



# STANFORD PACS

CENTER ON PHILANTHROPY AND CIVIL SOCIETY



Organizational Capacity for Continuous Innovation –  
Outline of a Research Agenda

Rockefeller Foundation Report  
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March 11, 2012

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## Introduction and Discussion

This research agenda is the outcome of a joint project between the Stanford Center on Philanthropy and Civil Society (PACS) and the Rockefeller Foundation. The purpose of this agenda is to make progress in our understanding of how established social sector organizations (SSOs) can build an organizational capacity for continuous innovation (OCCI). The starting point for this agenda was to provide a snapshot of scholarly and also practitioner knowledge as a basis for identifying priority areas for future research. Two criteria were used to provide focus. First, future research as part of this agenda should be expected to provide practically useful insights. And second, future research should be expected to provide substantial new knowledge. The first criterion reflects an explicit commitment to engaged scholarship rather than scholarship purely driven by academic objectives. Engaged scholarship refers to the opportunity of scholar/practice relationships that define research that targets important social phenomena. This reflects the original spirit of the enlightenment that saw research as a liberating mechanism that enable us to make the world better. The second criterion acknowledges the large body of literature and insightful research that scholars have created around aspects of OCCI. Clearly, we need to ground SSO-phenomena more in the existing theories and frameworks from the mainstream organizational literature. Future research on OCCI needs to leverage the uniqueness of the particular research question/setting and/or alternative methodological approaches to provide new answers. Instead, we expect only marginal benefits from further purely conceptual/theoretical research on certain aspects of OCCI <sup>1</sup>.

This research agenda represents work in progress. We acknowledge possible shortcomings in the next sections. As our review pointed out (Seelos & Mair 2012), OCCI as a dynamic process depends on and is influenced by a large number of factors that range from organizational micro-processes at the levels of individuals to macro-processes that characterize the particular environment in which organizations are embedded. We therefore suggest to consider this agenda as a “living document “continuously updated by the community of

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<sup>1</sup> See Seelos, C and Mair, J (2012) What determines the capacity for continuous innovation in social sector organizations. PACS report.

researchers as new insights, ideas, and findings reveal additional potential research areas going forward. Over time this agenda might gain focus from learning about which perspectives and approaches create the most useful knowledge and also how knowledge can be used by organizations and its stakeholders to improve relevant performance.

## **Process of Developing Research Themes**

Our approach was based on a focused literature review complemented by selective interviews with experts in the field that provided a snapshot of the current state of scholarly and selected practitioner literature on the topic of organizational capacity for continuous innovation (OCCI) in established social sector organizations (Seelos & Mair, 2012). The review also laid out the landscape of relevant topics, frameworks, perspectives that were most prominently covered in the literature. And finally, it identified a number of potential areas for future research (see the section “Themes selected for Inclusion into the Research Agenda” below).

The review was explicitly broad in scope treating innovation primarily as a process that starts with the emergence of an idea that is new to an organization (where the idea could be generated internally or absorbed from the external environment) that gives rise to a new way of doing things (e.g. management innovation, technical innovation), to new products or services, or to a combination of both (e.g. business model innovation).

This review was provided to all participants of a workshop<sup>2</sup> convening scholars and thought leaders (see Annex 1 for a list of participants). It served as a baseline to provide focus and a common understanding on the core phenomenon (OCCI) but also to stimulate discussions and idea generation. A shortcoming of this design was the limited time (about 10 days) that the participants had to reflect on the review prior to the workshop. A morning session of open discussions and sharing of perspectives and ideas was followed by an afternoon workshop where 3 groups of 5 participants each generated a list of research topics that they considered potentially fruitful avenues for further research on OCCI. This list was then ranked

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<sup>2</sup> Hosted by the Rockefeller Foundation in New York, 18 and 19 January 2012.

according to two dimensions: i) what is the expected practical usefulness of generating knowledge on this research topic (1 = low; 3 = high), and ii) what is the extent/quality of existing knowledge on this topic (1 = low; 3 = high)? Each research topic on the list was coded as shown in Figure 1. Some of the generated topics were discarded due to redundancy or lack of fit with the central topic of OCCI. Again, we highlight a potential shortcoming: the time for this workshop was limited and the process would have benefited strongly from a less time-constrained design.

