

# Chapter 2

## Leading Innovation in the Social Sector

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Innovation is a behavior and a process that comes from the core of an organization's values and philosophy. It is acknowledged, touted, and rewarded by leadership. What companies lack is not innovative people, but rather innovative processes that can surface, nurture and sustain innovation. —Tom Koulopoulos

The quote above nicely sums up the popularity, importance, and roots of innovation. Authentic and meaningful innovation originates in an organization's DNA, its culture, and its philosophy. The quote also highlights the integral role that leadership plays in embracing and encouraging innovative work. Finally, it emphasizes the significance of managing the processes essential to successful implementation of innovative work.

Why should we be concerned with innovation? Evidence across sectors suggests that innovation plays an important role in organizations' survival, efficiency, growth, sustainability, and success. According to Baregheh, Rowley, and Sambrook (2009), "Organizations need to innovate in response to changing customer demands and lifestyles and in order to capitalize on opportunities offered by technology and changing marketplaces, structures and dynamics" (p. 1323). Samsung, a world-renowned Korean conglomerate was mostly making inexpensive and imitative products for other companies until the mid-1990s. The group chairman of Samsung at the time decided that the company needed an innovation-focused strategy to become a global brand (Yoo & Kim, 2015). As a result of this commitment to innovation, Samsung has become one of the leading global electronics entities. Acumen Fund is an impact investment organization focusing on eradicating poverty. Among other innovative strategies, Acumen's Patient Capital approach has allowed them to positively impact 100 million lives around the world. Patient Capital combines financial capital with thoughtful management support and low returns on investment. While it is possible to find inspiring examples of innovative approaches in multiple sectors, there is a lack of clear understanding regarding how to lead and sustain innovative work. This lack of clarity poses a major challenge. In

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relation to the social sector, Dover and Lawrence (2012) observed that nonprofits, dominant players in this sector, have been encouraged to pursue “continuous innovation as a central organizing principle to accomplish their missions and ensure a sustainable future for themselves and their communities” (p. 994). These authors further state that the ability to practically embrace continuous innovation remains an unanswered question.

The purpose of this chapter is to provide guidance on how to effectively lead innovative work. I draw upon the relevant leadership literature and bring empirical evidence and case stories from multiple sectors to outline practices and approaches suitable for leading innovative work with a special emphasis on the social sector. I start the chapter with a section called innovation basics, which includes introductory information about the concept, practice, and forms of innovation. The next section titled leading innovation, draws upon leadership research to identify approaches and competencies, which play a key role in leading innovation. In the third section labeled managing innovation, I describe approaches and considerations for successful implementation of innovative thinking. In the fourth section titled human-centered design, I include some emerging thinking related to both leading and managing innovation. In the final section, I conclude with some overall factors and considerations that facilitate successful innovation leadership.

## **Innovation Basics**

In this section, I provide an integrative definition of innovation; examine the definition in detail to distill key ideas related to the conception and practice of innovation; and summarize basic forms of innovation with examples from the social sector.

Baregheh et al. (2009) conducted an extensive review of the innovation literature to examine the existing definitions of innovation in order to arrive at an integrative definition. The literature they covered represented multiple disciplinary orientations including management, economics, knowledge management, technology, as well as innovation and entrepreneurship.

Following a content analysis of sixty different definitions, Baregheh et al. (2009) offered the following integrative definition, “Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace” (p. 1334). The authors go on to emphasize some of the elements of this definition by first noting that innovation involves a set of processes as mentioned in a variety of definitions they had reviewed. Secondly, they highlight that it is the transformation of ideas that is integral to achieving successful innovation and this transformation may lead to innovation in new or improved products, services, or processes. This element of their definition is also significant in the sense that it reminds us that innovation may take a variety of forms and is not confined to newness of products and services. I further discuss this point using ideas from Dees

(2001) below. In their final comment on their integrative definition, Baregheh et al. (2009) note "...although not often explicitly mentioned in extant definitions, we include the aim of innovation as 'successfully advancing' (referring to process innovations) and 'competing and differentiating' to reflect both the overall strategic aim of innovation and the potentially diverse social and environmental contexts in which innovation occurs" (p. 1334).

