Stanford SOCIAL INNOVATION REVIEW

Innovation Is Not the Holy Grail

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Stanford Social Innovation Review
Fall 2012

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It is time to move from innovation as an ideology to innovation as a process.

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Illustration by Daniel Haskett

Every year, hundreds of new innovation books are published with well-meaning and intriguing recommendations for managers and organizations. They tout such innovation success factors as a risk-taking culture, inspired leadership, and openness to outside ideas. An increasingly impatient social sector sees innovation as the holy grail of progress. This impatience stems in part from the perception that decades of traditional global development efforts are lost years, with billions of dollars spent and too little to show for them. The scale of poverty-related challenges and the growing levels of global inequality drive a sense of urgency and a frustration with old development recipes. These challenges—this crisis, if you will—have legitimized a collective quest for new solutions—innovations!

With the focus on innovation has come a tendency to adopt the language of markets and business, such as social ventures, hybrid business models, and impact investing. But while the innovation language has been adopted, the existing organizational and managerial knowledge base on innovation has remained largely unengaged. Applied studies tend to treat innovation primarily as an outcome and therefore imply that social innovation occurs when desired outcomes such as positive social change can be observed. Meanwhile, organizations that are the main locus of innovation activities are mostly treated as a black box and we know little about how social innovation develops within these organizations.

Moreover, although much social innovation research has explored the entrepreneurial establishment of new social organizations, much less is known about the ability of already established organizations to innovate continuously. This is an important white space—because significant funds have become available for innovation, but the ability of smaller, younger organizations to absorb large funds is limited. Generating impact also depends on the ability of organizations to operate and innovate at the scale of the underlying social problems. The capacity of established organizations to keep innovating, therefore, is central to understanding the link between innovation and social progress.

In a recent project with the Rockefeller Foundation,[1] we explored what enables organizational capacity for continuous innovation in established social sector organizations that operate at an efficient scale delivering products and services. We undertook a literature review of the mainstream organizational and management literature on this topic, and we were amazed by both the magnitude of this research

stream and the insights we gained. First, we found that both long-term evidence from studies of social sector organizations and recent empirical evidence challenge the mantra that *more innovation is better*. Second, we found that many of the assumptions about innovations in the social sector may be misleading. And third, we discovered that pushing innovation can stifle progress just as much as it can enable it.

No Easy Answers from Innovation Research

Thousands of scholarly and practitioner papers were published on innovation in the last two decades alone. Although our knowledge of many organizational and contextual aspects of innovation has grown tremendously, meta-reviews synthesizing innovation studies consistently lament the fragmented nature of innovation research. "The most consistent theme found in the organizational innovation literature is that its research results have been inconsistent," stated one researcher, and it is "low in explanatory power and thus offers little guidance to practitioners."[2] This does not mean that the literature is irrelevant. Rather, it means that we need to question how we use this knowledge to inform practice. Easy recipes in the form of "three steps to better innovation," often at the core of popular innovation books, are not justified, no matter how tempting they may be or how plausible they may sound. Innovation is a complex process and depends on the unique constellation of many organizational and external factors in a particular context. Serious engagement with existing organizational theories and knowledge requires that we deal with innovation in all its complexity, and case by case. Likewise, understanding or promoting innovation in organizations should force us to reflect not only on the potential factors that might make innovation work, but also on the many negative organizational and contextual factors that prevent innovation or the realization of its expected outcomes.

From our in-depth review of the literature, we became concerned that widely held assumptions about social innovation are not grounded in established theoretical perspectives and may be misleading. We believe three oversights contribute to a tendency to concurrently overrate and undervalue innovation and to downplay the difficulties of enabling innovation in social sector organizations.

First, innovation is often perceived as a development shortcut; thus innovation becomes overrated. The tremendous value that is created by incremental improvements of the core, routine activities of social sector organizations gets sidelined. Therefore pushing innovation at the expense of strengthening more routine activities may actually destroy rather than create value.

