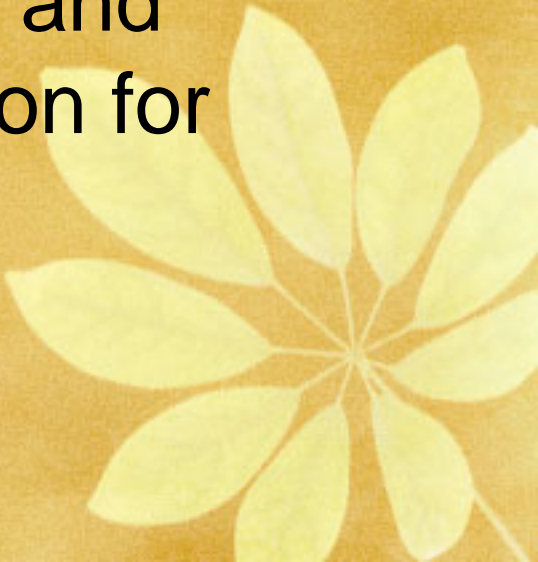




# Funding Innovation

## Understanding the Phases and Dynamics of Social Innovation for Strategic Grantmaking

Frances Westley  
University of Waterloo  
November, 2008

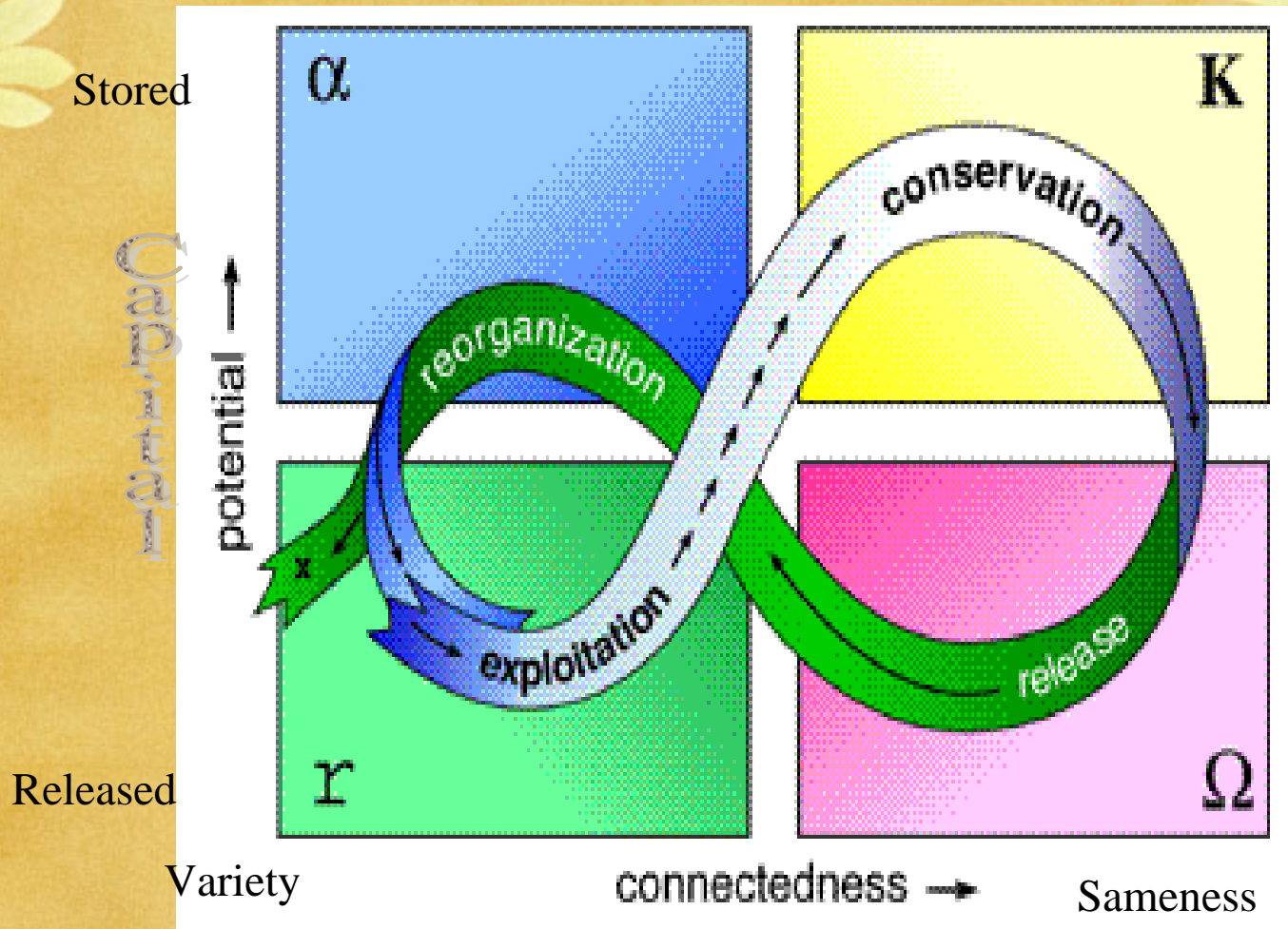




# What is social innovation?

*Social innovation is an initiative, product or process which profoundly changes the basic **routines, resource and authority flows** or **beliefs** of any social system.*

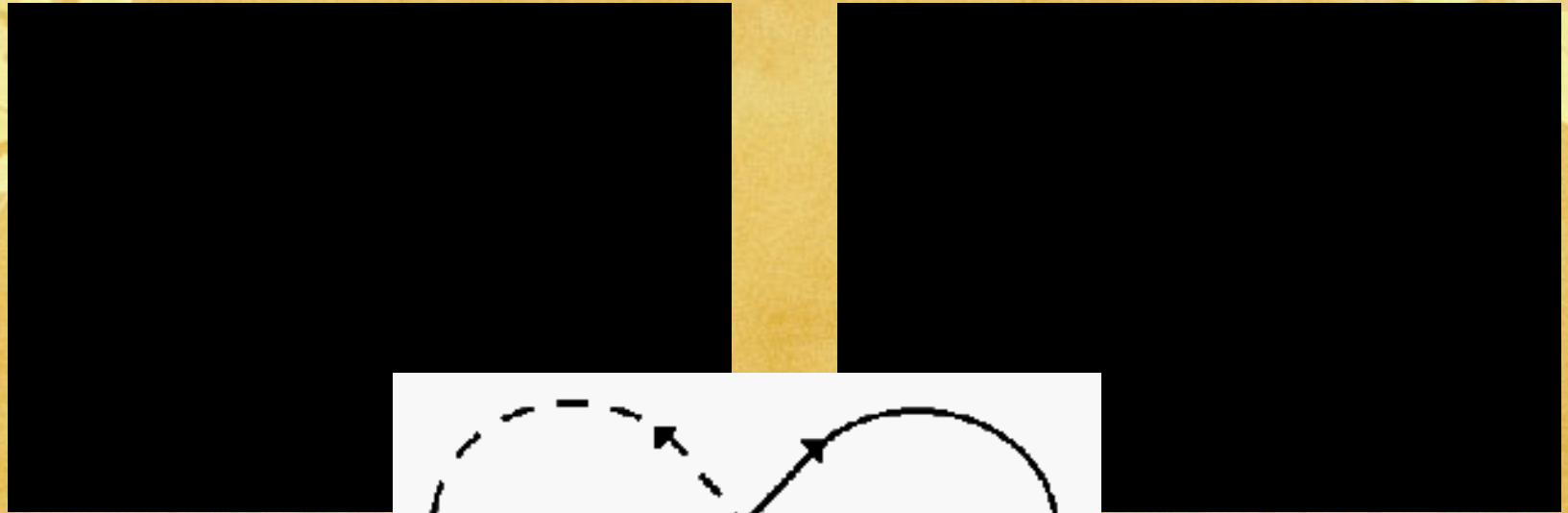
*Social innovation is badly needed in intractable problem areas. We are interested in social innovations that have durability scale and impact. Such innovations cut across boundaries that divide sectors, scales, disciplines and organizations to result in system transformation*



