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Innovation: **NOT FOR THE NON-PROFIT?**

Is innovation a foreign language in the social sector? Sharifah Maisharah Mohamed studies the innovation conundrum in the non-profit world.



Innovation is a common word in the science and business world. For the former, inventing is the cornerstone of an industry that keeps challenging physical limitations with new possibilities. For the latter, the instinct to win churns out new products to sharpen companies' competitive edge. For the non-profit world – often characterised by its lack of resources and fragmentation – innovation is regarded as a luxury. This article urges a rethink on innovation for the non-profit sector.

The Social Sector in Context

Organisations in the social sector generally exist to fix the failures and neglects of the business world or governments. Therefore, it is not wrong to say that non-profit organisations are reactive in nature. After all, one of the first few deemed international non-governmental organisations, the Anti Slavery Association was formed in 1830 (not by coincidence) at a time when the engines of industrial growth was churning fast. Since then, social organisations have grown worldwide, increasing in types and diversity. Now, the social sector is home to non-profit organisations (NPOs), foundations as well as the not-for-profit setups. The NPOs make up the largest group and can be further subdivided into social service delivery and issue-based outfits, the latter serving causes as diverse as arts appreciation, environment and ethnicity.

Innovation can be defined as the implementation of new ideas to create products or processes that can improve effectiveness and efficiency, in this case, of social intervention. It can lead to either incremental or radical change. Incremental innovation focuses on doing the same things better and faster, while radical innovation introduces a new thing into the market that changes the value chain.¹

At the practical level, the innovation limelight has been on the few social entrepreneurs who have generated systems-level change. For NPOs, innovation is generally interpreted as modes for achieving both financial sustainability and mission. Rarely has innovation been thought of as a broad practice and paradigm change for the masses of non-profit actors. It is ironic that in this relatively more flexible and vibrant space, sea-change innovation is scarce.

Here, we look at two factors² that distinguish the non-profit sector from the government and business sectors and inhibits innovative thinking. One is its reactive nature and secondly, its lack of resource independence.³

Dealing with diversity is a common NPO task: Some are more innovative than the others.

Social Mission: A Mere Reaction?

It would be easy to dismiss the work of the NPO as one that belongs to the tail-end of value-creation while industry or business efforts are seen as the value-creators. Take for instance innovation in communications and how it has helped society overcome proximity issues. These benefits have trickled to the non-profit sector and holds potential for brand-buidling and mobilising of members towards the non-profit cause at a lower cost. In a survey⁴ of 980 NPOs in the US, it was found that 86.2% use at least one commercial social network, with *Facebook* being the most popular.

NPOs are not only seen as low value-creators, there is evidence to show that they actually resist value-creation. The invention of the cochlear implant is an example. What the inventors thought could be a solution for the deaf in acquiring language skills was perceived as a threat that could lead to the demise of the deaf community and loss of Sign Language. In France, this took the form of *Sourds En Coulerie* (Deaf Anger), a deaf coalition that organised demonstrations against doctors for promoting the implants.⁵ The demonstrations seemed defensive and again, reactive, but this time to the deaf community's fear and loss of unique identity in society. The deaf coalition was wrong to deny the doctors the right to offer this option to the deaf who wanted it but it was not wrong to urge a richer appreciation of ability or disability.

Dealing with diversity is a common NPO task: Some are more innovative than others. An example is a pioneering 1970s mental health programme in the US⁶. Through having to work with an increasing proportion of Mexican-American immigrants, the Southwest Denver Health Centre (Health Centre) understood the community's cultural comfort with the traditional healer *currandera*. Realising that this was a critical success factor for their programme, the health centre went the extra mile to restructure its organisation and human resources to incorporate this traditional expertise within their science-based outfit. This bold break from the conventional medical community paradigm bore results as clientele base grew, even beyond its original target community group.