Two points are worth noting in the last section of the integrative definition above and the authors' explanation in the preceding quote. Firstly, the emphasis on competing and differentiating brings out the for-profit and business orientation with which many of the definitions were approached. Secondly, the direct concern with success in the marketplace is important as it highlights the outcome orientation of this definition, which is indeed an important goal of innovation. The notion of marketplace may be approached to mean markets characterized by lack of access and equity in social issue areas such as health, education, and poverty. In fact, in some ways this is where C.K. Prahalad saw the potential for the private sector to make contributions to the social sector in his famous work called *Fortune at the Bottom of the Pyramid* (Prahalad, 2006). However, the business-dominant terminology, paradigms, and the associated practice may be an impediment in approaching innovative work in the social sector from an authentic and just perspective. This dynamic had led to the emerging field of social innovation as a way to ensure the primacy of "social" when it comes to innovative endeavors in the social sector arena. According to Mulgan (2006), "Social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organizations whose primary purposes are social. Business innovation is generally motivated by profit maximization and diffused through organizations that are primarily motivated by profit maximization." (p. 146). While a number of key leadership approaches and behaviors may be common across the two types of innovative work, the main purposes of innovation in the social versus the business sector differ. I consider this difference throughout this chapter to determine the relevance and suitability of leadership approaches using research- and practice-based evidence.

As a way to categorize forms and opportunities that innovation may follow, Dees (2001) summarized the work of economist Joseph Schumpeter in five categories and offered two additional categories with a focus on the social sector. I list his categories below and provide illustrative examples from the social sector:

1. Creating a new or improved product, service, or program—Greystone Bakery, a social enterprise in New York, started a pioneering open hiring policy to especially assist individuals with social barriers, including history of incarceration and homelessness.
2. Introducing the new or improved strategy or method of operating—Aravind Eye Hospital introduced the "assembly line" method of operating combined with a cross-subsidy pricing strategy to provide cataract surgery access to impoverished Indians at subsidized or no cost.

3. Reaching a new market, serving an unmet need—Introduction of micro-finance programs in countries and regions where these programs did not exist before.
4. Tapping into a new source of supply or labor—Royal Society for Conservation of Nature (RSCN), a national non-governmental organization (NGO) in Jordan, trains and uses labor for its social enterprises from the communities where it runs its different programs throughout Jordan.
5. Establishing a new industrial organizational structure—The emerging field of impact investing is providing much needed social venture capital to the social sector.
6. Forming new terms of engagement—Mercy Corps, an international humanitarian organization, has formed creative partnerships with the private sector entities to facilitate its relief and development work around the world.
7. Developing new funding structures—BRAC, a Bangladesh-based international NGO, has added a series of initiatives to create new funding structures including for-profit arms to finance its mission-related work.

Linking the forms and examples above with the conception of social innovation, it is useful to conclude this introductory section by noting the definition provided in the Stanford Social Innovation Review—a leading voice in the field. The definition was offered by Phillips, Deiglmeier, and Miller (2008) and they argue that social innovation is “A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (p. 36). The organizations and innovations listed above were clearly committed to creating societal value. Additionally, the solutions offered by them were characterized by more effectiveness, efficiency, sustainability, and/or justice within their respective work domains and issue areas.

## Leadership for Innovation

According to Mumford, Scott, Gaddis, and Strange (2002), while a number of factors influence creative and innovative work in organizational settings, there is a reason to believe that leaders and their behavior represent a particularly powerful influence in that regard. Stephen Bubb, CEO of the Association of Chief Executives of Voluntary Organizations (ACEVO) in the UK, labeled social sector leaders as innovators who lead reform and change (Bubb, 2010).

I start this section by identifying a couple of broad frameworks that outline the key leadership characteristics, competencies and practices, which facilitate innovative work. Following the description of these broad frameworks, I then outline selected interventions, which facilitate innovative work in organizational settings.

Before discussing leadership characteristics and actions suitable for and encouraging of innovation in organizational settings, it is important to highlight how creative and innovative individuals (followers) approach their work. A meta-analytic review cited by Mumford et al. (2002) provided some interesting

differences and commonalities between artists and scientists (two broad categories of creative people) in terms of their dispositional characteristics. Regarding the differences, artists were found to be more anxious and rebellious while scientists were conscientious and accepting of authority. The two groups' common characteristics included achievement motivation, flexibility, autonomy, openness, cognitive complexity, self-confidence, introversion, and dominance (Mumford et al., 2002). These commonalities become the foundation for developing a general model of leadership for innovative endeavors. Following an extensive review of the existing evidence base, the authors provided a series of propositions pertaining to leadership factors related to creative and innovative work. Their broad leadership requirements and competencies included leadership's ability to provide (a) expertise and creativity, (b) visionary leadership, (c) planning and sense making, and (d) social skills. These four areas are briefly described below.