The adaptive cycle - a theory of the relationship of transformation to resilience

# The birth, growth, destruction and renewal of a forest

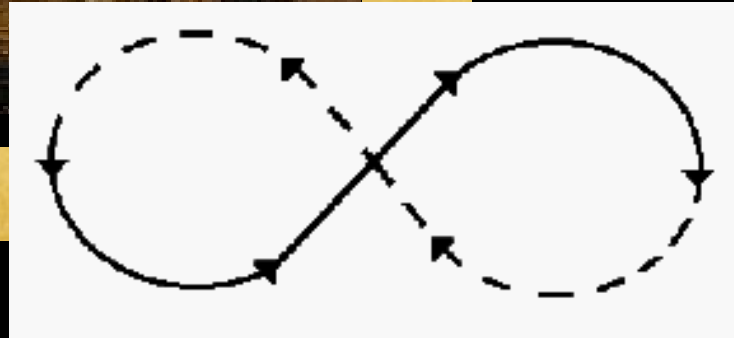
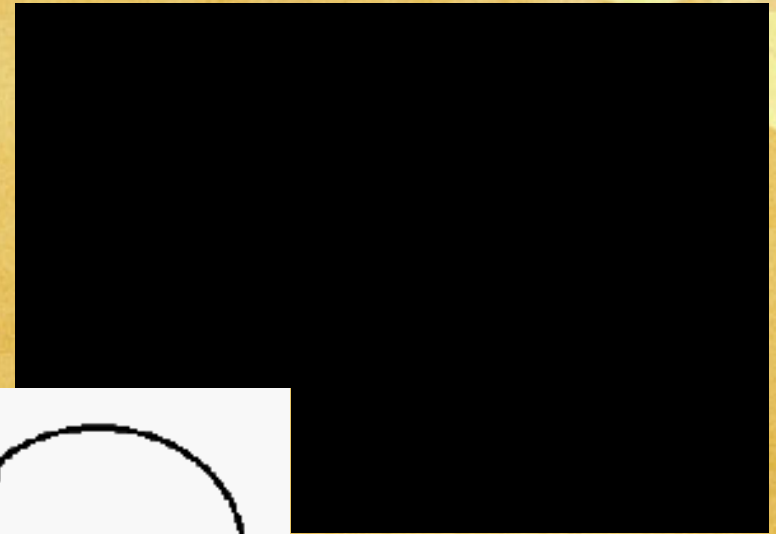
Little CAPITAL STORED → Much