Suggested Topic for Future Research	Usefulness (1-3)	Knowledge (1-3)
1) Which bundles of innovation characteristics promote adoption in SSOs?	2	2
2) .....	1	2
3) .....	3	1
4) .....	3	1
5) .....	1	3

**Figure 1. Coding scheme for ranking potential research topics**

This gave rise to a list of ranked research topics that fell into 1 of 9 segments as illustrated in Figure 2. We suggested that those topics that were deemed highly useful for practice and where the extent or quality of existing knowledge was low should be high-priority areas for future research. A shortcoming of this design was again the short timeframe available for the working groups during the workshop which was exacerbated by the fact that participants used concepts in different ways and sometimes inconsistently due to the diversity of professional and disciplinary backgrounds and ideas about what matters and what does not.

		<i>What is the quality/extent of existing knowledge on this topic?</i>		
		1 = Low	2 = Medium	3 = High
<i>Level of practical usefulness of knowledge on this topic?</i>	3 = High	Potentially High Priority		Marginal Contribution
	2 = Medium			
	1 = Low			No Priority

Figure 2. Prioritization scheme for research topics.

## Themes selected for Inclusion into the Research Agenda

We are reflecting on three sources of insights informing a research agenda on OCCI, the ideas generated by the literature review, the priority list generated by the workshop and discussions in NY, and some general reflections on the discussions in the workshop.

### 1. Themes from the literature review<sup>3</sup>

There is an extensive body of literature in mainstream organizational science on the various sub-processes that constitute OCCI. We know a lot about how organizations develop new ideas and new knowledge internally as part of innovation processes and we have a good understanding of how and under which circumstances organizations adopt ideas and innovations from the external environment. We have good models how organizations learn or fail to learn over time which is a central element of OCCI and we know some of the characteristics and dynamics of a large number of factors that influence OCCI. Unfortunately,

<sup>3</sup> See Seelos & Mair 2012 report for details. The research areas listed here correspond to section titles in that report.

the research has not led to a coherent set of theories. Innovation scholars argue that *the most consistent theme found in the organizational innovation literature is that its research results have been inconsistent*” and that it is *low in explanatory power and thus offers little guidance to practitioners*. Thus, realizing the value of existing knowledge may require deeper reflections on the nature and limits of existing theories and a serious engagement with the contingencies of local organizational realities on a case-by-case basis. Existing theories may need to be expanded by focused research on the special context and other particularities of social sector organizations (SSOs) and may require different research approaches. Given that OCCI depends on the particular constellation of hundreds of factors at the levels of individuals, groups, the organization and its environment, our review also made it clear that pushing a few success factors may not generate consistent desired outcomes unless the constellation of all the other factors is the same from in all organizations and does not change over time. This is not a plausible assumption. One important perspective that we proposed as an outcome of the literature review was to focus research on organizational pathologies – the many ways that organizational factors could impede innovation and OCCI. A more systematic understanding of the typical or prominent organizational pathologies in SSO from different cultural or geographic backgrounds may even be a basis for the development of diagnostic tools.

In the course of processing and reflecting on the literature, we identified a number of potential research areas in the literature underlying our OCCI model and the many external/internal and instrumental/relational factors on which OCCI depends.

#### The OCCI Model:

- The OCCI model has cognitive (e.g. ability/blinders of recognizing or “seeing” new ideas), normative (e.g. “not invented here”) and political (e.g. organizational power) dimensions; OCCI sub-processes depend on the particular characteristics of these organizational dimensions how do these dimensions differ in SSOs from different geographical and cultural contexts?