Second, innovation in social sector organizations often has little external impact to show when it is enacted in unpredictable environments. Even proven innovations often fail when transferred to a different context. Yet the cumulative learning from failures may be tremendously valuable in understanding how a particular context ticks. This potentially builds and strengthens an organization's capacity for productive innovation over time. In other words, if we evaluate innovation primarily by its outcome in the form of external impact, we may undervalue the positive internal organizational impact that comes from learning from failed innovation.

Third, the hoped-for success factors for innovation that researchers and consultants have identified ignore the power of negative organizational factors, such as bad leadership, dysfunctional teams, and overambitious production goals.

These pathologies can make the implementation of innovations nearly impossible. Consequently, a naive trust in innovation success factors leads to underappreciating the difficulties of making organizations more innovative, and it may generate innovation failures by pushing the wrong factors.

Overrating the Value of Innovation

Everyone talks about rock these days; the problem is they forget about the roll. —Keith Richards

Most of the value that established social sector organizations create comes from their core, routine activities perfected over time. Efficiently producing and providing standard products and services creates tremendous value, particularly in places with widespread poverty. Demand for the basics of life is high, and markets where organizations compete to serve the poor are often inefficient or nonexistent. For organizations that have found a working model in a particular context, efforts toward predictable, incremental improvements—exploiting what an organization knows how to do well, rather than developing innovations, exploring new activities, or creating new knowledge—may generate superior outcomes over time.

The Aravind Eye Care Hospital provides a vivid illustration to support this claim.[3] Since its founding in 1976 as an 11-bed hospital in Madurai, India, Aravind has pursued its mission to eradicate needless blindness, centering on one chief intervention: cataract surgery. Aravind resisted temptations to scale up to a full-service ophthalmologic hospital, although other ophthalmologic problems are widespread in India. Instead, it focused on improving its specialization and keeping it cost-efficient. Today Aravind runs six Indian hospitals that perform more than 300,000 eye surgeries annually, fighting preventable blindness at the same scale at which it occurs in India.

Aravind's road to becoming the world largest eye hospital was marked by a disciplined approach to developing a system based on routines, improving practices continuously, and investing profits to build additional capacity. The dedication to standardization, the provision of real-time performance measures, and the focus on incremental improvements has driven operational productivity. Aravind uses "eye camps" for fast and efficient scanning of potential rural patients, transporting groups of patients needing surgical procedures to the main hospital and then back to their villages.

Strict task specialization at every level of the organizational hierarchy—reminiscent of Adam Smith's pin factory—enables steep learning curves and focused skill development. A doctor at Aravind performs more than 2,000 surgeries per year compared to an average of about 200 in Indian hospitals. This productivity is based on deep competencies, which result in cost savings that enable treating

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two-thirds of the poorest patients free. Yet Aravind still earns sufficient income to enable expansion. Aravind's high productivity is also based on careful evaluation of practices, enabling incremental improvements over long periods of time. Further, the strength of Aravind's organizational culture has grown with its productivity successes.

What motivates eye doctors, a scarce resource in India, as well as nurses and other employees to work in this environment are the unique learning opportunities, the unmatched levels of surgical productivity, and Aravind's proven and reliable ability to help the poor. Routines and competencies constantly push the frontier of Aravind's best practices. Meticulous screening of what does and does not work allows for small adaptations of routines and practices, which rapidly spread across the six hospitals. The hospitals are perfect replicas of the original Aravind hospital, which enables sharing best practices by eliminating variation in organizational context.

Yet Aravind has had losses as well as wins. To quickly grow the number of cataract surgeries and to meet the ambitious goal of reaching 1 million eye surgeries per year by 2015, Aravind in 2005 started to experiment with new organizational models that forged partnerships with existing or new hospitals that agreed to use Aravind's best practices. Despite an intense training and monitoring period involving experienced Aravind doctors, this "Managed Care" program was stopped after five years. The routines developed at and continuously improved upon and nurtured by Aravind could not be transferred fully to partner hospitals because of differing organizational contexts.

Aravind's example underscores that relentless attention to incremental improvements lies at the core of an organization's ability to build capacity and to make an impact on a scale appropriate to the social problem being addressed. Unpredictable innovation activities always compete with predictable core routines for scarce organizational resources, such as staff time and money. There needs to be a healthy balance between the allocation of resources among core activities, which enable predictable improvements and innovations, and the allocation of resources that lead to unpredictable results.