Weak ← **CONNECTEDNESS** → Strong

# The birth, growth, destruction and renewal of a forest

Little CAPITAL STORED → Much



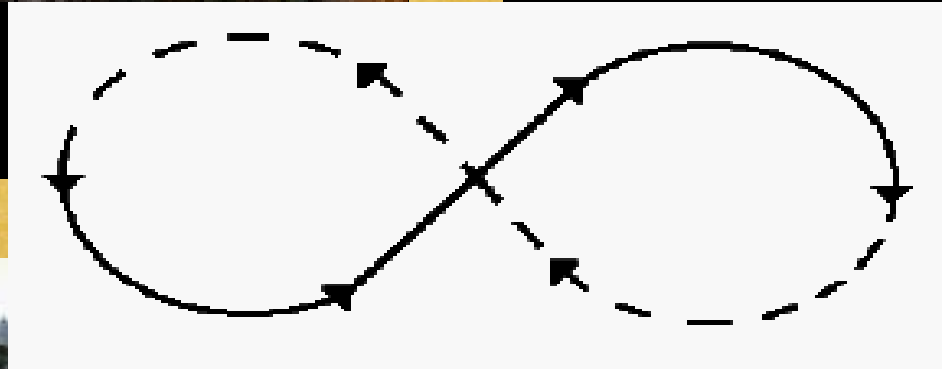
Weak

← CONNECTEDNESS

→ Strong

# The birth, growth, destruction and renewal of a forest

**Little CAPITAL STORED → Much**



**Weak**

**← CONNECTEDNESS**

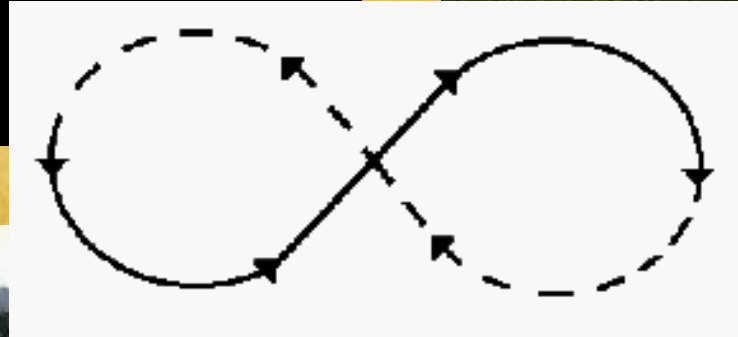
**→ Strong**

# The birth, growth, destruction and renewal of a forest

Much

CAPITAL STORED

Little




Weak



CONNECTEDNESS



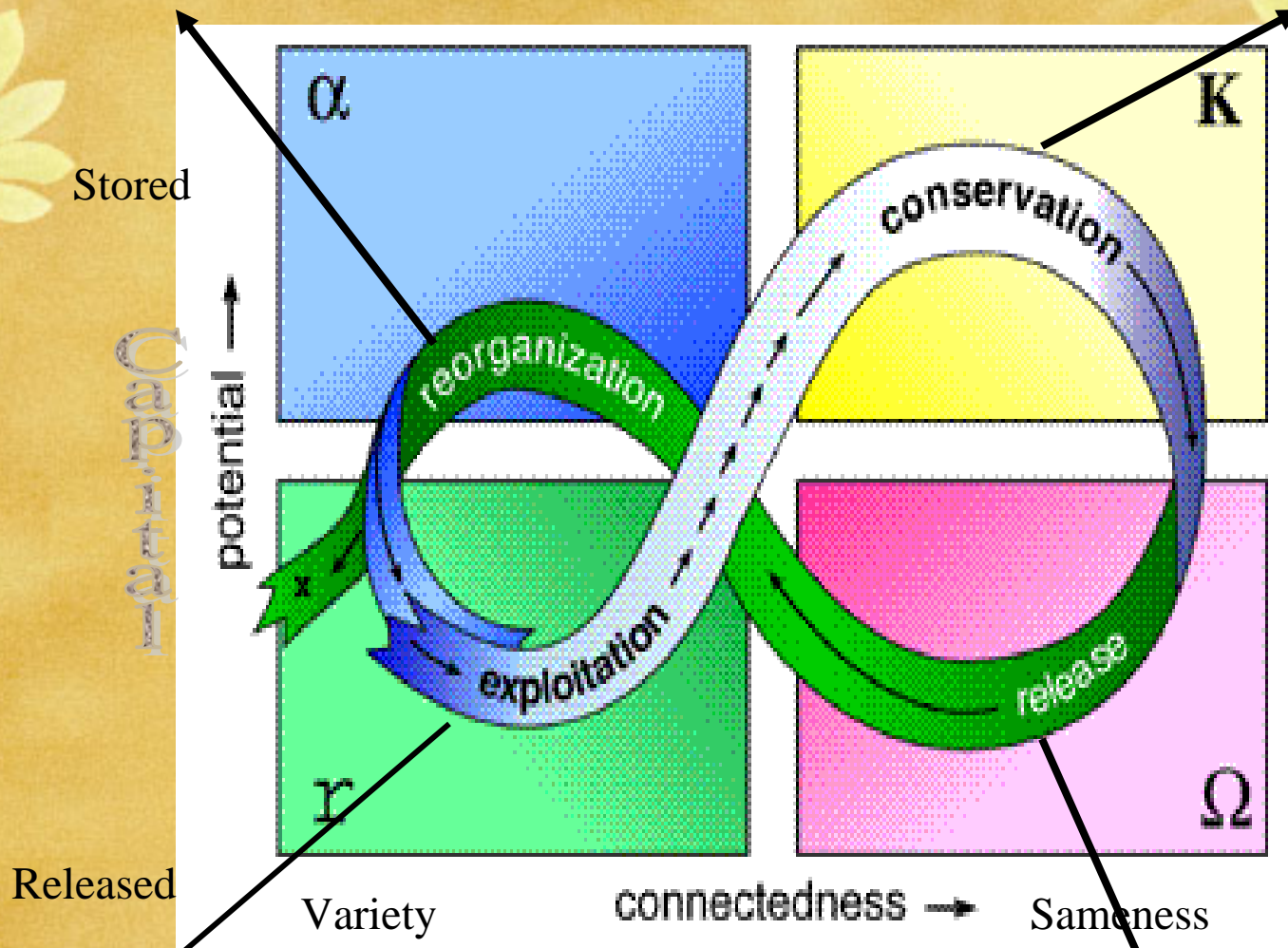
Strong



Applications to social  
innovation:  
Phases and Dynamics

The idea is developed

An “established” innovation

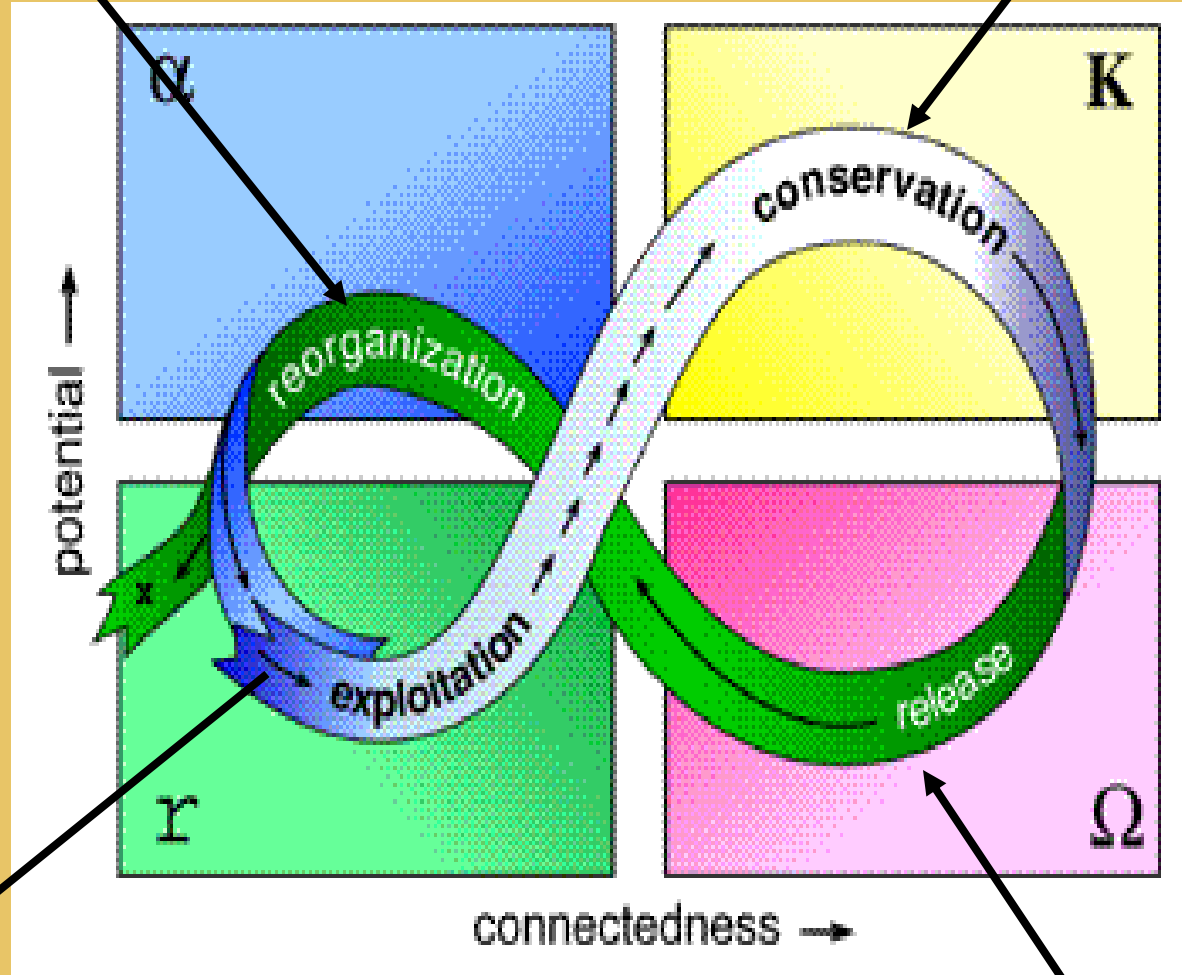


The idea is launched as a product, process or organization

An idea is born

Developmental  
Evaluation

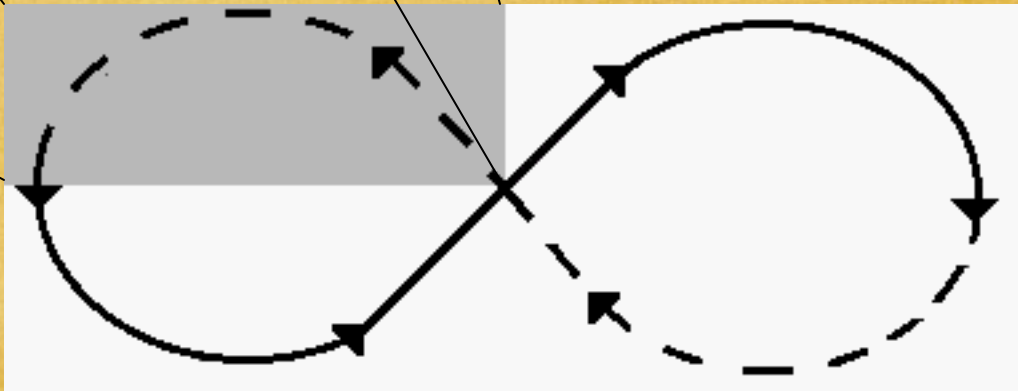
Summative  
Evaluation



Formative Evaluation

Harvesting Knowledge

# Reorganization or exploration

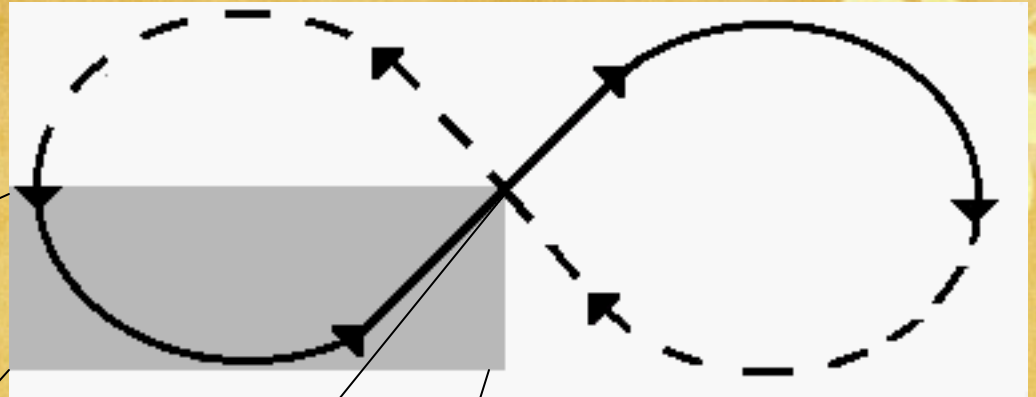


# The psychosocial regime called reorganization or “exploration”

☞ The classic innovation phase characterized by:

- ☞ multiple “random walks”, experiments, initiatives which lead to little in the way of measurable outcomes
- ☞ people who learn by doing are happy here, others may feel increasingly anxious about waste of time or directionless