- Since OCCI is positively and negatively impacted by internal and external factors, do we find robust patterns of factors across different contexts and/or different types of needs addressed?
- Does the OCCI process differ or is it responsive to different factors in already innovative organizations, i.e. those who need to sustain innovation capacity, versus organizations that have no history of innovation, i.e. need to build innovation capacity? (Inspired by Dougherty and Hardy, AMJ 1998)
- Which of the barriers to OCCI (see last chapter on “pathologies”) are most relevant to particular types of SSOs or SSOs operating in particular contexts?
- Scholars point out that we need to move from rich stories to causal models if we want to make progress; thus, what are the causal assumptions that SSOs or those evaluating and studying them make for explaining success or failure? How do SSOs learn from failure or learn from success?

External relational perspective:

- How do SSOs shape institutional environments to enhance their OCCI?
- How can we design funder-SSO relations that integrate the requirements for exploitative and predictive program implementations without stifling uncertain explorative activities?
- What are the characteristics of cluster strategies i.e. close local collaborations of SSOs around a shared business model, on OCCI particularly in hostile or immature institutional environments?
- Adoption of new ideas or innovations by organizations depends on innovation characteristics such as perceived relative advantage, complexity, trialability; which specific bundles of innovation characteristics promote adoption in SSOs?
- How does information about innovations flow in the social sector and how does this relate to observable adoption of innovation dynamics?



- What relevant insights do diffusion theory and social marketing developed in the for-profit and SSO sectors offer to the concept of OCCI?
- What is the link between collaboration and building OCCI: do collaborations produce more and better ideas? Are collaborations better at communicating and evaluating the adoption of new ideas and or/external innovations? Can collaborative efforts better manage the risk associated with experimentation of new ideas or innovations? Can collaborative efforts overcome organizational resistance to formalization and routinization of new practices or new product/service models?

#### External instrumental perspective:

- What is the role of user-driven innovation for OCCI and what organizational competencies would support and enable user-driven innovation on a sustained basis?
- Absorbing innovations means bringing an external innovation into an organization to give rise to a new set of activities without the need to recreate the whole innovation cycle that generated the innovation. But case studies have indicated a need for “re-invention”-based innovation, i.e. using an external innovation as a model but restarting a whole innovation cycle where the act of innovation and engaging communities in the process is as important as the products and services created (e.g. sometimes observed in building local microfinance capacity in a different geographic context). What is the role of and what are the characteristics of organizational capacities for continuous re-invention (OCCRI)?

#### Internal relational perspective:

- What are the differences in leadership styles amongst SSOs in different cultural and geographic contexts and what is the impact of these leadership styles on innovation capacity?
- How does the commercial turn in SSOs impact the types and extent of innovations?

- How can risk be conceptualized for SSOs and how do risk characteristics of stakeholders relate to organizational capacity for innovation?
- What are the structures of power in nonprofit organizations across different contexts and how do they relate to innovation capacity?

Internal instrumental perspective:

- What are the factors that prevent or drive creativity, i.e. the generation of novel and useful ideas, a crucial antecedent to entrepreneurship and innovation, in SSOs from different geographic and cultural contexts?
- What types of organizational designs (e.g. ambidextrous structures, hybrid structures etc.) do SSOs employ to promote OCCI and with which consequences?
- What are valid measures of absorptive capacity in the nonprofit sector?