Innovative work often requires dealing with complexity and ambiguity. It is precisely why a leader's expertise and creative problem solving competencies will be crucial. However, there are times where, depending on the team or unit's own expertise and the lack of technical expertise in a leader, it may be essential to delegate these expertise and creative problem solving to the team itself. Under the visionary leadership paradigm, the transformational leadership theory outlines specific approaches, which facilitate creative work. Specifically, a leader's focus on individualized consideration and intellectual stimulation may encourage creative behaviors among followers. Further, translation of vision into concrete project-level missions (often through participatory approaches) and performance expectations can strengthen creative work. Planning and sense making here refer to clarifying goals, defining broad work parameters, providing feedback, facilitating joint problem solving among diverse individuals, and helping employees make sense out of complexity and uncertainty. Finally, social skills are crucial to leading innovation for a number of reasons. Firstly, these skills are important because this work often requires dealing with diverse constituents and there's a need to communicate, coordinate, and appraise the work. Secondly, these skills are essential for leaders to be persuasive across organizational boundaries to negotiate for resources and sell the innovative ideas so that they may be implemented.

The second broad framework comes from a more-recent work by Hunter and Cushenbery (2011). They offered an important integrative framework to articulate how leadership processes facilitate innovation. They argued that there are two categories of leadership factors, which influence creativity and innovation in organizational settings. They labeled them as direct and indirect leadership influence processes. The category of direct influences includes creative input and ideas suggestions, vision and strategy, resource allocation, and decision-making. Indirect influences comprise role modeling, rewards and recognition, hiring and team composition, and creating a climate of creativity. These two broad influence sets are integrated with a multi-level perspective on organizational work. Specifically, the authors assert that the leadership influences organizational work at individual, team, and organizational levels. It facilitates ideas generation at individual level, the

refinement of ideas within a team setting and, finally, their implementation at the organizational level (Hunter & Cushenbery, 2011).

In a recent meta-analytic review of leadership—innovation relationship, Rosing, Frese, and Bausch (2011), argued that research in this area did not fully capture the complex nature of innovation processes. Building on emerging literature on ambidexterity in organizations, Rosing et al. (2011) argued that innovation demands creativity (exploration) and implementation (exploitation) as well as an ability to be flexible to switch between these two tasks. Based on these foundational ideas, the authors proposed a theory of ambidextrous leadership (leadership for innovation) that specifies two complementary sets of leader behavior that facilitate exploration and exploitation in individuals and teams. In addition to the focus on these two broad leadership innovation behaviors, the authors asserted that these behaviors could not always be practiced separately and sequentially. In other words, at times it is essential to be flexible and alternate between the two behaviors as needed. Specifically, ambidextrous leadership has the following comprehensive components: (a) opening leader behaviors that facilitate exploration, (b) closing leader behaviors that facilitate exploitation, (c) and the temporal flexibility to switch between both based on situational needs. Opening behaviors here refer to behaviors that encourage variety of thoughts, risk taking, experimentation, and learning from mistakes among followers. Closing behaviors include narrowing focus, setting guidelines, streamlining, and monitoring progress towards results.

A number of important leadership factors are common across these frameworks, including innovation strategy, teamwork, team development, experimentation, use of technology, and innovation management. The strategy, teamwork, and experimentation behaviors fall more under the opening (explorative) behaviors whereas the innovation management behaviors fit more under the closing (exploitative) leadership behaviors. The two broad categories of explorative and exploitative behaviors are linked and overlapping in some ways. Therefore, some of the specific behaviors, actions, and approaches described under the two categories do not always fit fully within one of the categories. For example, teamwork behaviors are explorative in nature because they encourage collective creativity. However, teamwork as a process and structural arrangement needs to be managed carefully and thus parts of it fall under the exploitative work. In the sections below I discuss in detail the areas of innovation strategy, teamwork and team development, experimentation, and use of technology and innovation management. In addition, I provide insights and recommendations to strengthen the innovation leadership through the emerging fields of design thinking and technology.

### ***Innovation Strategy***

The work of innovation strategy clearly falls under vision- and mission-related components of innovative leadership described above. The importance of strategy also came out in some of the other leadership models described earlier. In his recent

article, Gary Pisano provides a useful way to focus on organizations' innovative strategies (Pisano, 2015). In this section, I introduce his model and then demonstrate its application to the social sector using case examples from some of the leading social sector innovators. Pisano argues that a major reason behind the failure of many innovations is the absence of a clear innovation strategy. An effective innovation strategy is aligned to the overall organizational strategy. Pisano (2015) asserts that to successfully navigate through the innovation maze from a strategic perspective, organizations make choices in terms of their focus on two dimensions namely technological innovation and business model innovation. To offer more specific guidance in this regard he articulated "The Innovation Landscape Map." The map puts the business model innovation on the X-axis and the technology innovations on the Y-axis. While these dimensions exist on a continuum, the framework offers four quadrants or innovation typologies. Innovations that fit the existing business model and technological competencies, Pisano labels them as routine innovations and they fall under the left hand lower quadrant of his innovation map. When an NGO makes improvements to its agricultural input service programs without significant changes to the business model and technology, these changes may be labeled as routine innovations. Disruptive Innovation on the other hand is based on a new business model but not necessarily new technology and sits in the upper left-hand side of the innovation map. An innovation, primarily driven by technological change is labeled as radical innovation and is positioned in the lower right hand corner of the innovation map. When Professor Yunus, the Nobel Laureate from Bangladesh, established his micro-finance banking to give credit access to poor women and vulnerable groups, he introduced a new business model, which required social collateral instead of a personal economic one to provide loans. This innovation largely sits under the disruptive innovation quadrant. On the other hand, Kiva – also an international micro-finance institution, established a web-based technology platform to connect lenders and borrowers in ways that were not possible before. Its innovation mostly falls under the radical innovation quadrant.