The example of Aravind also underscores that many poverty-related and persistent problems may not need innovative solutions but rather require committed long-term engagement that enables steady and less risky progress. In environments of widespread poverty where innovation is not triggered by changes in customer wants, new technological advances, or harsh competition, progress and impact may come more from dedication and routine work. Unfortunately, dedication and routine work do not have the sexiness factor of innovation.

Oddly, it is often the scarcity of organizational resources in established social sector organizations that legitimizes the argument for more innovation. But this argument is based on a wrong and dangerous assumption that innovation creates more bang for the buck and constitutes a development shortcut, solving big problems faster. In addition, social progress often depends on changing ways of organizing and the norms, habits, and beliefs of people. For example, social progress is difficult unless the roles and rights of women in rural communities change and values such as accountability, responsibility, and long-term commitment are institutionalized. This requires patience, direct engagement with the poor, and dedication that challenges organizations to remain motivated and focused.

We claim that the prevailing innovation discourse may push organizations toward adopting innovative practices, when actually more incremental developmental practices would produce more value over time.

Undervaluing Failed Innovation

The best way to understand a complex system is by interfering with it. —William Starbuck

The outcomes of innovative actions in a complex social world are inherently unpredictable. Even in business organizations that operate in established and predictable institutional environments where success is evaluated primarily by achieving quantifiable economic objectives, innovation often fails. Social sector organizations that tackle the challenges of poverty typically operate in uncertain and often hostile institutional environments. And they usually balance multiple economic and social objectives. As a result, the positive and negative outcomes of innovation are even harder to predict and evaluate. Productive social innovation thus relies heavily on trial and error and organizational learning. And despite high error rates and little positive impact long term, innovation as experimentation is often an essential prerequisite to continuous social innovation.

The history of Gram Vikas, an Indian nonprofit and world leader in water and sanitation, is a great example of innovation from failure. In 1971, a group of Indian students organized the Young Students' Movement for Development (YSMD) and moved to the state of Orissa to serve victims of a devastating cyclone and to promote equality and inclusive development. The student-activists' first attempt at innovation was to use lift irrigation systems to help local farmers pump water from the rivers of the Orissa delta region, so that they could grow more than one crop per year. The richer landowners of the region at first agreed to donate land to jump-start the student project. But once they saw the increased yields and potential profits that resulted from the irrigation system, they took back the land. Gram Vikas (which was known as YSMD until 1979) failed to achieve its goal of creating collective village landholdings and thus ensuring a basic livelihood for poor farmers in Orissa. Yet this failed instance of innovation was critical for the young organization's understanding of local power structures and poverty.

Indeed, the irrigation failure informed its next experiment: the introduction of cow tending and dairy production to extremely poor and marginalized communities. In 1976, Gram Vikas joined a nationwide effort to develop a network of small-scale dairies that would form cooperatives and help producers retain more profits from their efforts. The dairy grid was seen as a chief development instrument in rural areas over the next decades. But after only one year, Gram Vikas realized that dairying was not going to work. "It did not take long to realize that dairying was neither feasible nor what was needed urgently for the people of the area," said Joe Madiath, founder of Gram Vikas, in a 2005 interview. "There was no infrastructure or any kind of veterinary support. ... We [also] felt that we were more concerned about the animals, the repayment of the loan, the sale of milk, etc., than about the people and their acceptance of a new way of keeping cows. We perhaps overmanaged the scheme for the people,

with the result that they never really got sufficiently involved, and soon most of them opted to sell the cows."

Although Gram Vikas decided to abandon the intervention, the process of experimenting in remote villages and being exposed to the customs and realities of *adivasis* (tribal villagers) surfaced a chief reason for the villagers' poor health and poverty: lack of sanitation. With financial support from international development organizations such as the Swiss Development Agency, Gram Vikas's Rural Health and Environment Programme was launched in the early 1990s. Systematic learning from a series of earlier development interventions, such as building biogas plants in remote villages, allowed Gram Vikas to build the capabilities and outreach needed to implement health-related initiatives at a large scale. Today Gram Vikas brings water and sanitation to more than 1,000 villages and 66,000 families in Orissa. Its programs help empower communities to construct, manage, and maintain their own sanitation facilities as well as to launch development initiatives that improve community health and quality of life.