- ☞ reflection moving to experimentation, lots of false starts and sometimes frustration and mounting anxiety about inputs/output ratios

**EVALUATION CHALLENGE: UNDERSTANDING EXPLORATION  
AND EXPECTING TRANSPARENT ACCOUNTS -  
“DEVELOPMENTAL EVALUATION”**



**exploitation**

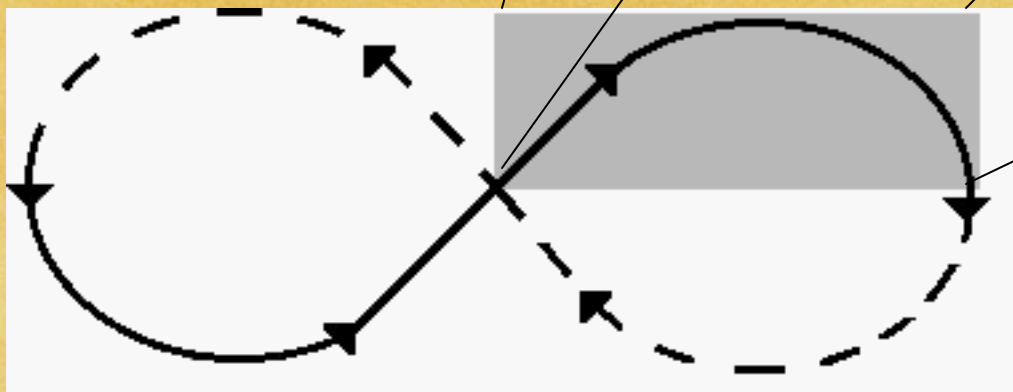
# The Psychosocial regime called “exploitation”

☞ Start up phase - putting ideas into practice

- ☞ The dynamic of start-up - high excitement as the initiative takes form. Communication is still highly personal, roles flexible, integration through mutual adjustment.
- ☞ With success and time, there is increasing need for organizing *systems* (communication, control, accounting), job definition and regulation.
- ☞ Team-builders and the action oriented come into their own. Conceptualizers may feel a little uncomfortable.

EVALUATION CHALLENGE: PROVIDING TIMELY DATA FOR  
ADJUSTMENT - FORMATIVE EVALUATION

**conservation**

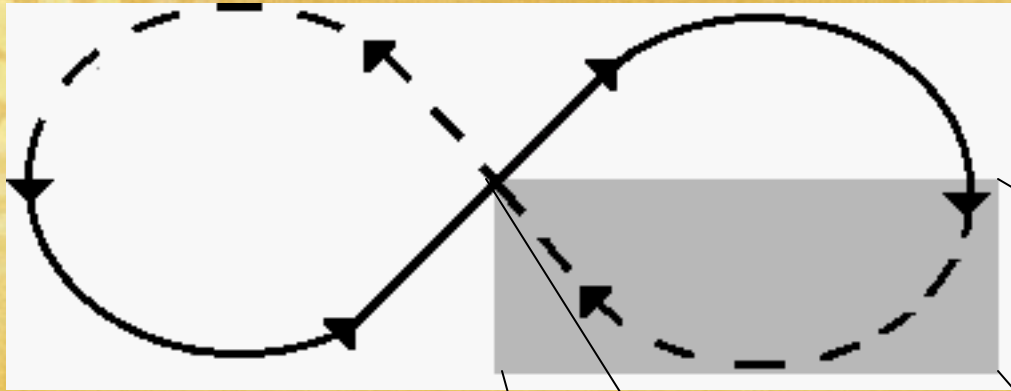


# The Psycho-social place called “conservation”

☞ Innovation established:

- ☞ A time of profitable returns and performance
- ☞ Increased demands for measurement and productivity
- ☞ Increased reliance on systems for monitoring and rewarding efficiency
- ☞ Good management prevails- visionaries step aside or move on?