Research approach:

Apart from the inherent complexity of innovation as an organizational phenomenon, scholars also point out that the way we study innovation stifles progress. They criticized innovation research as lacking creativity and innovativeness:

*Indeed, existing innovation research can be fundamentally criticized for its largely inaccurate portrayal of innovation in organizations as being static, snapshot, linear processes that display a discrete end-point of the innovation or innovativeness as measured by the researchers themselves. Despite others raising similar criticisms in the past [...] the march of applied studies treating innovation solely as an outcome variable has shown no sign of abating, even in the last 5 years.<sup>4</sup>*

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<sup>4</sup> Anderson et al. (2004) cited in Seelos and Mair (2012):

We therefore caution against naïve hopes for easy and quick answers to the question of how to build OCCI. Some of the recommendations for making innovation research more fruitful are summarized here:

- Treating innovation as a process, not primarily as an outcome
- Treating innovation as an independent variable and reflecting on multiple positive and negative “spin-off” outcomes during the process of innovating
- Studying innovation processes across multiple levels that integrate individual, group, and organizational cognitive and behavioral dimensions
- Reflecting on innovation over time and not as a static snapshot across populations of organizations or by focusing on single innovation events
- Reflecting on the differences in innovation processes, influencing factors, and outcomes across cultural and geographic dimensions

## 2. Priority themes from the workshop

The discussions during the NY workshop revealed a number of potential systemic “inadequacies” that may stifle progress on researching the topic of OCCI. While there may not be consensus about these inadequacies, we felt that sharing our views on them hopefully triggers clarifying discussions about the extent to which they matter and what to do about them. We have summarized some of these inadequacies in Table 1.

**Table 1. Inadequacies of our knowledge base on OCCI, their consequences, and comments that provide additional perspectives.**

Inadequacies	Consequences	Comments
Ambiguity around how we think about innovation and what language we use to capture elements of	Stifles progress because we often disagree or fail to find common ground that hides behind semantics	The workshop in NY indicated that this is counter-intuitively exacerbated by variance in the composition of

innovation	characterized by almost unlimited nuances	participants where the differences in perspectives within the group of academics was as high as that between academics and practitioners
	Makes it difficult to evaluate innovation performance	The literature reveals several anecdotes of funders inappropriately or inefficiently pushing innovation as a prerequisite for funding – which often creates unproductive “innovation discourses”
Ambiguity about what constitutes adequate levels of innovation (innovation as organizational process) and/or innovation performance (innovation outcomes)	Claims of too little innovation activity or innovation productivity in general and an uncritical push towards innovation as the holy grail of progress	Innovation may require an understanding of idiosyncratic organizational “rhythms” (of exploration vs exploitation) and also needs to be embedded in an understanding of other organizational efforts that may have equal legitimacy such as slow step by step progress (continuous improvement versus organizational innovation)
The literature displays a strong bias towards positive innovation lenses, i.e. to unearth innovation success factors and to present them in a quasi-recipe format; how to push innovation; how to get it done, etc.	We don’t focus enough on the identification of particular constellations of organizational pathologies that stifle or derail innovation and require targeted interventions. Research has identified a long list of organizational pathologies along innovation processes but we don’t have any	It is an important empirical observation that organizations migrate towards an efficiency focus and tend to undersupply innovation over time; and some organizations innovate but tend to get it wrong which may generate bad outcomes for themselves and/or their stakeholders.

	general theory that links constellations of pathologies to particular innovation capacities and outcomes	
Rich stories about social innovation and social innovators are dominating an increasingly impatient development sector	The prevailing rational is that we could replicate successful organizations and learn from successful leaders as a shortcut to progress	We suffer from an insufficient capacity or willingness to adequately explain success and/or failure and understand the limits to knowledge of informing action. Moving from rich stories to causal models that have explanatory power requires dedication and hard work and creative approaches to methods and collaborative research practices.

During the NY workshop, a number of potential research topics were generated by the 3 teams. We provide the full list (after removing redundancies and question that perhaps were less relevant for OCCI) in Annex 2. Here we only list those research topics that were ranked as high potential, i.e. they were coded 3 (high) on the “usefulness” dimension and were coded 1 (low) in the “existing knowledge” dimension. To these topics that were thus coded 3/1 we also added topics that were coded as 2/1 (moderately useful but low levels of existing knowledge) and 3/2 (very useful and only moderate levels of existing knowledge).

