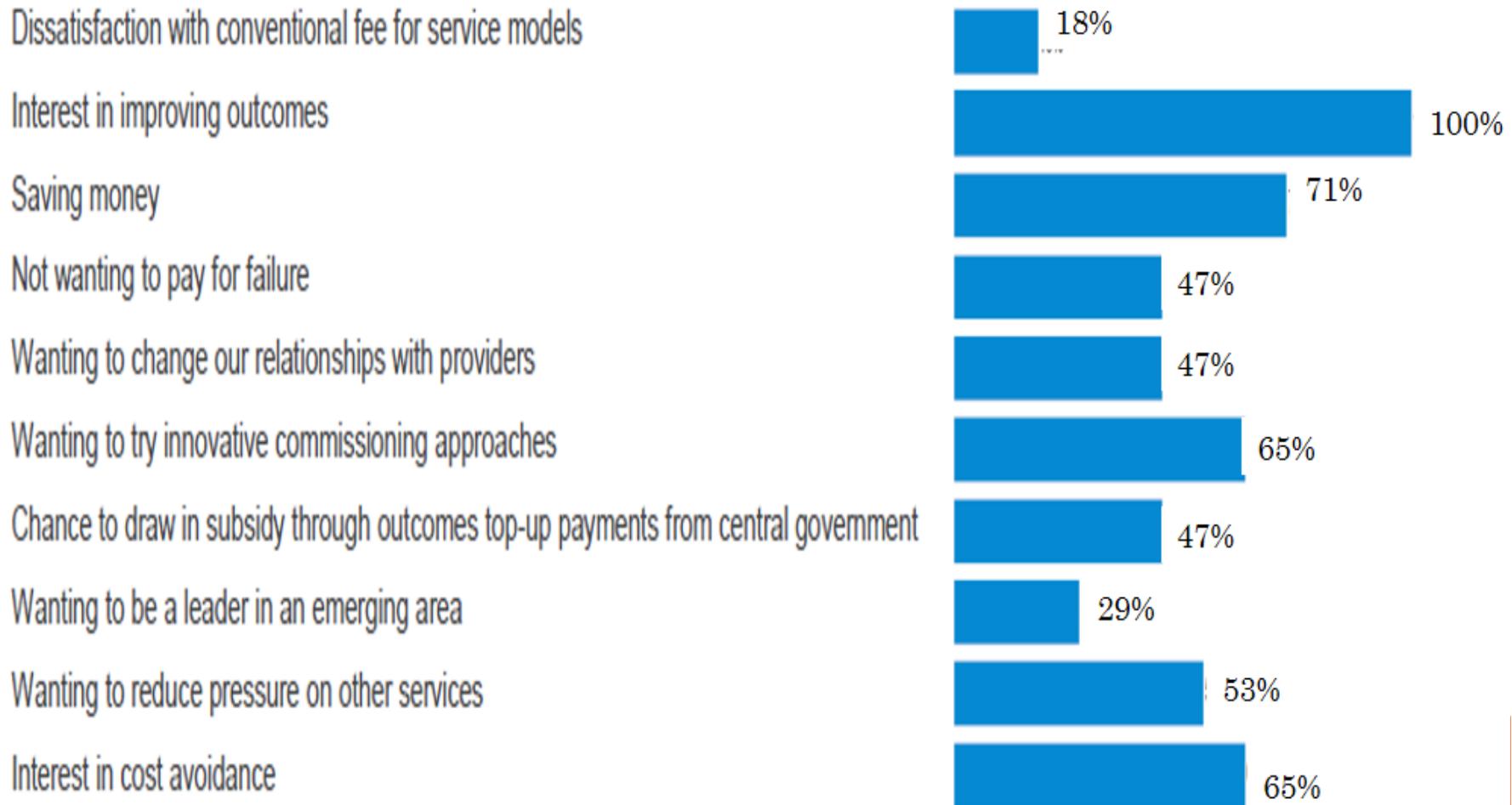
### Service areas covered by OBC and SIBs



- In both cases, children's social care accounted for most of the cases. However, the preponderance of SIBs in education over adult social care and public health is a notable difference from general outcomes based commissioning.