Under an innovation strategy where organizations pursue technological and business model innovations simultaneously, Pisano labels them as architectural innovations and they fall under the upper right-hand corner of his innovation map. The Aravind Eye Care system from India offers a good example of this innovation type. The first Aravind Eye Hospital was established in the early 1990s with a mission of providing affordable access to cataract surgery. Close to 22 million poor Indians were blind or nearly blind because they could not pay for simple cataract procedures. Aravind pursued a two-pronged innovation strategy. In terms of technology and operations, it developed an assembly line approach to increase the speed, efficiency, and quality of cataract operations. Its business model had multiple creative components. Firstly, it incorporated a multi-tiered cross-subsidy pricing system, which meant that the treatment fee depended on people's ability to pay and those who could not afford to pay a fee received free treatment. Secondly, the business model included access to different types of lenses and recovery rooms. While these factors did not impact the quality of cataract

procedure, they did allow Aravind to increase its revenue by attracting high-paying customers through these options to make the cross subsidy model work. The combination of these innovation strategies puts Aravind's work under the architectural innovation category.

As noted above, innovation strategy must align with the overall organizational strategy. This means that the focus and mix of innovation strategies will sustain and change in line with the overall strategic priorities. For example, an international NGO working in the child well-being arena continues to work with routine innovation in its business model. This approach may mean continuing its original business model of funding primarily through child sponsorship but with some additional grants and earned income opportunities not included in the original business model. However, in response to increasing calls for accountability and demonstrating impact, it may employ sophisticated technology to improve its monitoring, evaluation, and learning approach. In this case then this INGO is pursuing a combination of routine and radical innovation in response to its current strategic demands.

### ***Teamwork and Team Development***

Effective teamwork is an important practice that facilitates innovation and its implementation in organizations. Multiple streams of leadership research findings and theories attest to the importance of the role that teams play and provide a set of useful insights related to strengthening teamwork and their innovative contributions. In this section I include considerations and strategies leaders may use to strengthen teamwork to facilitate innovation. The set includes considerations in team formation and composition, diversity, coaching, and delegation of work.

Mumford et al. (2002) articulated the importance of creating and leading diverse teams to facilitate creative work. Summarizing previous research, they offered some specific strategies in this regard. These actions included: (a) based on team assignments and mandates, bringing together members with complementary but different technical orientations; (b) limiting the time frame that certain team members can work together to deal with loss of diversity resulting from cohesion over time; and (c) induction of alternative skill sets to encourage creative thinking.

Hunter and Cushman (2011), under their indirect leadership behaviors that promote creativity, labeled hiring and team composition as an integral component of their leadership for innovation model. These authors emphasized two important factors in relation to organizing teamwork for innovation. The factors included individuals' background and team size. In terms of background, as observed above, diversity in experiences and skill sets of the members, along with representation of marketing and sales functions were important. For social sector organizations, this means bringing together staff from different disciplines and programmatic areas. This also means teaming up professional and technical experts with departmental representatives from fundraising, communications, finance etc. The authors further

argued that the optimal team size is four-to-seven individuals. For simpler or more complex tasks, the size may be slightly smaller or bigger respectively as needed. Pact is an international development organizations headquartered in the Washington, DC area. To promote innovative practices throughout the organization, Pact formed a team of individuals dedicated to this function and gave it a separate identity called Pact Institute.

Coaching plays an important role in team development and team's ability to innovate and implement creative ideas. In an important study on this relationship with 97 work teams, Rousseau, Aubé, and Tremblay (2013) found a positive relationship between team coaching and teams' ability to be innovative. Citing Hackman and Wageman (2005), this study defined team coaching as "direct interaction with a team intended to help members make coordinated and task-appropriate use of their collective resources in accomplishing the team's work" (p. 269). Specifically, the findings demonstrated that leaders use team-coaching interventions to strengthen their team's goal commitment and support for innovation, which in turn facilitate innovative work. In other words, this study indicates that leaders use both motivational (focus on goal commitment) and behavioral (focus on creative ideas and their implementation) mechanisms to encourage innovative work in teams.

