

USC Sol Price Center for Social Innovation: Social Innovation Seminar Series

“Social Innovation: What It is and How to Advance It”

Paul Carttar

Former Director, Social Innovation Fund at Corporation for National and Community Service

Summary:

Social innovation is a dynamic, on-going process in which superior solutions to social problems are developed, validated and grown to displace prior (inferior) solutions and, thereby, establish a more productive status quo. Superior solutions can be of many types (e.g. devices, practices, programs processes) and either incremental or transformational. Social innovation is about superior performance, not novelty. It is about generating greater impact – outcomes that are attributable to the action in question based on evidence – per unit of input. Social innovation is a powerful and essential force – especially now – that we must exploit. There is significant activity now in this space, with many players – including universities – aiming to establish noteworthy roles/positions. The challenge of making it work better has many facets/niches, and very little is truly “known” about key workings and questions. So, a well-considered, well-executed strategy can still lead to sustainable success. The picture is pretty bleak because there are many people and communities in need, and governments and community-based organizations are facing unprecedented fiscal constraints. However, there is reason for optimism and resolve. We still have significant resources and we are resourceful people with a long tradition of solving our biggest problems. We have many effective solutions already being deployed in communities. The imperative is to get more impact from the resources we invest in social progress. The ultimate answer is innovation, as opposed to the typical “go to” approaches (e.g. improving “management efficiency” to marginally boost yield; shaving costs; eliminating “waste, fraud and abuse”; and cutting budgets and hoping for the best). Ultimately, we must focus on what we do as much as how we do it.

Searching for Evidence of Innovation

While our nation launches 30-50K new nonprofits each year, Bridgespan reports that few inventions achieve any sort of scale. Although 200,000 nonprofits registered in the U.S. between 1970 and 2003, only 144 (0.07%) grew to be \$50 million or larger in annual revenues – and we don’t know if these were the best. Superior solutions do not grow for various reasons. A critical reason is that we lack evidence of what actually is better and do not have requisite knowledge about how to grow scale and impact. We also lack resources to support implementation and growth, largely because there are an insufficient number of funders committed to supporting solutions with evidence of superior impact. Finally, there is insufficient infrastructure to support growth.

Robust evidence is the key catalytic agent for social innovation, advancing both innovation selection and improvement. It enables funding of better solutions and identification of what actually works. Evidence enables on-going innovation improvement, it can provide incentives for further innovation. But focusing on evidence can also retard innovation through flawed studies (which lead to wrong conclusions); excessive costs (which creates disincentives and drains resources from program execution); and a fixation with rigor (which can create competitive barriers and discourage on-going improvement).

Funders – especially large-scale ones – play a uniquely influential role in the nonprofit sector for several reasons. There is a dearth of paying customers/beneficiaries, the “social capital market” is fragmented, and there are few clear performance standards and accountability measures. As a result, relatively few large-scale funders allocate resources primarily based on evidence of results. Foundations tend to fund

small, short, and new programs. The federal government emphasizes “tiered evidence” programs. State and local governments have particular funding approaches. Individuals tend to support education and healthcare initiatives.

The Contours of the Social Innovation Landscape

The social innovation field is largely segmented. Particular organizations focus on gathering evidence, providing evidence-based resources, building knowledge of scaling, and/or supporting infrastructure. Some organizations focus on providing direct support aimed at specific organizations or programs, while others take a more macro-approach aimed at the broader context in which multiple organizations function (e.g. field, ecosystem, or “systems change”). There is also segmentation along the lines of innovation life-stages, which include start-up (innovation definition), nascent (innovation launch), promising (refining innovation, demonstrating effectiveness, pursuing limited growth and building organizational capacity), and proven (scaling innovation) stages. In determining segment focus and actions, social innovation support organizations – which include service providers, individual and institutional funders, non-funder intermediaries, rule-making government bodies, and research institutions – must consider what they care about, what they are hoping to accomplish, and what distinctive capabilities they possess that may drive superior impact. Social innovation organizations may also emphasize a particular issue or geographic area.

There are important caveats regarding “systems change.” While the allure is clear – including potential leverage, “bang for the buck,” excitement, and visibility – there is solid ground for skepticism. “Systems change” can be abstract and highly conceptual in nature, disconnected from reality, and devoid of progress measures and, thus, ripe for enormous waste. Therefore, caution is necessary and strategic discipline – including a clear intended impact and theory of change, specific budget, well-defined action plan, and articulation of performance metrics – is critical.

Government Engagement and the Social Innovation Fund

While “just another player,” government is qualitatively distinct in the social innovation field because of its scale, politics, ability to make rules, need for transparency, culture of distrust, and fear of scandal. While government is tempted to play the role of “regulator-in-chief” due to its short-term incentives, the glamour of policy-making, and action bias, government, in fact, has the greatest impact by serving as a powerful, efficient, responsible, mission-seeking “funder-in-chief.” The reality is that the amount of social sector spending by government bodies trumps philanthropic dollars. In fact, the government provides 10 times more support for nonprofit organizations than all other institutional funders combined.

The Social Innovation Fund (SIF) is a federal initiative intended to achieve three policy goals: generate direct impact for people served; demonstrate a better approach to federal government grant-making; and strengthen the nonprofit sector. It aims to leverage a limited federal investment by mobilizing public and private resources to find, evaluate and grow promising community solutions with evidence of compelling results in youth development, economic opportunity and health. The SIF targets “promising” solutions to high risks of earlier stages (start-up, nascent) and high funding needs of “proven” stage innovations. It includes a grant program (aimed at growing and supporting capacity, impact, and evaluation) and a widespread impact program (focused on sharing knowledge across federal agencies and supporting targeted initiatives). The SIF model has five key features that address all major barriers to organizational growth and social innovation. It promotes evidence-based funding through open, competitive, evidence-based grantee selection processes and the requirement that public money be matched up to 3:1 from private sources. It supports infrastructure by relying upon experienced grant-making intermediaries. It promotes evidence by selecting intermediaries with a track record of using evidence to drive impact and emphasizing rigorous subgrant evaluation plans. And it helps to scale knowledge by emphasizing knowledge capture and sharing and providing technical assistance to support improvement.