## 9-3. LA SURVEY

### ○ Rationale for introducing SIBs



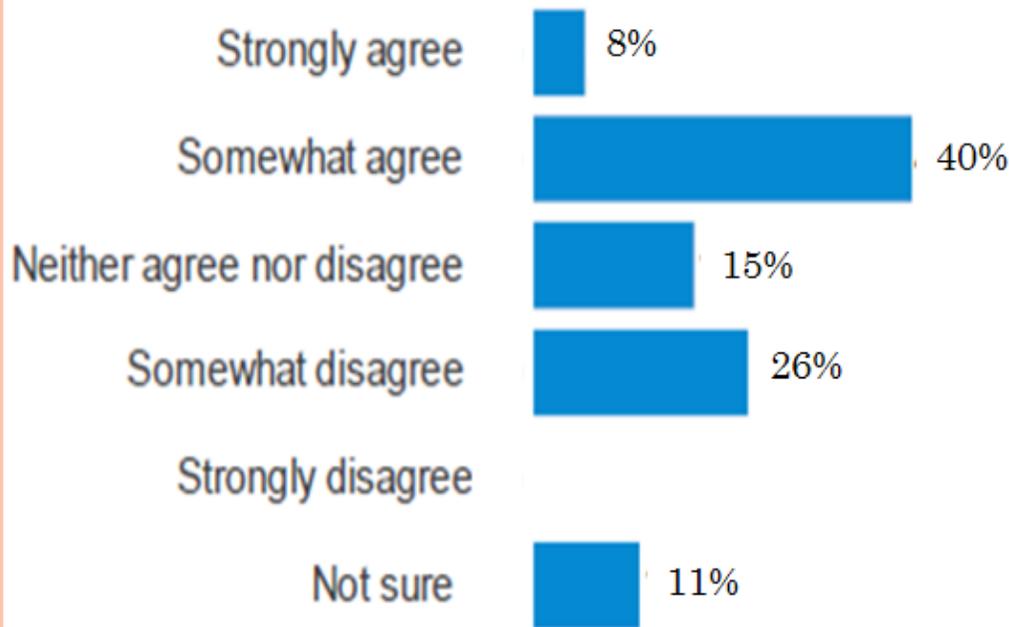
## 9-4. LA SURVEY

- What types of outcomes are your local authority paying for/or have paid for?