Mumford et al. (2002) proposed that leaders of creative groups may delegate expertise and technical leadership responsibilities to teams especially under circumstances where they lack these specific competencies. Such is the case in many situations where deep expertise may be represented among teams and units and the leader may bring general leadership experiences with him/her. A dean's or a provost's position in academia is a good example of this dynamic. She/he may come from the industry or may have expertise in a particular discipline (e.g., finance) with little depth in a variety of other areas (e.g., organizational behavior, anthropology, history). Or consider a public health professional with an in-depth expertise in nutrition becoming in charge of a public health unit, which may include team members and professionals in areas of psychology, community health, environmental health, midwifery etc. The new leader in this case may indeed have the leadership ability necessary to be successful but she/he will definitely have to rely on the expertise of multiple disciplines represented within the larger field of public health management. These examples clearly imply that developing a team-oriented climate characterized by consultation, collaboration, and delegation of work will be critical for success in such contexts.

## *Experimentation*

The enormity of current social problems around us indeed pushes leadership towards urgent innovations and solutions with scalability potential. But innovations, which are not fully tested, may be costly and damaging. In relation to innovation, Thomke and Manzi (2014) observed that, "...most managers must operate in a world where they lack sufficient data to inform the decisions.

Consequently, they often rely on their experience or intuition. But ideas that are truly innovative—that is, those that can reshape industries—typically go against the grain of executive experience and conventional wisdom” (pp. 71–72). Based on the collective experience of about forty years, these authors argue that most organizations are reluctant to invest in rigorous experiments and find it difficult to implement such testing. However, absence of using experiments, pilots, and test programs can make innovation costly and discourage it.

Thomke and Manzi (2014) offered a five-step approach to encourage and implement experimentation in organizational settings. These steps include: (a) establishing of a clear purpose, (b) buying-in of key stakeholders, (c) ascertaining the feasibility, (d) ensuring reliability of results, and (e) determining the value contribution. Most of these steps seem straightforward. However, it may be helpful to elaborate upon the feasibility and value contribution components. Ascertaining the feasibility is really about answering the question is the experiment doable? An important purpose of experimentation is to determine cause-and-effect relationships. The complexity and variety of variables and the changing nature of environment may make it difficult to isolate variables of interest in the social sector work. Further, obtaining the right sample size may be challenging due to issues of access, vulnerability, and cost. Regarding value contribution, the results and findings of the experiments need careful scrutiny before determining their suitability in terms of impact group, geography, and wider stakeholders. Consider a pilot program that is implemented to determine the key components and activities of an educational initiative aimed at increasing access to girls’ elementary education in impoverished communities in three different Ethiopian districts. In addition to providing school infrastructure and trained teachers, the pilot program may entail transport provision, nutrition, and health components. The results of this pilot must be analyzed carefully to decide which components add the most value across the three sample districts. For example, it is possible that the transport facility may be critical in one representative district due to sociocultural norms and may add little or no value for members of another district. This simple example demonstrates the importance of critical analysis of results from experiments to determine their relevance for wider populations and scaling up.

In a recent effort, UNICEF collaborated with SEWA—a well-known Indian social sector organization focusing on women’s rights and livelihoods, to pilot test two cash transfers programs in the Indian State of Madhya Pradesh. The purpose of the two pilot projects was to identify the effects of cash grants on individuals, households, family behavior, attitudes, as well as on community development. In one of the pilots, eight villages received the cash grants and about twelve villages did not. A modified version of the Randomized Control Trial (RCT) methodology was used to evaluate the pilot’s results. To examine the role and impact of an advocacy organization, 50 % of all villages were those in which SEWA was present. The impact of the intervention was examined by comparing what happened in the various villages. The pilot process included a baseline survey, mid-term evaluation, final evaluation, and a post evaluation and included 89 case studies and an extensive community survey. It examined the pilot programs impact on financial

inclusion, health, sanitation, nutrition, and education. This experimental initiative provides another example of a rigorous and comprehensive experiment that can generate a lot of insights, guidance, and concrete ways to direct and implement innovative thinking.

### *Employing Technology*

Technology evolution and developments, especially over the last thirty years, have revolutionized how we live and work. Impact of these developments is enormously felt at community, organizational, societal, and global levels. Human activity ranging from agriculture, health, education, manufacturing, to humanitarian action are increasingly encountering technology-related opportunities and challenges. The social sector is beginning to see the technology potential and innovators in the field demonstrate the great potential the technology holds in facilitating innovative work. In this section, I build on the discussion above on use of technology in relation to innovation strategy. I describe how technology may be used by social sector organizations in a variety of ways ranging from its integration into organizations' "business" model, increasing operational efficiency, to strengthening of financing mechanisms.