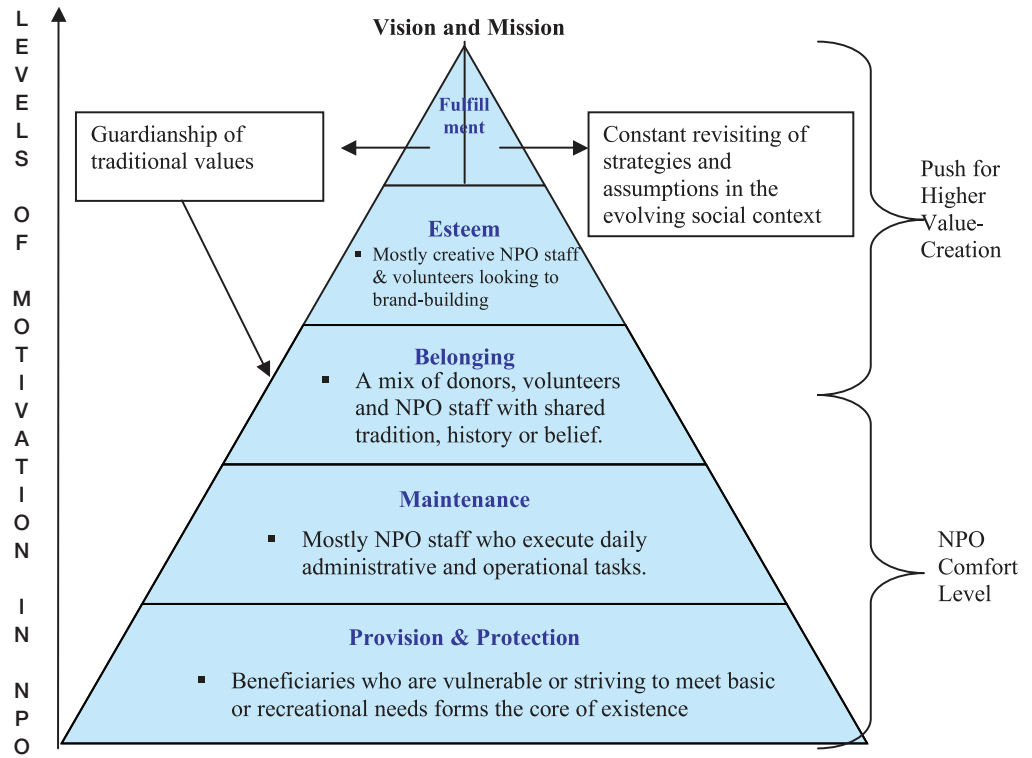


Diagram 1

Value-creation for the NPO

A key value-creation of an NPO is its ability to sense and work the ground. While this mobilisation exercise may work against (example of Deaf Anger) or in favour of (example of Health Centre) of change, community buy-in is an intangible value that business and industries are slowly waking up to. But it does not necessarily guarantee results in the short-term nor can it simply be valued at a price that the consumer is willing to pay for since most of the beneficiaries the NPOs are serving have low or no purchasing power in the first place. And it is precisely this immeasurable component of social value that makes it hard to benchmark non-profit innovation against the other sectors. While efforts are underway to measure social value, evaluation is largely articulated in terms of trade-offs in dollars and cents, sidestepping the multi-dimensional aspect of value-creation.

Social mission therefore seems to be a double-edged sword: It may be used as an excuse to maintain the non-profit comfort level or it may indeed reflect a valid social tenet that preserves the social compact. Diagram 1 attempts to illustrate this two-sided nature of social efforts. In the absence of profit-making, levels of motivation in the NPO starts and ends with the beneficiaries. Beneficiaries' needs may be practical (issues of the poor) or imagined (the arts). The levels and types of motivation differs amongst the different

players - beneficiaries, staff, volunteers, board members - in the NPO scene. The common denominator across all well-meaning NPOs is the drive to provide for the beneficiaries through the NPO, to maintain this grouping as a vehicle to achieve the purpose and in the process, achieve a sense of belonging through the shared belief of doing good. This is the non-profit comfort level. Few strive to develop their organisational capacity be it through creative use of technology or management practices. Even fewer constantly revisit the organisation's mission to remain relevant to beneficiaries' needs in an evolving social context. For instance, if a NPO's mission is to merely help the poor, there is little challenge to innovate except to defend the value in light of widening income gap. Compare this to a mission of empowering the poor to give back to society, the challenge is in reversing society's stereotype of the poor as mere dependents and urges the more well-off to rethink their role and assumptions - it goes to the root of social intervention.

Social mission is a powerful concept. Indeed, for management guru Peter Drucker,⁷ social mission is a competitive edge that the non-profit sector possesses vis a vis their business counterparts. Drucker believes that starting with the mission, rather than financial returns, may be the 'first lesson that business can learn from successful nonprofits'. Drucker further contends that mission is the most important factor that explains

why a talented board member keeps giving his time and expertise despite getting no financial returns on the role. It is indeed a powerful motivating factor that CEO of the One Laptop Per Child Nicholas Negroponte⁸ admitted to when he noticed a long line of applicants for the non-paying chief financial officer job offer he put up for his non-profit cause. While the inability of the sector to pay for the top brains may have hindered the potential of the NPO to attract talent and therefore cultivate more innovation in the sector, NPO attraction may be more in-kind than tangible.