OCCI Process:

- How can NPOs overcome broken feedback loops between innovation outcomes and organizational innovation processes?
- How can NPOs fail smartly, systematically, and transparently as an element of an efficient OCCI?

- How do we enable OCCI when there are long time lags between the innovation (cause) and impact (effect)?
- How do “green field” vs. “brown field” approaches influence innovation processes?

#### Motives, Incentives, Measures:

- What are the incentives/disincentives for sharing of learning from failure?
- Who reaps the benefits of innovations in the social sector, the innovator or the “second movers”?
- What is the effect of a focus on outcomes and measurement on generating innovation?
  - How does it affect exploration, how does it affect exploitation?
  - What are measurement approaches that enable rather than stifle innovation?
- What would be adequate measures of assessing innovation productivity in SSOs?
- What are the effects of funding mechanisms and metrics used by funders on OCCI and where does innovation sit in the funding life-cycle: does funding drive innovation or does innovation drive funding?

#### Organizational Structure and Culture:

- How is structural innovation in organizations linked to OCCI, e.g. conversion of For Profit (FP) to Not for Profit (NPO); coexistence of FP and NPO elements in organizations; Mergers and Acquisitions (M &A)?
- How can an innovation culture that values risk, de-stigmatizes failure and encourages adoption of innovation be instilled in organizations?
- What are the opportunity costs hanging on too long to innovations that do not work?
- How to enhance status and pride when adopting innovation generated by others?

- What is the effect of SSO professionalization such as best practice training and other efforts on OCCI? What would be adequate measures of assessing innovation productivity in SSOs?

#### Ecosystem Perspectives:

- Who are the different ecosystem actors affecting OCCI, what are their resources/capabilities and what roles do they assume?
- Are there contingencies with respect to sector and geographies that affect dynamics in such systems?
- How can we think and identify coordinating mechanism at the system level?
- How do we assess success at the system level (what could be a meaningful “dependent variable” for research)?

#### Innovation Trajectories

- What is the role of intermediaries?
- What ties are forged, with whom and when? What role do these networks play?
- What types of resources are relevant to shape innovation? How are these resources gathered?
- Are SSO innovation trajectories different from trajectories of traditional business companies? If yes, how so?
- Can we derive distinct capability/skill sets from this comparison to define more clearly what is needed in the social sector? How are competencies and capabilities related to continuous innovation developed over time?

#### Outcomes and Impact:

- How is failure understood by organizational members and their stakeholders and what is the nature and impact of failure as an organizational discourse?
- What are the (opportunity-) costs to organizations and their larger context of not learning?

- When is it better not to innovate and rather exploit current activity streams?

Methodological Aspects:

- How can we improve experimental designs for studying effects of interventions on OCCI?
- What and how can we learn from organizational cases of effective scaling?

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**Annex 1. List of experts that participated in the NY workshop (in alphabetical order by first name)**

Alnoor Ebrahim, Harvard Business School

Amira Ibrahim, Rockefeller Foundation

Andy Hargadon, Graduate School of Management at University of California, Davis

Brian Trelstad, Acumen Fund

Chris West, Shell Foundation

Christian Seelos, Stanford PACS

Claudia Juech, Rockefeller Foundation

Evan Michelson, Rockefeller Foundation

Heloise Emdon, International Development Research Centre (IDRC)

Johanna Mair, Stanford PACS

John Gaventa, Institute of Development Studies (IDS)

Juree Vichit-Vadkan, School of Public Administration, National Institute of Development Administration, Thailand