The emerging field of "microwork" also offers an insightful example of innovative technology deployment. Samasource, a San Francisco-based social enterprise is doing pioneer work in this regard. Basically, Samsource works with some of the largest corporations in Europe and the US and outsources their digital tasks in manageable segments (micro projects) to small teams of individuals predominantly in developing countries. According to Gino and Staats (2012), "a small but growing industry known as 'impact sourcing' is addressing that need head-on by hiring people at the bottom of the pyramid to perform digital tasks such as transcribing audio files and editing product databases. Essentially, it's business process outsourcing aimed at boosting economic development" (p. 92). Samacourse is leveraging technology in two critical ways. Firstly, the business model largely relies on the technology itself in terms of the products and services. Secondly, to enhance operational efficiency and excellence, Samasource developed its own technology platform called SamaHub to automate training, workflow, and quality assurance (Gino & Staats, 2012).

Kiva is a nonprofit organization committed to eradicating poverty by providing easy access to lending. Since its inception in 2005, it has provided loans to more than 1.3 million borrowers in 83 countries. The total lending has exceeded 800 million dollars with a repayment rate of more than 98 %. Use of Internet-based technology is integral to Kiva's business model. Specifically, Kiva's website acts as a platform to connect borrowers around the world with individual lenders. The lenders can loan \$25 or more with the option of either re-lending or taking their

money back. With the help of its field partners, Kiva identifies and works with deserving borrowers. This simple but creative use of technology allowed Kiva to connect borrowers and lenders in ways that were not possible before and helped create a highly effective and impactful organization. Kiva is a good example of how to leverage technology for innovation in a variety of ways including business model integration, operational efficiency, and financing.

## Managing Innovation

In the three key leadership frameworks outlined above, it was clear that leadership plays an important role in directing and guiding thoughtful implementation of creative ideas. One of the frameworks used the umbrella term “exploitative” actions to describe this role. Basically, the implementation related actions and approaches fall under the management of innovation. In the section below, I synthesize steps and approaches, which support and strengthen management of innovation. It is important to note that some of these practices cannot be neatly categorized under *leading* or *managing* innovation. For example, different parts of strategic work fall either under leading or managing innovation. Strategic thinking and overall innovation strategy formulation falls under the work of leading innovation as described above. Implementation of innovation strategy, as I describe below, is an important element of managing innovation. Similarly, the discussion above that focused on use of experiments also touched upon behaviors and actions, which may fall under the leading and managing innovation categories. For example, consider again the five-step approach to experimentation by Thomke and Manzi (2014). Their first step of establishing a clear purpose falls under the leading innovation arena and their third step of ensuring reliability of results is more management focused. The discussion below is not meant to provide an exclusive list of behaviors and actions to manage innovation. My purpose here is to introduce a practice-based framework, which will emphasize and add to the managing innovation ideas already covered above.

Harper and Becker (2004) studied five innovative companies and documented their practices, which facilitate innovative work. They reported that the best practices among these organizations fell under three areas namely structure, process, and people. I describe these practices below and link them to relevant evidence from the social sector organizations.

**Structure:** Structural practices began with the incorporation of innovation and organizational strategy. These organizations included some form of an innovation committee with representation across different functional units with the mandate to discuss and review ideas. They also held annual or bi-annual summits to engage organization wide stakeholders with innovation leaders to encourage brainstorming and creativity. Physical spaces were also configured in a way to bring together

technical, marketing, and other disciplines to work together. Along similar lines, third-party providers have created innovation spaces to perform a similar function for startups and small entities, especially in the social sector. For example, Center for Social Innovation has multiple branches across North America including presence in New York City and Toronto. In addition, the organizations in this study used acquisitions to find products or services complementing their existing portfolios. Social sector organizations, on the other hand, increasingly use network of national and local partners with complementary missions to deliver on their innovation strategies.

**Process:** In terms of approaches to process, the organizations in this study required their ideas to go through high-level concept testing process before the committee review described above. The concept testing included such activities as focus groups, pilot programs, and environmental scans. Some of these activities were discussed under the experimentation section above describing the leading innovation practices. This notion reinforces the earlier observation that some of these approaches and practices do not fully fit under the leading or managing buckets. Another process step included development of metrics for the innovation processes to monitor and track performance at multiple levels. These organizations also regularly brought in outside experts to learn the business and then brainstorm creative ways of approaching existing work. To encourage similar behaviors, social sector organizations have hired staff from the private sector to diversify their talent pool and have utilized services from third-party providers to encourage out-of-the-box thinking. For example, a design focused firm called IDEO, works with social sector entities to encourage innovation, using design thinking principles. I discuss this approach in detail below. Use of small pools of funding to encourage and reward creativity has also gained popularity among organizations in multiple sectors. Pact, an international nongovernmental organization has recently implemented such a program to encourage innovative thinking across its programmatic work in over twenty countries.