Yet, board member's strong conviction and commitment to the non-profit cause may lead to what some executive directors would call 'meddl(ing)'⁹ and thus contributes to a higher propensity for conflict with the executive director of the NPO. Other executive directors have brought the argument further as to suggest that they are less likely to be successful in pushing for innovation because of risk-averse or conservative board members.¹⁰ These laments may be valid in certain cases, but one would be wise to focus one's social efforts on the rigour in ideas. This is after all one of the key things that stimulate knowledge workers to volunteer their skills in the first place.

Indeed, empirical evidence also links clear NPO mission to innovation. Robert E. Macdonald, an organisational researcher, reports that the NPO's mission influences the development and adoption of innovations and further provides a climate that permits innovative projects to succeed. More than a mere invocation of the heart factor, Macdonald emphasises clarity and discipline in articulating the mission. Once employees and volunteers are clear about the mission, they are more likely to agree on and support changes in anticipation of altered realities.¹¹

Resource Dependence: No Room for Failure

In the non-profit world, innovation is a double-edged sword. Often resource-strapped, non-profits use tried and tested methods since those who do so, do it faster and cheaper than those who try out new and unproven methods¹². Yet for others, resource constraints necessitate creativity in fund-raising and advocacy.

To be sure, there are NPOs whose annual income exceeds even that of small and medium-sized enterprises. Generally, these organisations comprise tertiary education institutions, health institutions and religious organisations. One would have assumed complacency in such big set-ups. On the contrary, a study¹³ of NPOs in the San Francisco Bay Area shows

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that these organisations are more likely to adopt strategic changes when needed. For the majority of the remaining small-medium NPOs, innovation is less evident. This is not surprising given that their income is dependent on seasonal grants and tied to funders' short-term expectations.

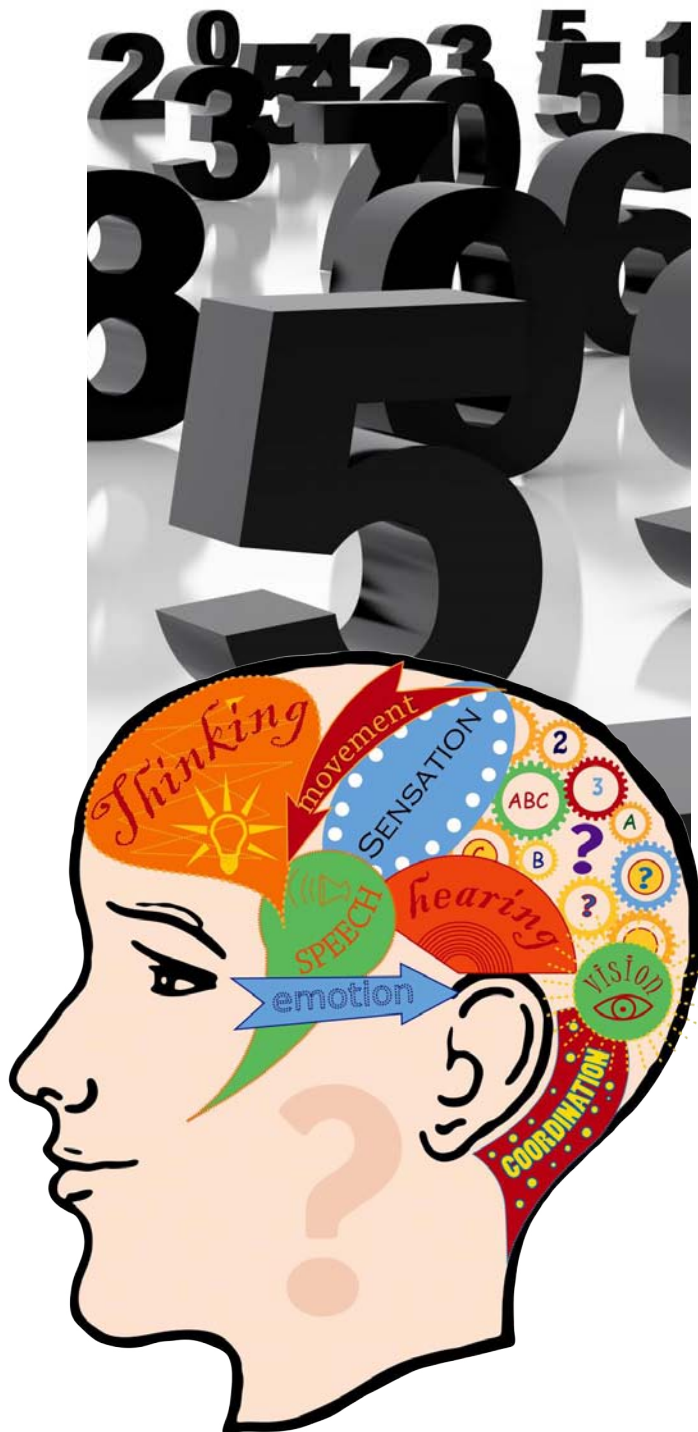
Innovation needs time and resources to grow. For the normal NPO, both are a luxury. Government funding comes with a set of key performance indicators that are tied to their promise to the electorate; this is usually time-sensitive. Donor support comes with the expectations that money is optimally channelled to the beneficiaries. Short of pumping investment into both materials and personnel, regular scenario planning and pilot plans take a back seat. Of equal concern, the focused emphasis on hard targets gradually erodes the NPO's strength in achieving soft outcomes, the latter referring to value-based changes in society that are taken for granted.