The story of Gram Vikas shows that innovation as experimentation can be a major mechanism for progress. Although the error rate of this type of innovation is high, experimentation that leads to innovation failures can slowly improve an organization's understanding of how a particular environment ticks. Experimentation can enable social sector organizations to find ways to remove or work around hurdles and to create slow but continuous and crucial progress. Although productive innovation does not always translate into desired outcomes or impact, systematic learning and building of a knowledge base about what works and what does not constitutes an important indicator for an organization's capacity to innovate.

We claim that evaluating the innovation performance of organizations primarily based on positive outcomes may stifle the risky experimentation necessary for progress in difficult and unpredictable environments.

SIX Recommendations for Productive Innovation in Social Sector Organizations

1. Treat innovation primarily as a process, not as an outcome.
2. Treat innovation as an independent variable, and reflect on multiple positive and negative outcomes during the innovation process.
3. Recognize that innovation processes integrate different organizational and external factors.
4. Understand the prevailing cognitive, normative, and political dimensions within organizations to determine how they might enable or stifle innovation.
5. Capture insights from successful and unsuccessful innovations in organizations over time.
6. Reflect on the differences in innovation processes, influencing factors, and outcomes across different cultures and geographies rather than on general innovation factors.

Underappreciating the Difficulty of Innovation

A very high percentage of nonprofit and government innovation occurs against the odds, brought forth in organizations that are hostile to change. —Paul Light

The focus on outcomes and impact in the social innovation literature implies that the organizational side of social innovation is trivial and can be enacted by just *doing the right things*. The impatience with making fast progress has fueled a hunt for the critical success factors that can drive more innovation in organizations. Yet from our literature review, this perspective has serious flaws. Hundreds of factors within and external to organizations have been identified that directly or indirectly affect the characteristics and dynamics of innovation. Productive innovation therefore depends on the constellation of a large number of enabling organizational and contextual factors. But even a single negative factor, such as a shortsighted leader or a culture that is hostile to change, may prevent innovation.

The consequences of negative factors often fall into two main realms. First, in some organizations too many bad ideas are pursued, and this is coupled with an inability to learn from or act on the resulting failures; then, when little value is created, collective cynicism lowers the chance that future ideas will be enacted with sufficient support, motivation, and commitment. Second, in some organizations, too few good ideas get developed into innovative new activities, new operating and management processes, or new products and services; ambitions and expectations are reduced and creative ways are devised to justify the status quo.

There is no shortage of anecdotal evidence of this problem. We all have lamented the lack of new ideas and innovation in bureaucracies on both the funding and project implementation sides. And we have bemoaned the failed doctrines of traditional development organizations, driven by a belief that progress comes from following recipes developed in the Western world and involving large-scale financial and technical support from consultants and project managers who lack local commitment or have limited understanding of local contexts.

A more recent example of this problem may be several CEOs' fascination with Muhammad Yunus, founder of Grameen Bank and winner of the 2006 Nobel Peace Prize. Yunus acknowledges that his idea to use the efficiency of multinational corporations to eliminate poverty faster has appealed to many people in the corporate sector. Since 2007, companies such as Danone, Veolia, Intel, Adidas, and BASF have embraced this idea and marched into Bangladesh to build innovative new "social businesses." Unfortunately, the CEOs involved have largely failed to explain the rationales for these innovations and to communicate concrete expectations for their companies or for social progress in Bangladesh.

Yunus recounted in 2007 how the Grameen-Danone partnership developed. "The idea of the company," he wrote on his website, "was born over just a casual lunch I had with Franck Riboud, chairman and CEO of Groupe Danone, a large French corporation, a world leader in dairy products. It took just that time for me to convince him that an investment in a social business is a worthwhile thing for Danone shareholders. Even though it will not give any personal dividend to them, he agreed to the proposition even before I fully explained it to him."[4]

Is it that successful Western companies and their CEOs suffer from excessive organizational optimism—a feeling that their advanced competencies ought to be valuable in dealing with widespread poverty? Yet if organizations strategize this way, bad innovation decisions are usually the consequence. We and other researchers[5] find it questionable whether productive innovation can be expected when CEO decisions trump a thorough and realistic analysis of the complexities, challenges, and time scales involved in doing "business with the poor."