**People:** The focal organizations assigned dedicated individuals with full-time responsibility to guide the innovation processes. Another people-oriented practice included rotation of individuals in executive positions across different business units and divisions to facilitate learning and awareness. Assigning and enabling individuals to work in teams to support innovation was another commonality across the organizations in this study. While this was discussed in detail under the leading innovation section, teamwork is an important structural and people-centered component and, therefore, is important from the managing innovation perspective. Additionally, the majority of the employees in these organizations gave 15 % of their work time to identify and explore creative ideas. Another important people-focused practice was ongoing investments by these organizations in their employees' continuous training, education, and participation in conferences to keep them at the cutting-edge (Harper & Becker, 2004).

## Human-Centered Design

Human-centered design has received quite a bit of attention over the last several years as a way to lead and manage innovation, especially in complex settings and environments. In this section, I introduce the concepts of design thinking and human-centered design approaches. In addition, I also share a list of methods to effectively employ design thinking along with some considerations to implement design-led innovations effectively.

The roots of the term design thinking go back to the work and ideas of David Kelly, who designed the first mouse for Apple computers and is also the founder of Stanford University's Hasso Plattner Institute of Design. He observed that when people approached him to explain design, he would end up including the term thinking in his response since that's what designers do according to him (Brown & Wyatt, 2010). Design work has traditionally focused on how a product looks and its functionality. However, the design perspective has expanded extensively and now covers a wide range of angles concerning a product or service. In particular, in the current design work the human needs and experience take center stage. In addition to fundamental human needs as drivers of design innovation, human access, preferences, and environmental and cultural context are seen as key considerations. This expanded view of design work is what Kelly and others have labeled as design thinking. For-profit sector has used design thinking successfully over the last several decades. However, the social sector has a strong tradition of employing human-centered approaches in a variety of fields ranging from poverty alleviation to health improvements. For example, Yunus' work mentioned above on microcredit was concerned with giving credit access to extremely poor women in Bangladesh. His attention to their specific needs and context ultimately led him to innovate and revolutionize the field of banking through microcredit schemes around the world.

The human-centered design methodology I outline here is based on the work done by Luma Institute, a Pittsburgh-based organization which identifies itself as a global education company that teaches people how to be more innovative by applying the discipline of human-centered design. Their approach was published in a recent issue of *Harvard Business Review* (Luma Institute, 2014). They have developed 36 specific methods, which fall under three categories and are further divided into subcategories. Luma's three main categories include: (a) looking (observing human experience), (b) understanding (analyzing challenges and opportunities), and (c) making (envisioning future possibilities).

Under **looking**, their three subcategories include skill areas, namely, ethnographic research, participatory research, and evaluative research. These skill areas broadly correspond with studying human behavior, learning from people by letting them express themselves, and assessing the usefulness and usability of products and processes. Under **understanding**, Luma includes three subcategories of people and systems, patterns and priorities, and problem framing. People and systems focus on synthesizing insights about people, places, and things to create new value; patterns and priorities deal with identifying relationships to determine what is relevant and

important; and the purpose of problem framing is present the situation differently so that innovative solutions can be generated.

Their final broad category of *making* entails concept ideation, modeling and prototyping and design rationale. Concept ideation allows exploring a variety of possibilities; modeling and prototyping are used to combat risk aversion through methods such as storyboarding and schematic diagraming; and design rationale facilitates ways to convey the concepts full potential to encourage participants to take the needed steps so that the ideas may flourish. Some of the specific techniques under the design rationale may include developing the concept poster or a quick reference guide. A complete list of the 36 methods are available on Luma's website and the *Harvard Business Review* article mentioned above. It is not necessary to use all the 36 methods to design and implement innovations. However, Luma recommends that at least one method from at least two categories be applied. For large and complex scenarios for innovation, a bigger number of specific methods from all three categories are recommended (Luma Institute, 2014).

Another approach to design thinking that leaders may promote and use comes from the work of a firm called IDEO that I mentioned above. IDEO has used human-centered design thinking to help improve and innovate a variety of organizations across multiple sectors. In 2005, Bill and Melinda Gates Foundation approached IDEO to document its human-centered design processes so that their approach may be used by social sector organizations. IDEO designers worked with Heifer Project International and The International Center for Research on Women and International Development Enterprises to understand their processes for developing new products programs and services. The learning from this exercise was integrated with IDEO's own work to develop a toolkit to help organizations implement human-centered design methods. This approach documented in this toolkit is grounded in a system of three overlapping spaces namely inspiration, ideation, and implementation. *Inspiration* deals with the issue or opportunity behind the search for innovation; *ideation* involves the process of generating, developing, and prototyping ideas; and *implementation* focuses on how to move prototypes into products and services (Brown & Wyatt, 2015).