NPO Innovation = Alertness + (Actions – Constraints)

It is common to hear an NPO leader bemoan the lack of resources he has at his disposal¹⁴ to pursue innovation. The good news is that there is an emerging presence of flexible grants designed to specifically motivate ground innovation. The Nevada Community Foundation is an example. This grant solicits new community ideas from groups of community members and non-profits and offers both volunteer consultant and grants to implement ideas.¹⁵

Alternative types of funding aim for radical change and they include the \$10 million prize-driven Google Challenge and incubator-style Young Foundation's Launchpad. Singapore also had its very own Asian-based Lien i3 Challenge. Granted, the availability of such alternative resources is not a quick-fix solution for spurring innovation in the NPO. If the organisation is not motivated to explore beyond its comfort zone, it will still revert to traditional grants that support run-of-the-mill programmes. Furthermore, the conservative grant economy (government included) still forms the larger base.

It is easy to look at these inspirational outcomes and aspire to do new things. Yet, there are some critical assumptions that the NPO actors need to face boldly.



Support may not only exist in the form of direct grants. Cognisant of the fragmented nature of the NPOs and their constraints, foundations and grantmakers have developed support organisations to focus on NPO capacity-building. Such support models are much needed to provide capacity-building on a longer time frame of engagement. Social Venture Partners (SVP), a model of cultivating social and financial returns with expertise and grants from the professionals is one such support structure. The SVP is an example of an alternative donor model that is more tolerant of the capacity limitations of NPOs. It seeks to develop the capability to implement relevant or new programmes effectively. However, implementing skills makes up only one half of the equation. The jury is still out on how SVP and venture philanthropy in general is able to leverage on management expertise to generate benchmarks of innovation for the NPO.

While the evaluation process and benchmarks of success of these flexible grants still require work, parallel efforts need to be taken by NPO actors to cultivate innovation. At this stage, it is important for NPOs to articulate the language of social value to the unconverted. The Southwest Denver Health Centre has done its bit. In Singapore, the Kampung Senang Charity and Education Foundation, 2009 winner of the National Volunteer and Philanthropy Centre's New Non-Profit Innovation Award, has done its part through its innovative work in recycling old wheelchairs and mobility items for use by low-income families with physically disabled members.

It is easy to look at these inspirational outcomes and aspire to do new things. Yet, there are some critical assumptions that the NPO actors need to face boldly. A study on leadership and NPO innovation in the US shows that leadership practices – such as inspiring a shared vision, enabling others to act, encouraging the heart and modelling the way – while positive and are generally encouraging, may entrench cultural consensus. In turn, this general tendency to mutually agree and the lack of boldness to question assumptions hinder innovation. The study further argues that innovation has its roots in the culture of the NPO and starts from the employee level right up to the leader and policy level. For innovation to take root, cultural values such as seeking challenges and staying up to date needs to be consciously cultivated.¹⁶ Yet, evidence also exists in the UK non-profit sector of hierarchical inertia. A survey of 700 non-profit actors

shows that less lower-ranked employees than senior management believe in their NPO's ability to look beyond their four walls or their individual ability to initiate change in the NPO.¹⁷

Granted, there are different levels and therefore expectations of change within the social sector itself. It will be unreasonable to expect all NPOs to strive for radical innovation. NPOs after all serve a core function of social service delivery. Technically, in terms of targets specified by funders and their perceived function, their work is generally non-innovative. But innovativeness can still be its working principle in achieving its mission. Indeed, for the NPO to remain current in its environment, it is an asset, if not a necessity for any NPO actor to be able to anticipate trends, revisit its mission and mobilise actions. On how they will go about doing it, society is their drawing board and the resource gatekeepers, their key support. ❖



**THE LIEN i3 CHALLENGE
PROGRESS REPORT CARD**

The Lien i3 Challenge, an initiative of the Lien Centre for Social Innovation, seeks to catalyse innovation for the benefit of communities in Asia.

