



In Search of Breakthrough (or Incremental?) Social Innovation

by Jon Pratt

By focusing on high-impact, results-oriented nonprofits, we will ensure that government dollars are spent in a way that is effective, accountable, and worthy of public trust.

—FIRST LADY MICHELLE OBAMA ON
THE SOCIAL INNOVATION FUND

The Social Innovation Fund calls on the private sector to join forces with government to invest in social problem-solving initiatives.

IN MID-2009, THE OBAMA ADMINISTRATION announced the launch of the Social Innovation Fund, which called on the private sector to join forces with government to invest in social problem-solving initiatives. The proposal allocated \$50 million to these efforts.

Now, a year later, the Social Innovation Fund's call for proposals has closed. These "socially innovative" initiatives will receive federal funds to address three priority areas:

- **Economic opportunity.** Increasing economic opportunities for economically disadvantaged individuals;
- **Youth development and school support.** Preparing America's youth for success in school, active citizenship, productive work, and healthy and safe lives; and

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- **Healthy futures.** Promoting healthy lifestyles and reducing the risk factors that can lead to illness.

The Social Innovation Fund faces clear obstacles in terms of scale and sustainability. The prospect of influencing three different fields with \$50 million for a population of 300 million could create an expectation gap. But the biggest challenge is not the elusive definition of *social innovation* (which is itself a problem). The chief challenge is how to prevent these innovations from becoming short-term, novel projects that attract attention and then fade away. While the fund purports to foster innovation, a short-term infusion of dollars may not support lasting results.

Clearly, being innovative is a desirable trait. And the designation—even indirectly by the White House—of innovation could have major fundraising and publicity benefits for grantees.

So what is *social innovation*? According to the Corporation for National and Community Service's Notice of Funds, *social innovation* is defined as the following:

The development of a potentially transformative practice or approach to meeting critical social challenges. An approach is "transformative" if it not only produces strong impact, but also 1) has the potential to affect how the same challenge is addressed in other communities, 2) addresses more than one critical social challenge concurrently, or 3) produces significant cost savings through efficiency gains.

Left out of this official definition is any mention of political conflict, despite our own national experience over the last 100 years, which has shown that implementing substantial social innovations has been very contentious, with changes facing opposition and public protest, frequently requiring legislation and litigation.

The Roots of Social Innovation

There is no question that huge shifts in the United States' response to society's changing needs have their roots in social innovation. Consider these examples:

- **Institutionalization of those with developmental disabilities.** There was a movement

from large, impersonal, state-run institutions for people with developmental disabilities to community-based group homes and centers for independent living. This shift was not simple; and the change was supported by family members, the Arc of the United States (formerly the Association of Retarded Citizens of the United States) organizations, and mental-health professionals but resisted by legislatures and public employees as well as through government inertia.

- **Domestic violence.** A network of domestic violence shelters that gave options to families suffering from abuse was created. The reform struggled against attacks that shelters undermined family relationships and promoted a feminist agenda. In fact the true innovation was not shelters but the elimination of the social acceptability of violence within family structures.
- **Charter schools.** A new K–12 choice of decentralized chartered schools was developed. It faced deep concern among teachers unions and school boards over the diversion of funds from public schools and the blurring of the public–private school distinction.
- **Abortion.** Legal alternatives to pregnancy became available, including birth control and safe abortion services, which triggered a religious and political battle.

Each of these social innovations began as pioneering efforts around the country, often supported by individual contributions and foundation grants before public funding became available. Students of social innovation may benefit from considering the role of resources that were committed early on, as in 1916 for Margaret Sanger's first birth-control clinic in Brooklyn; the start of the National Association of Parents and Friends of Mentally Retarded Children in 1950; the 1964 founding of Haven House in Pasadena, California; and the 1991 support base that passed the first charter school law in Minnesota. These small starts began a process of demonstrating, experimenting, and finally promoting and advocating resources and replication.