The two approaches described above are complementary and may be used separately or in conjunction with each other. There are two reasons why I have devoted a section to human-centered design. Firstly, this is an emerging field and offers a creative approach to encouraging and pursuing innovations in a variety of sectors including the social sector. Secondly, it offers an integrative platform to leaders to combine elements of explorative and exploitative approaches described above.

## Some Final Considerations

This chapter demonstrates the complexities of leading innovative work along with some of the tensions that leaders need to manage in order to balance the encouraging, nurturing, implementing, and monitoring requirements. I conclude

with a few final considerations that complement and add to the research, practice-based evidence, and organizational cases about successful leadership of innovative work.

### *Innovation Zones*

In relation to some of the approaches and practices above, leaders may ask the following questions: How do you ensure continuous innovation? How do you structure a team? Where do you house your experiments? How do you embrace design thinking? In addition to some of the ways and examples discussed above, the answer may also lie in what Tom Koulopoulos, founder of the Delphi Group, calls creation of innovation zones. He described innovation zone as, "...an institutionalized space where ideas can take root in fertile soil, protected from the elements and from organizational antibodies just long enough to demonstrate their value... The last thing you can afford is to let good ideas, no matter how small or different, bleed out of your organization..." (Koulopoulos, 2009, p. 53). The author's advice really focuses on providing protected space where ideas may be shared for feedback, refinement, and implementation.

### *Collaborative Learning*

Learning which facilitates innovation should go beyond systematic approaches covered under the experimentation section above. In particular, learning from peer organizations and "comparators" outside the organizational boundaries could provide important insights. Mercy Corps has invested heavily in its learning efforts to capture and share learning from a variety of internal and external sources. Social sector is increasingly recognizing the importance of collaboration to tackle some of the pressing problems of our time. Consider for example the big ten players working on children's well-being around the world, including World Vision, Save the Children, ChildFund International, and Plan International. These entities are doing impressive work and have achieved many milestones in their respective programs. However, millions of children are still waiting to receive services that help improve their human conditions. Collaborative learning is one way for these institutions to increase the effectiveness, scale, and overall impact of their programs. However, learning from peers must be considered thoughtfully. Importing ideas from other organizations about innovation management may be problematic if implemented without critical consideration. Birkinshaw (2014) argues that distilling the key principles behind "comparators" innovations is important if organizations want to identify the appropriate innovations and ways to adapt them.

## *Leadership Development*

This chapter is based on the premise that leadership plays an integral and critical role in encouraging and implementing innovations in organizational settings. Therefore, well thought out and systematic efforts are needed to ensure that the right kind of leadership is cultivated and maintained at different organizational levels. Bubb (2010) identified leadership development as an important investment to facilitate innovative work in organizational settings. He argued that these developmental initiatives should include senior leaders, staff, and volunteers of social sector organizations. Creativity requires out-of-the-box, imagination, confidence, and knowledge of the cutting-edge developments.

Bubb (2010) asserted that systematic developmental opportunities facilitate these characteristics and behaviors. His list of recommendations included not only formal training and workshop opportunities, but also activities such as coaching, mentoring, shadowing site visits, and learning from mistakes. These activities may be both individual- and team-focused. Mercy Corps has invested in two important leadership development programs. The goal of these programs is to help Mercy Corps develop internal leadership talent to serve its programs at the country, regional, and headquarters levels. Among other leadership competencies, the curriculum emphasizes innovative and entrepreneurial skills.

I conclude this chapter with a couple of reminders and cautions. I have used the terms leaders and leadership somewhat interchangeably in the context of innovative work. This usage deserves attention for two reasons. Firstly, while it is often the case that a single individual may lead innovative work (at least initially) at the senior or another level in an organization, it is also often true that this leadership may be informally shared or occurs through teams as discussed above.

As stated in the opening paragraphs, I have attempted to explore, integrate, and synthesize evidence-based knowledge using rigorous research over the last fifteen years along with organizational cases with some demonstrated achievement and impact. However, I offer two caveats in this regard. Some of the frameworks discussed above are based on rigorous theory building and testing, therefore, they must not be treated as absolute science and will not apply uniformly everywhere. Similarly, the context of some of the successful cases and organizational examples shared may not translate effectively or easily to other cultural, political, and economic environments.

Finally, innovation assumes boldness, out-of-the-box thinking, and a commitment to continuous improvement. This also means that those who embrace innovation take risk on their and their team's, organization's and key stakeholders' behalf. In the social sector, as discussed in the experimentation section above, the stakeholders often include vulnerable populations. This is an important ethical consideration that leaders must attend to very thoughtfully.

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