EVALUATION CHALLENGE: HAS THE INNOVATION  
ACCOMPLISHED ITS OBJECTIVES - SUMMATIVE  
EVALUATION



**Release or “Creative  
Destruction”**



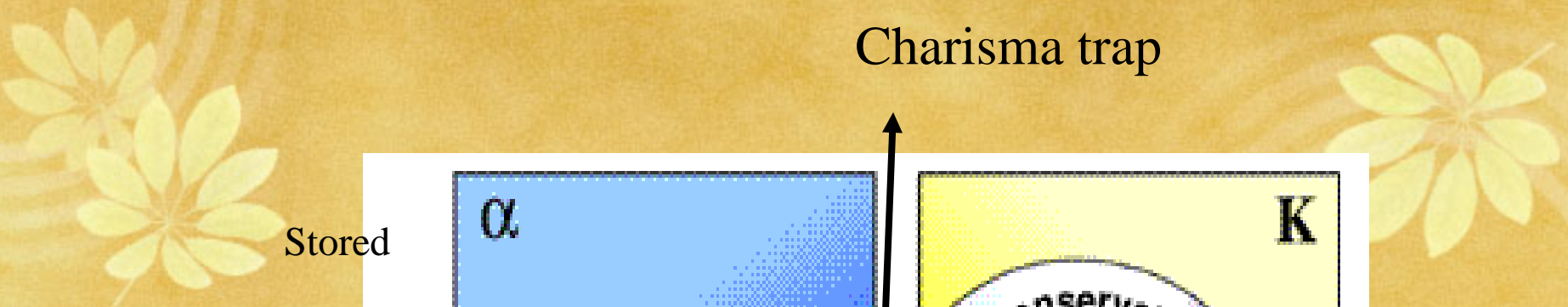
# The psychosocial regime called release or “creative destruction”

- œ The release phase - resources released for new initiatives
  - œ Deliberate or emergent “flight of capital” - energy, attention and capital moves away from established innovation.
  - œ Increased sense of instability/freedom for invention
  - œ Pirating ideas and resources; introduction of novelty
  - œ People: those who thrive on crisis, on new beginnings are happy here – others may be depressed or in mourning

**EVALUATION CHALLENGE : HARVESTING  
KNOWLEDGE FOR RENEWED SENSEMAKING**

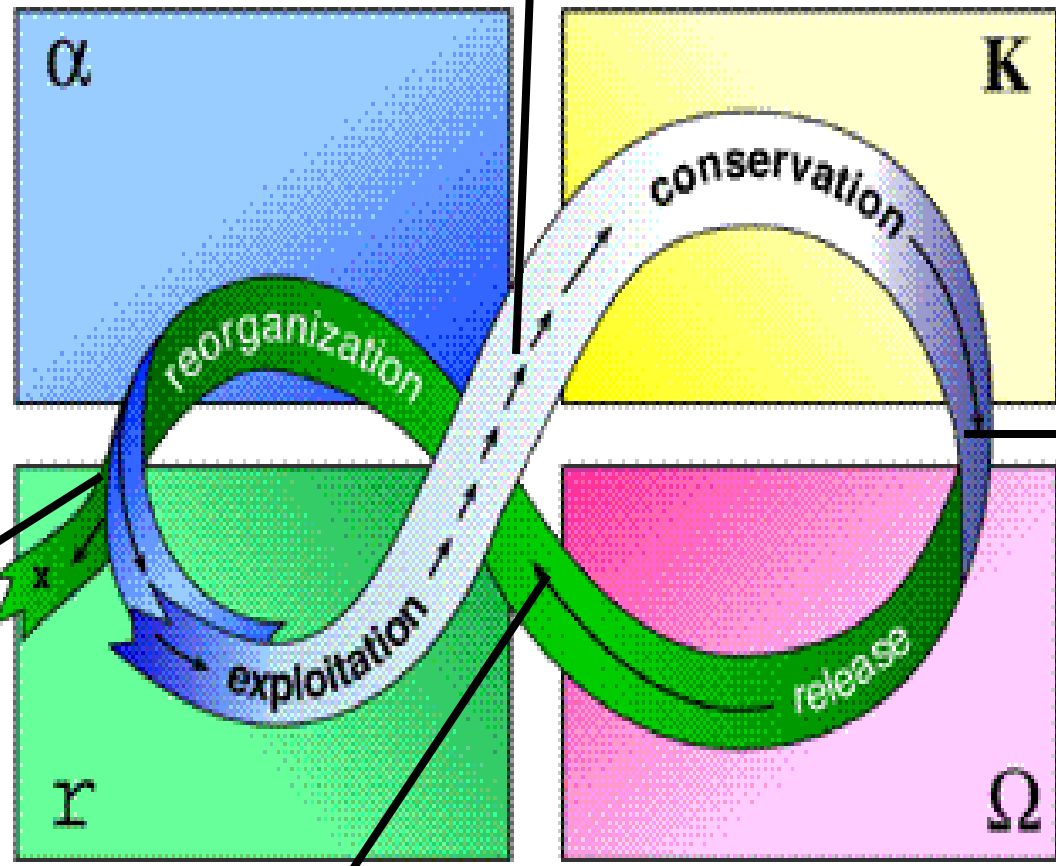
the movement from one phase to the next is known as a “critical transition” and represents a difficult passage when many innovations get “trapped”

- ❧ *Successful transition demands a fundamental reconfiguration.*
- ❧ *If an organization gets trapped at a transition point and loses momentum, reparation is costly and difficult, hence the importance of anticipation and understanding*
- ❧ *Long term “resilience” dependent on successful transition*



Charisma trap

Stored



potential ↑

Rigidity Trap

Poverty trap


Released

Variety


connectedness →

Sameness

Chronic disaster trap



# Each critical transition



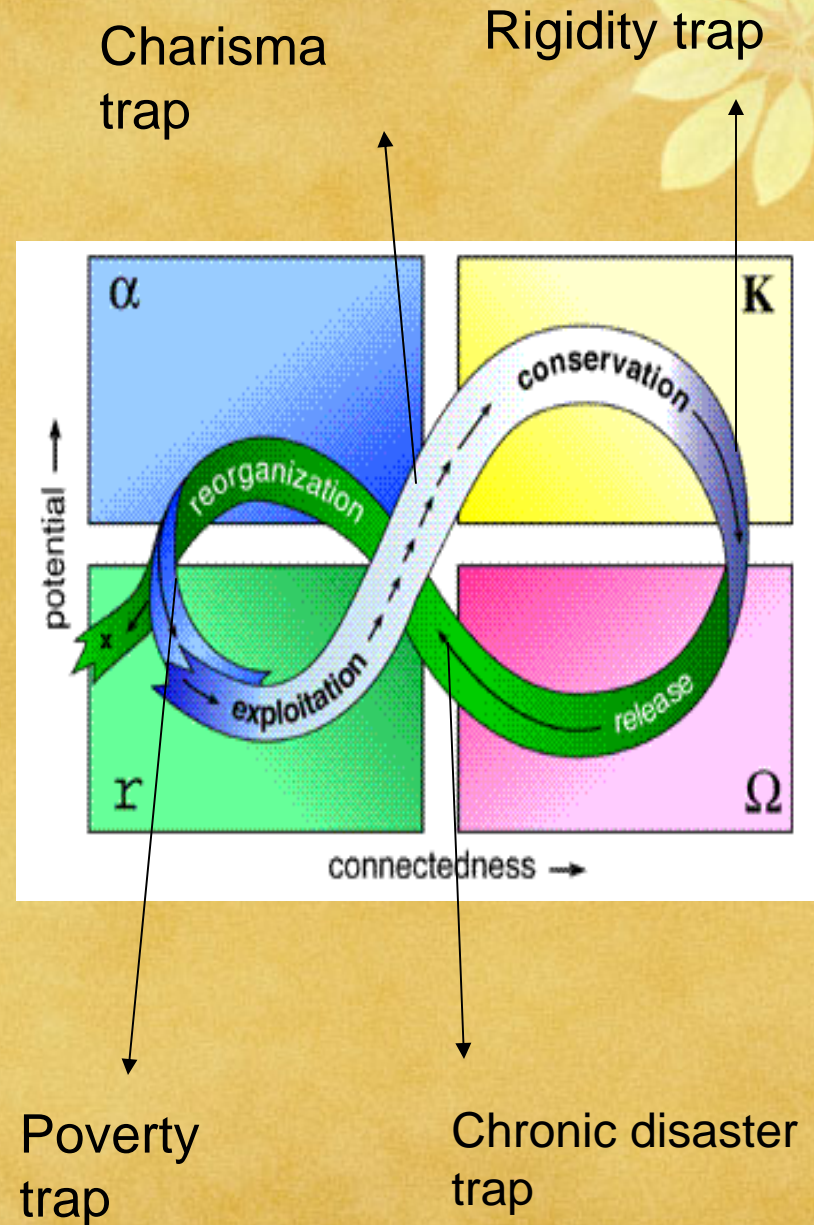
- ❧ Must overcome “lag” of phase coherence (identity) and stability (resistance to change).
- ❧ Demands new leadership capacities.
- ❧ Demands new and often different kinds of social connections or relationships (social capital investments).
- ❧ Demands a shift to other forms of evaluation
- ❧ Requires external resource re-alignments and support - a key role for community foundations.