S\$1 million (US\$ 667,000) was set aside for organisations or individuals to implement innovative, impactful and implementable ideas in the social space.

Launched on 8 January 2009, response to The Challenge was overwhelming. A total of 648 proposals were received from 15 countries. They came in all shapes and hues, but all reflecting a keen desire to make a difference to society.

A panel of judges comprising leaders from the social and business sector shortlisted these entries to 12 finalists on May 2009. In dealing with the volume and quality of entries, the judges had to raise the bar in selecting those that can effectively marry innovation (providing an insight or angle of intervention that is not commonly thought of), impact (strategic and scaled outcomes) and implementation (practical, cost-effective results with manageable risks).

The 12 shortlisted candidates submitted detailed proposals and eight of them were awarded innovation grants totalling a million dollars. The winners will be announced at the Lien Centre's conference Social iCon on 23 October 2009.

¹ Gabriel Kasper & Stephanie Clohesy, "Intentional Innovation: How Getting More Systematic about Innovation Could Improve Philanthropy and Increase Social Impact" *W.K. Kellogg Foundation* (August 2008) <<http://www.wkff.org/default.aspx?tabid=1177&CID=-1&NID=335&newsitem=5001167&LanguageID=0>>

² L. David Brown and Archana Kalegaonkar, "Support Organisations and the Evolution of the NGO Sector," *Nonprofit and Voluntary Sector Quarterly* 31, no. 231 (2002): 231-58

³ Brown and Kalegaonkar have listed internal and external challenges unique to the nonprofit sector namely public legitimacy and accountability, relations with business and government, international relations, technical amateurism, restricted focus, material scarcity, fragmentation and paternalism.

⁴ Nonprofit Technology Network, Common Knowledge and The Port, "Nonprofit Social Network Survey," *Nonprofit Technology Network* (April 2009) <<http://www.commonknow.com/html/index.php>>

⁵ Hayagreeva Rao, "Market Rebels and Radical Innovation," *The McKinsey Quarterly Online Journal* (January 2009)

⁶ Ramon Del Castillo and John Zalenski, "Is your Organisation Culturally Competent?" *Nonprofit World*, 26, no. 6 (2008)

⁷ Peter F. Drucker, *Classic Drucker* (Boston: Harvard Business Press, 2006), 170

⁸ Based on Nicholas Negroponte's talk on "One Laptop per Child" that was delivered at the Singapore Management University on July 15, 2009

⁹ Drucker, op. cit, 174

¹⁰ Elisha Evans and Joe Saxton "Innovation Rules: A Roadmap to Creativity and Innovation for Nonprofit Organisation," *nfpSynergy* (September 2004), 33, <http://www.nfpsynergy.net/includes/documents/cm_docs/2008/n/nfpsynergy_innovation_rules_report_september_2004.pdf>

¹¹ Robert E. McDonald, "An Investigation of Innovation in Nonprofit Organisations: The Role of Organisational Mission," *Nonprofit and Voluntary Sector Quarterly* 36, no. 256 (2007)

¹² Cited in Robert I. Sutton, "Sparking Nonprofit Innovation," *Stanford Social Innovation Review*, Spring 2003

¹³ Cited in Debra C. Minkhoff & Walter W. Powell, "Nonprofit Mission," in *The Nonprofit Sector: A Research Handbook*, ed., Walter W. Powell and Richard Steinberg (Yale University Press, 2006), 591-609

¹⁴ Lack of resources and funding is the most common reason cited in a survey of nonprofit organisations in the UK cited in Elisha Evans and Joe Saxton, op. cit

¹⁵ W.K. Kellogg Foundation, 41

¹⁶ Kristina Jaskyte, "Transformational Leadership, Organisational Culture, and Innovativeness in Nonprofit Organisations," *Nonprofit Management and Leadership*, Volume 15, No.2 (Winter 2004)

¹⁷ Elisha Evans and Joe Saxton, op. cit, 10



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