The concept of social innovation implies that there are standard ways of doing things and new

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possibilities: the old and the new. The new language of social innovation adopts positive business terms and perspective *energized by an entrepreneurial spirit that captures efficiency through economies of scale and uses smart management that is accountable through rigorous measurement of results.*

The current conversation about social innovation presents a positive, hopeful belief in evidence-based change that occurs by common agreement with broad public acceptance of an obvious improvement—not unlike the replacement of floppy disks by flash drives. Happily, flash drives were quickly recognized as more convenient, sturdier, cheaper, and with fewer moving parts (and no one publicly opposed it or got hurt by the change).

The mighty little flash drive demonstrated that innovation could be an immediately recognized clear improvement: simpler, cheaper, and just plain better. But for social innovations such as those described above, each was accompanied by resistance from sectors and institutions that felt threatened, undermined, or destabilized by the innovation.

Reconciling Conflict with Social Progress

Clearly, the landscape of social progress is more complicated than that of flash drives. No doubt the administrators of the Social Innovation Fund want to keep the debate free of the bitterly partisan wrangling in Washington, as the rancor over health care and debates over social and economic issues demonstrate. Perhaps by adopting business terminology, the phrase *social innovation* seems like a kinder, gentler, less political version of adaptation than is *social change*.

Lobbying, regulation, public funding, lawsuits, and court orders have been an important factor in establishing 14,000 group homes for people with developmental disabilities, 1,980 domestic-violence programs, more than 3,000 charter schools and 1,787 providers of legal abortion.

These four examples reflect the broad diversity of social innovation. There is no consensus on a single, straight path of social progress, and social innovation cannot be based primarily on financial efficiency.

It is important to concede that social innovation does not always go in the direction its promoters expect. Prohibition created more problems than it solved, and the No Child Left Behind Act has been accused of the same, however well-intentioned these efforts may have been. While de-institutionalization of those with developmental disabilities was a clear improvement, closing mental-health institutions was not followed with adequate support and housing for those with severe mental illness. Today, this lack of support has contributed to homelessness and imprisonment of the mentally ill. When changes are made that affect a larger system, unintended consequences and systemic repositioning always follow, so no single “innovation” can be a panacea.

Is Social Innovation Sustainable?

The public recognition generated by a high-profile competition—such as *American Idol*—can jump-start a career or expand fundraising for a nonprofit. In the case of the Social Innovation Fund, the intention is that the competition for funds will allow the best innovations to rise to the top so that they can be supported, thoroughly demonstrated, and replicated. As with any new product, the assumption is that the marketplace will beat a path to the door of social innovation, mostly by abandoning less-effective products and re-dedicating the freed-up dollars.

A critical challenge for the Social Innovation Fund is these resource questions: After the Social Innovation grant to pioneer an innovation concludes, what will generate continued and expanded funding? Will Social Innovation Fund grants drive the market to these innovations for postfund support and sustainability?

There are five scenarios in which these innovations could carry on, and each involves risks and varying degrees of probability.

1. Displacement. New social innovation will free new money by displacing older, less-effective programs or low-performing organizations. Or these new efforts will convince other organizations to adopt the innovation using ongoing resources.

This method is based on a common but incorrect assumption: that the displaced funding is

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sufficiently condition free that it can be redirected to a new field or that it has the same purpose and beneficiaries as the old funding target (as in the case of charter schools, whose funds come from public-school budgets).

In this scenario, the thinking goes that smaller, less visible organizations will move aside so that their revenue can flow to new innovation or that organizations in a field will adopt the newly proven practices using existing funds (with the consent of their funding sources). The problem is that nonprofits receive such a small percentage of unrestricted funds to provide education, health care, and economic development to low-income populations. Less than 10 percent of the funds are unrestricted. Organizations that serve affluent populations are much more likely to have endowments, individual donations, and program-service fees that are unrestricted and easily shifted.

2. Program fees from private sources. In this scenario, the assumption is that social innovation will generate its own revenue by attracting fee-paying clients, tapping into the spirit of the related fields of social entrepreneurship and social enterprise.

But generating earned income is easier said than done, especially when clients are low income—unless they have dedicated funds, primarily from government sources. An underlying tenet of social enterprise is that business activities are available to generate funds for community services. But other than a few creative and rare examples, this is simply not a realistic prospect for the problems and populations the Social Innovation Fund seeks to address.