# Questions?

- ❧ How does this adaptive cycle fit with your own experiences in organization/program funding?
- ❧ Write the name of different initiative which your foundation is currently supporting. In which box of the adaptive cycle would you place each? Why?
- ❧ Are any of your initiatives “trapped”? Why? How do you know?
- ❧ At your table groups discuss what the adaptive cycle reveals to you about your granting strategies?

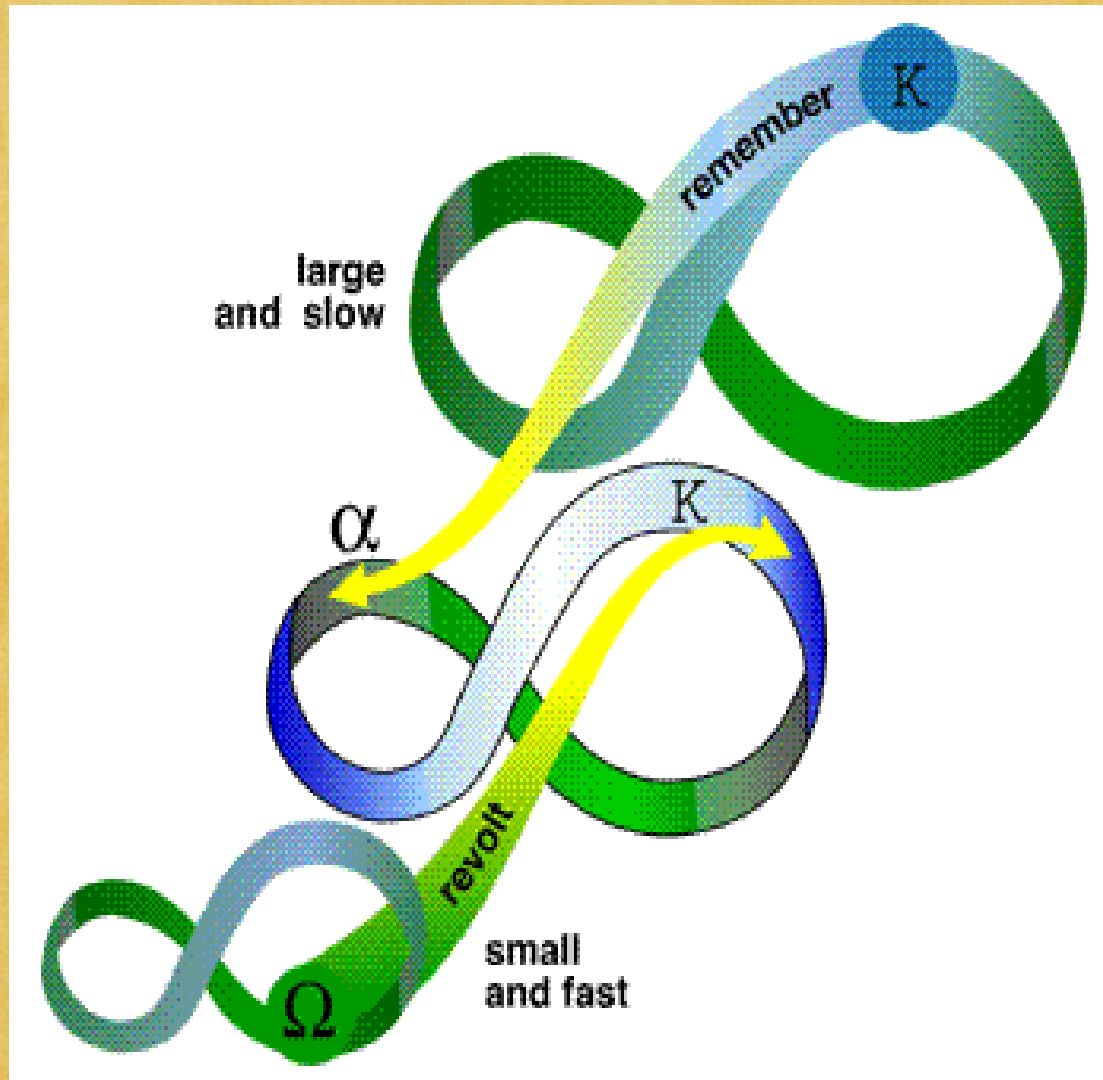
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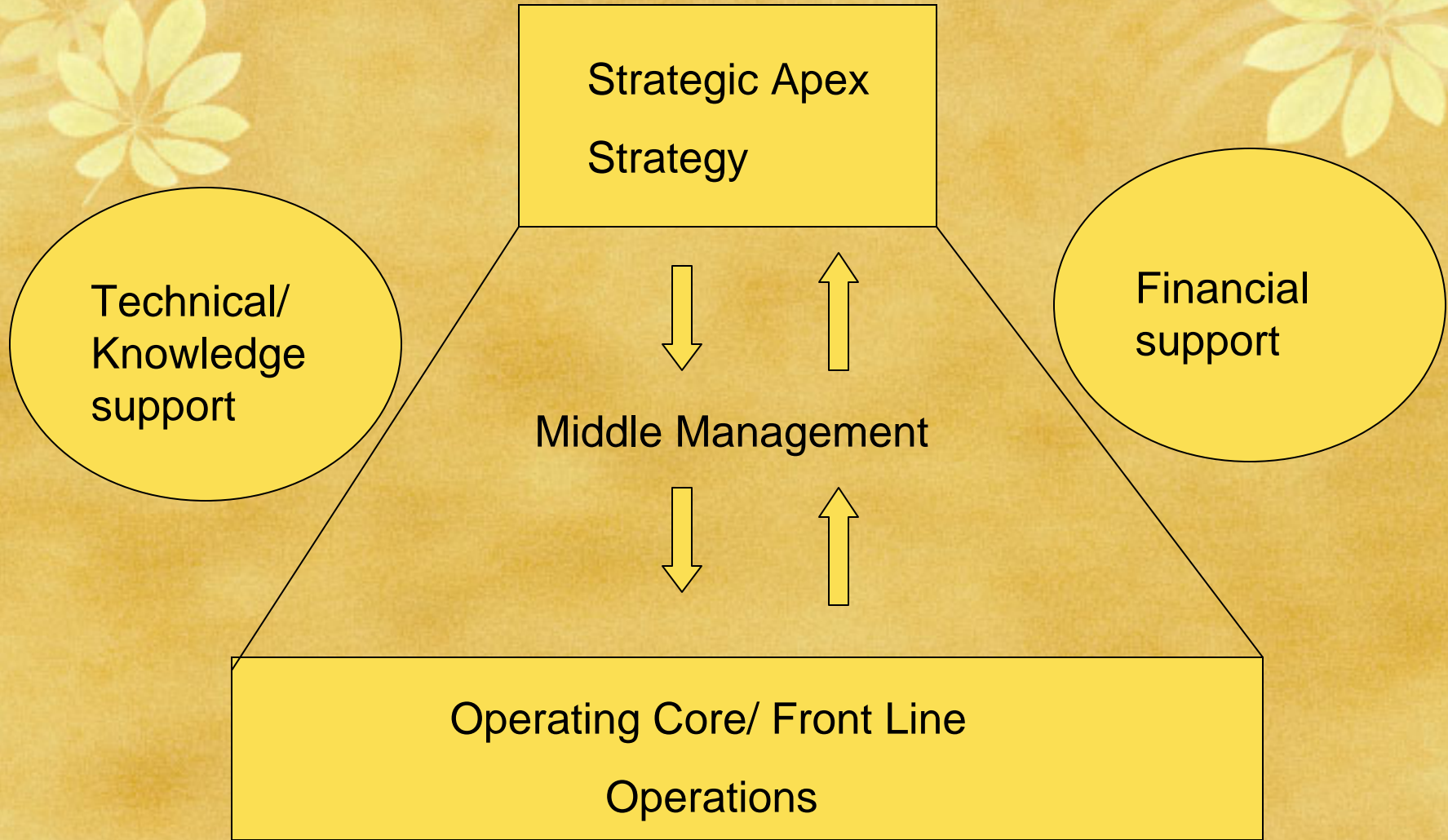