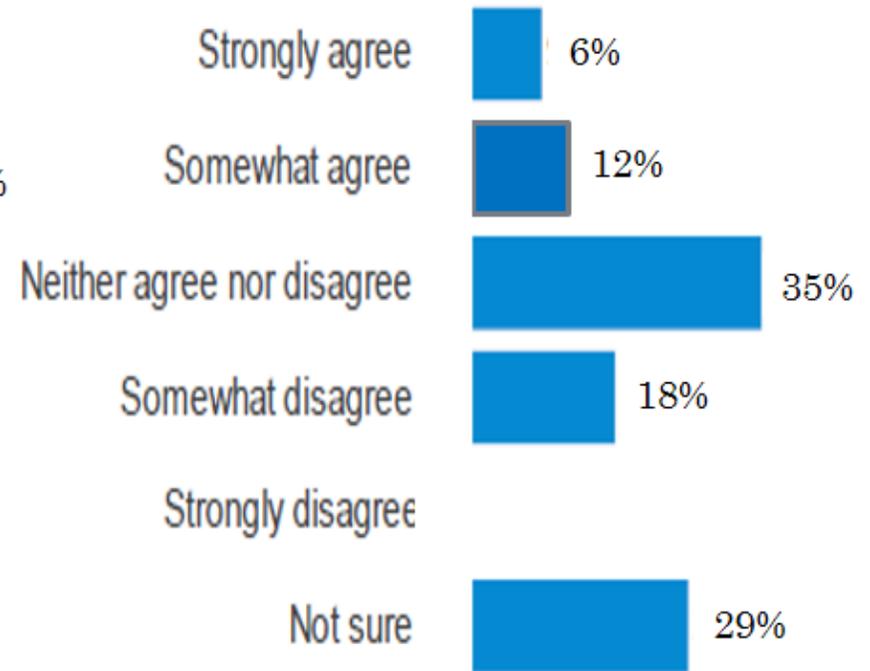


# 9-5. LA SURVEY

## “OBC has worked well”



## “SIB has worked well”



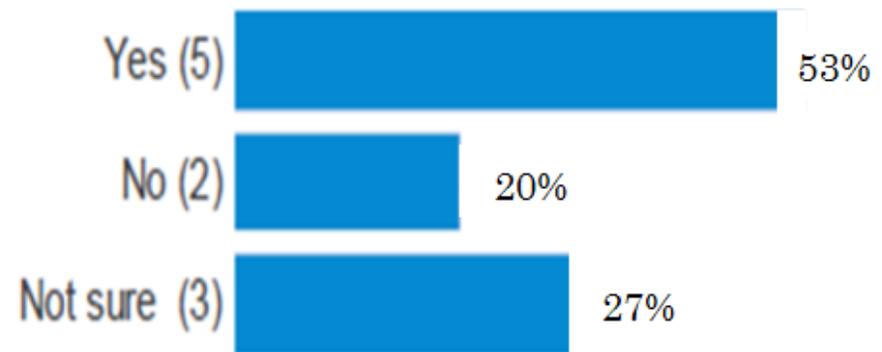
## 9-6. LA SURVEY

- Do you think your local authority will implement SIBs in the future?

Have SIBs currently or in the past



Never done SIBs



- While most anticipate greater demand for SIBs in the future, there may be more of a sense of being compelled to do so due to continuing financial pressures rather than due to more positive motivations.

## 10-1. MAIN FINDINGS

- In Great Britain, SIBs can be understood as being a logical development in the context of the intersections between the evidence-based policy and practice (EBPP) movement here (Nutley, Walter & Davies 2007) and the increasing drive towards forms of payment by results (PbR) in public services (Nicholls & Tomkinson 2015). In Japan, SIBs have arisen without such drivers. In fact, EBPP and PbR still very new and unfamiliar. This has impact on expectations around evidence and counterfactual.
- What is meant by ‘results’ can be complex. In Great Britain, ‘results’ often measured and linked directly to real or perceived ‘cost savings’ (Pollitt & Bouckaert 2000). In Japan, this fiscal drive for SIBs appears to be less visible despite a national debt that is significantly larger than that of Great Britain’s, with perhaps greater focus on cost effectiveness. Outcomes may not necessarily translate into reduced spend, but are regarded as wider value creation vehicles. At the same time, ‘results’ of SIBs in both countries are broader, and often include ‘process improvements’ and ‘system improvements’.

## 10-2 MAIN FINDINGS

- Over and above the ‘outcome risk’ confronting SIBs, the ‘implementation risk’ highlighted points to the importance of process and system improvements which are often reliant on good inter-organisational relationships. These inter-organisational relationships are, in turn, affected by processes of institutionalisation (Scott and Davis 2007).
- In both countries, as particular types of SIBs develop within specific contexts, the practice around SIB design and implementation can start to become more homogenised (e.g. SIBs seen as being about ‘cost saving’ in GB, or providers deferring to Government-led designs in Japan). This process has been referred to as ‘institutional isomorphism’ (DiMaggio and Powell 1991).

## 10-4. MAIN FINDINGS

- Regardless of the different emphases, key stakeholders in both countries are also interested in other types of ‘improvement’ over and above cost saving or cost effectiveness.
- This means that SIBs, which are fundamentally based on partnerships, hold the possibility of flexibility and creativity in terms of how they may be designed and implemented. However, if institutionalisation leads to norms and structures being established and reinforced uncritically, the inter-organisational relationships across the key stakeholders may become conditioned strongly by these, with the room for innovation declining over time.

## 11. RESEARCH AND POLICY IMPLICATIONS

- Shine a light on the relational underpinnings of SIBs, rather than simply focus on technical design.
- Understand the conditioning influence of growing institutionalisation, which takes different forms in different contexts, but have the same effect of homogenizing behaviours and expectations over time. The resultant benefits and risks should be clarified.
- Clarify that the purpose of SIBs is not singular (e.g. not just cost saving, not just cost effectiveness), but that ‘results’ can have a variety of meaning in different contexts.
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