In 2006, U.S. nonprofits received \$649 billion in program fees from private sources, but the bulk went to hospitals, colleges and universities, and health clinics, with few fees dedicated to economic opportunity, at-risk youth development, and health promotion. So the likelihood that Social Innovation Fund innovations will generate reliable and robust earned-income revenue is slim.

3. Efficiency gains. As the Notice of Funds

Availability suggests, this scenario assumes that social innovation will make organizational operations more efficient and free up dollars to continue to support these innovations. In the case of youth development or school success—unlike the stamping out of flash drives—the personal nature of these activities limits the impact of technology and economies of scale—unless the strategy is to replace personal contact with interactive video. And in fact, higher education reports that online courses cost as much or more than classroom sessions.

Gaining these hoped-for efficiencies from management know-how (e.g., using sharper pencils as opposed to subject-matter expertise) are often tied to performance management systems' "best practices" and outcome measures. Because these measurement systems aim to create benchmarks across organizations (frequently by measuring what is most easily measureable à la No Child Left Behind), they promote standardization and tend to depress innovation and local customization.

4. Charitable support. Successful social innovation will attract increased charitable dollars and volunteers to continue and expand the activity. Corporate and foundation grants are rarely part of such a long-term plan because they move from special project to special project. Individual donations are most reliable for organizations when clients are from the same constituency as the donors (as with colleges, universities, and large cultural organizations). But these donations represent a small portion of the support for low-income beneficiaries. From Eugene Lang's 1981 promise of a college education to 61 Harlem sixth-graders to the \$500 million Annenberg Challenge in 1993 to the reform of K-12 education, philanthropy often seeks "new" projects but remains consistently episodic.

5. Public funding. In this scenario, after the benefits of a social innovation have been demonstrated, public funds will follow; this pattern occurred during the launches of Head Start, community-action agencies, and Legal Services Corporation.

While the prospect that significant new ongoing dollars will come from any government level seems dim in the near term, this scenario may be the most realistic over the long term. It is true that state and local governments (including school districts that serve low-income students) are under intense fiscal pressure, and federal deficits have prompted the Obama administration to release a flat 2011 budget for domestic discretionary spending. Nevertheless, and while recipients of stimulus funding know that these funds have a defined end date, the federal government is probably the most plausible source of substantial resources, but only if government funding is part of the Social Innovation Fund strategy from the start.

Front-End Quick Hits Won't Cut It

The recession has only exacerbated the decreasing reliability and autonomy of nonprofit funding overall—for government and nonprofits in the education, community-health, and cultural fields, for example—especially for small organizations and nonfederally funded organizations serving low-income communities. Today, even Teach for America—one of the best-recognized social innovations—must compete for its federal earmark of \$18 million a year. The chosen subgrantees for the Social Innovation Fund will undoubtedly struggle to find lasting commitments to sustain their work.

The track record of short-term demonstration grants, special projects, and model programs is unfortunately that of high levels of initial activity and “promising results”—and then, suddenly, they’re gone. Supporters of innovation should read Lisbeth Schorr’s 1988 book *Within Our Reach: Breaking the Cycle of Disadvantage*, which analyzed social programs that effectively combatted serious social problems (such as high rates of single parenting, youth violence, and school failure). According to Schorr, the good news was that many projects succeeded. The bad news was that, after being starved of resources for five years or more, these successful projects often disappeared.

By definition innovation is new. In the philanthropic world, innovation tends to attract attention and resources on the front end. It’s what comes

after that will legitimately determine whether the Social Innovation Fund has been “transformative.”

Based on the goals for the Social Innovation Fund, short-term commitments without a chance of continuation will create more false hope and sabotage than true social innovation. This is particularly true when intermediaries are foundations, which will have to work hard to increase their attention span and willingness to make commitments.

There is a great deal of interest in how the Social Innovation Fund will be used. It will be up to the designated intermediaries and the Corporation for National and Community Service to make these grants the beginning of enduring investment that can be fairly described as “effective, accountable, and worthy of public trust.”

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