Kim Meredith, Stanford PACS

Kippy Joseph, Rockefeller Foundation

Maria May, BRAC

Peter Frumkin, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin

Peter Uvin, Fletcher School of Law and Diplomacy at Tufts University

Zia Khan, Rockefeller Foundation

## **Annex 2. List of themes and potential research topics generated in the NY workshop**

1. How effective are NP funding modalities for driving innovation?
2. Methodology: experimental designs for studying effects of interventions on OCCI
3. How can NPOs overcome broken feedback loops between innovation outcomes and organizational innovation processes?
4. How can NPOs fail smartly, systematically, and transparently as an element of an efficient OCCI?
  - What are the incentives/disincentives for sharing of learning from failure?
  - How is failure understood by organizational members and their stakeholders and what is the nature and impact of failure as an organizational discourse?
5. What are the drivers for partnering and collaboration for building OCCI, why do some organizations collaborate and others do not?
6. What are the characteristics, dynamics, and consequences of coordination strategies amongst funders to drive OCCI?
7. How do new and innovative ideas get disseminated?
8. What are the incentives for sharing innovations productively?
9. What are the (opportunity-) costs to organizations and their larger context of not learning?
10. When is it better not to innovate and rather exploit current activity streams?
11. What do we know about NPOs with a track record of product-rather than process-innovations?
12. What are smart distribution mechanisms and channels for product innovations?
13. What is the potential of product innovations to drive social change?
14. How do we enable OCCI when there are long time lags between the innovation (cause) and impact (effect)?
15. Who reaps the benefits of innovations, the innovator or the “second movers”?
16. How is structural innovation in organizations linked to OCCI, e.g. conversion of FP to NFP ; coexistence of FP and NFP elements in organizations; M&As?

17. What can we learn from organizational cases of effective scaling?
18. Investigate (eco)systems of social innovation to better understand
  - Who are the different actors, what are their capabilities and what are the role do they assume?
  - Are there contingencies with respect to sector and geographies? that affect dynamics in such systems?
  - How can we think and identify coordinating mechanism at the system level?
  - How do we assess success at the system level (what could be a meaningful “dependent variable” for research)
19. Pathways of social innovation – compare innovation trajectories
  - What is the role of intermediaries?
  - How are competencies and capabilities related to continuous innovation developed along the way?
  - What types of networks are at play and what role do they play?
  - What types of resources are relevant to shape innovation?
  - Are SSO innovation trajectories different from Traditional business companies? If yes, how so?
  - Can we derive distinct capability/skill sets from this comparison to define more clearly what is needed in the social sector?
20. How do funders drive and/or hinder innovation of SSO’s?
21. What is the role of [charismatic] leaders in shaping innovation paths of SSO’s? (e.g. by providing legitimacy)
22. What is the effect of a focus on outcomes and measurement on generating innovation?
  - How does it affect exploration
  - How does it affect exploitation?
  - What are measurement approaches that enable rather than stifle innovation?
23. Examine the relation between power - innovation – systemic change
  - How and under what conditions do social innovations challenge power relations?
24. Interface with government: allies or competitors?
  - How does political cooptation divert SSO’s from their original mission?
  - Is there a right moment and a right place for government to come in and e.g. takeover in order to scale the initiative and its impact?
25. Creating an innovation culture that values risk, de-stigmatizes failure and encourages adoption of innovation
  - How can such a climate and atmosphere be instilled?
  - What are the opportunity costs of NOT killing innovation?

- How to enhance status and pride when adopting innovation generated by others?
26. What are the effects of funding mechanisms and metrics used by funders on OCCI and where does innovation sit in the funding life-cycle: does funding drive innovation or does innovation drive funding?
  27. What are the characteristics of life cycles of SSOs that are the result of one “big” innovation?
  28. How do leaders in SSOs establish networks of funders and clients and what is the impact of the network characteristics on OCCI?
  29. What is the effect of SSO professionalization such as best practice training and other efforts on OCCI?
  30. Does the “locus” of innovation change during the life-cycle of the organization?
  31. What are the main personality traits of SSO leaders that generate innovative practices?
  32. What would be adequate measures of assessing innovation productivity in SSOs?
  33. How does “green field” vs “brown field” influence innovation processes?