Organizational research has unearthed a large number of cognitive, normative, and political factors that can stifle innovation or derail innovation processes.[6] We therefore are frustrated that pushing innovation based on simple recipes and success factors is still the prevailing dogma of organizational leaders, consultancies, and prescriptive research papers. It reminds us of the frantic hunt for the next miracle diet guaranteeing weight loss in seven days. We strongly believe that unless leaders engage in an honest and critical diagnosis and evaluation of negative organizational factors and innovation hurdles, the well-meaning recommendations provided by the innovation literature may not have much impact.

We claim that pushing innovation success factors while disregarding prevailing organizational hurdles may create negative outcomes and stifle innovation performance.

Implications for Social Innovation

The focus on positive outcomes that legitimize innovation for social sector organizations has generated a bewildering and confusing set of descriptions of what innovation is and how to achieve it. These descriptions and prescriptions stifle progress, because knowledge fails to accumulate and the assumptions underlying terms such as *social innovation* are questionable.

It is time to move from innovation as an ideology to innovation as a process—a transition that might be less glamorous but will be more productive. From studying existing research on organizational innovation and from our own research on the subject, we have distilled six recommendations for productive innovation in social sector organizations:

1. *Treat innovation as a process, not primarily as an outcome.* Efforts to explicitly link the characteristics and dynamics of organizational innovation to its consequences provide valuable evidence for decision making and enable organizations to identify areas for productive support as well as to fine-tune interventions and resource provision strategies.

2. *Treat innovation as an independent variable, and reflect on multiple positive and negative outcomes during the innovation process.* The focus on innovation within organizations enables an accurate assessment of the internal and external dimension of value created by innovation activities.

3. *Recognize that innovation processes integrate different organizational and external factors.* These factors include individuals (e.g., idea creation), groups (e.g., idea evaluation), organizations (e.g., resource allocation and formalization of new activities), and contexts (e.g., external power structures or collaboration partners). Evaluating innovation requires consideration of several levels of analysis concurrently.

4. *Understand the prevailing cognitive, normative, and political dimensions within organizations to determine how they might enable or stifle innovation.* This could allow younger organizations to better monitor and suppress emerging negative innovation factors and increase their learning and innovation capacity. And it could allow more mature organizations to develop more focused organizational redesigns, to rejuvenate processes, and to legitimize tough but necessary decisions.

5. *Capture insights from successful and unsuccessful innovations in organizations over time.* This approach to social innovation trumps prevailing approaches that generalize innovation factors based on static snapshots across organizations or based on single observations of innovation events. It also tests for the presence or absence of an important enabler of innovation: organizational learning.

6. *Reflect on the differences in innovation processes, influencing factors, and outcomes across different cultures and geographies rather than on general innovation factors.* We know very little about such innovation-related factors as creativity, idea evaluation, and learning in organizations as they apply to non-Western settings.

These recommendations should enable social sector organizations, their stakeholders, and researchers to develop analytical models and tools to unearth negative factors that prevent productive innovation. Similarly, funders who carefully think through the implications outlined in this article may find ways to escape over-supporting fashionable innovation initiatives and under-supporting promising but difficult innovation efforts, particularly those in complex environments where formulas for social progress have not yet been found.

Finally, our process approach to social innovation is an attempt to swing the pendulum back from the supply side of social innovation to the demand side of social innovation. Glorifying innovation as "the" solution to social and environmental needs and problems has led to well-intended efforts to increase the population of social innovators and entrepreneurs. This certainly has its merits, but it has come with a detriment to investments in established social sector organizations that operate at scale and that create value mainly through incremental improvements. Our hope is that an increased emphasis on innovation as a process will help avoid bad social sector investments and thwart unproductive debates about quick fixes to entrenched social problems. ■

The authors wish to thank the Rockefeller Foundation for financial support of our research on innovation, and the Stanford Center on Philanthropy and Civil Society for hosting our work.

Notes

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