Broadening impact -  
when thinking like an  
movement....

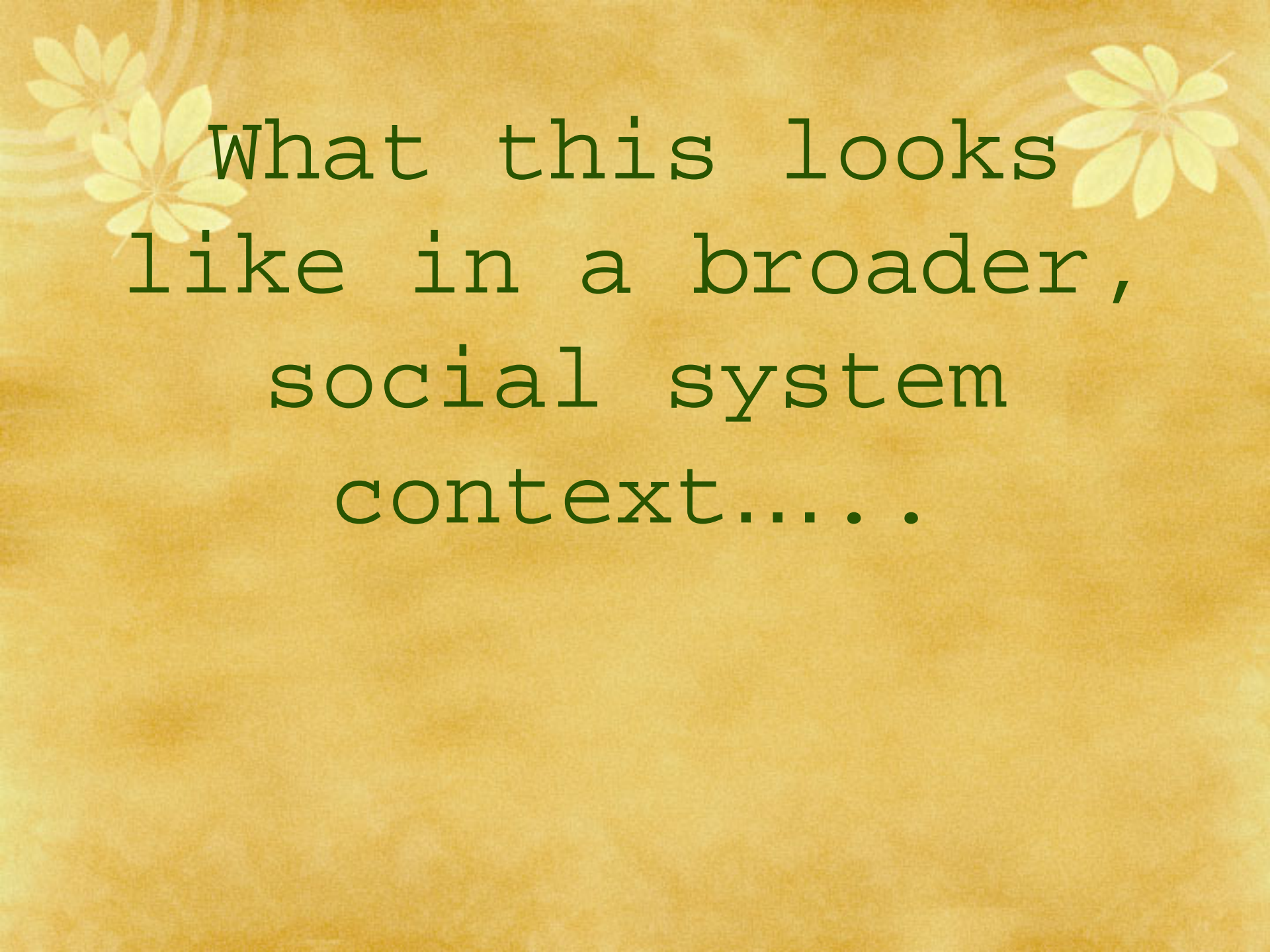
# Cross scale interactions



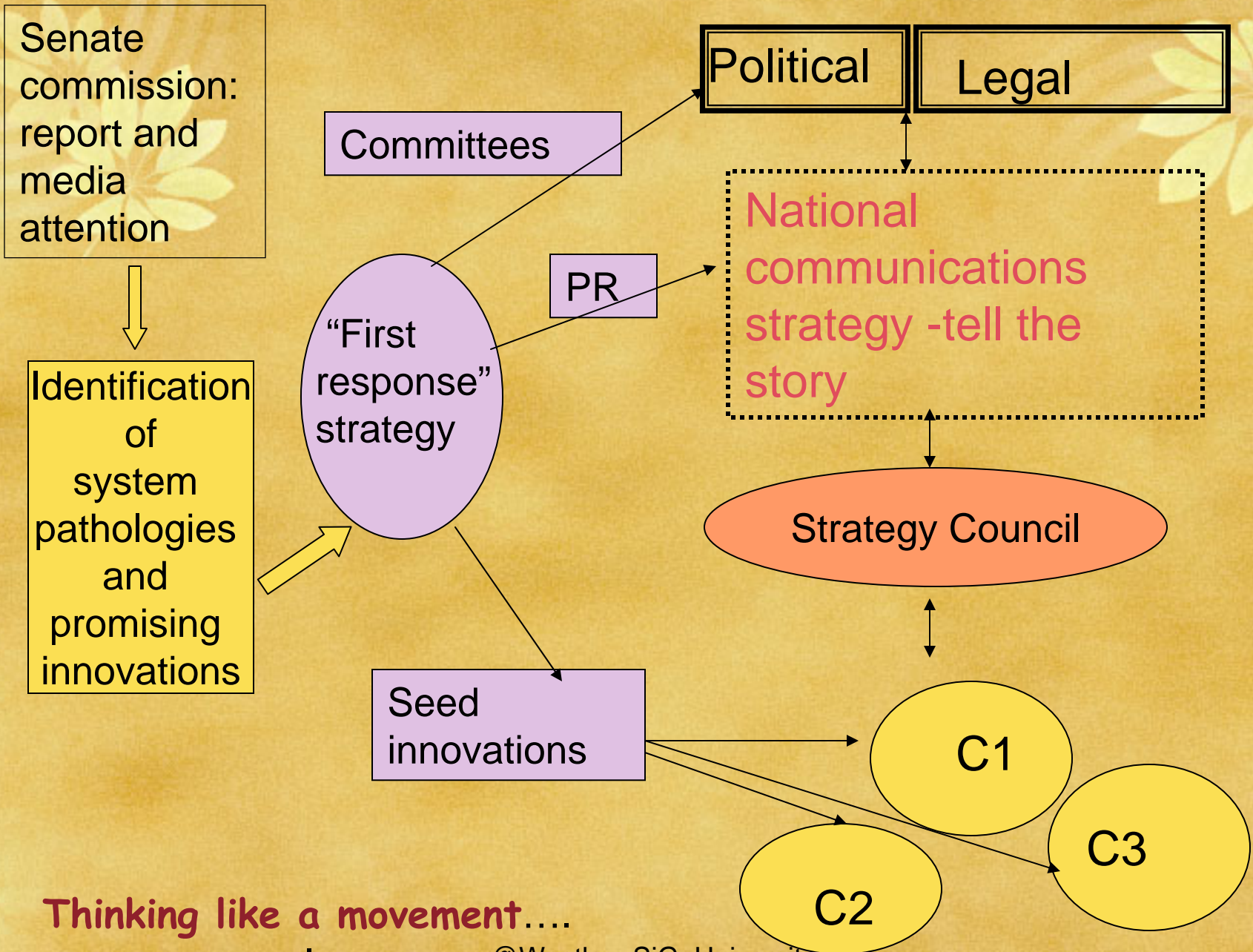


# Designing strategies for continuous innovation at the level of the whole community: “up-down strategies”

- ❧ Innovation occurs in the community in the context of organizations/coalitions addressing specific issues - where problems are solved in real time
- ❧ Social innovators/institutional entrepreneurs key role is to:
  - ❧ **question** the strategic context/directions of decision makers in all sectors at the community level and beyond.
  - ❧ **frame** (explain) the context for community
  - ❧ **identify** key innovations at the community level (those most pertinent to the strategies)
  - ❧ **sell** these to the key strategic decision makers (finding the right moment to introduce the key innovation)

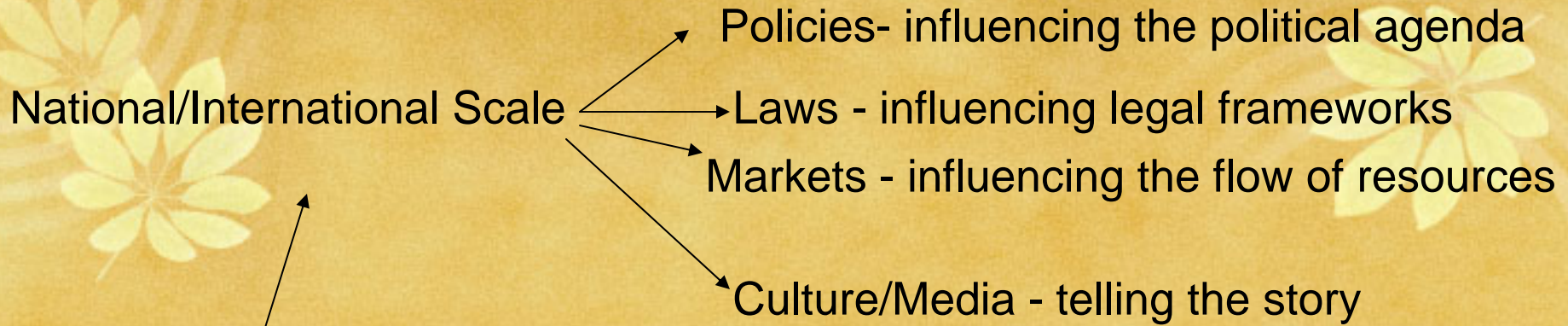


What this looks  
like in a broader,  
social system  
context....



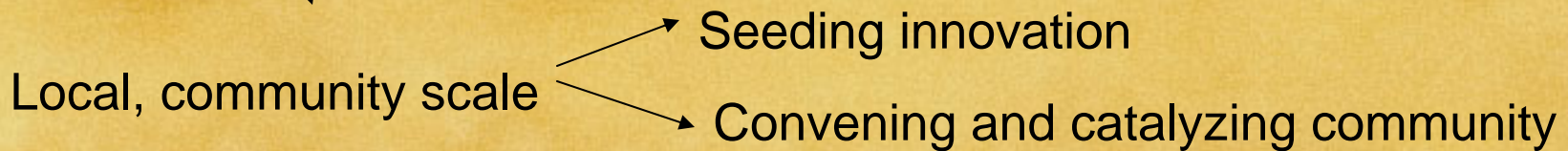
**Social financing**

Thinking like a movement....



Data gathering,  
analysis and system  
mapping

“Up-Down Strategies”: questioning,  
listening, identifying, selling, framing,  
monitoring, consolidating



# Two key functions in innovation

☞ *“Every innovation has two parts: the first is the invention of the thing itself; the second is the preparation of expectations so that when the invention arrives it seems both surprising and familiar - something long awaited”*  
Edwin Land

☞ The social innovators

☞ The institutional entrepreneurs





# What is needed

- ☞ More mature sources of finance, including sources of finance that allow genuine risk taking (and evaluation methods tuned to that risk)
- ☞ More developed exchanges and intermediaries- cultivating institutional entrepreneurs and social innovators
- ☞ Stronger knowledge and experience base with successful social innovation
- ☞ Building collaborations between communication strategies/cultural brokers, social finance strategies (funders), policy makers, community activists in support of innovation (creating the context of change)



***“Farmers don’t grow crops. They create the conditions for crops to grow.” - Gareth Morgan***