

Survey results for not-for-profit organizations¹

The opinions of those respondents who registered their opinion in the on-line survey² provide insight into major concerns respecting the sector's management practices impacting innovation

The root cause of the lack of innovation in the not-for profit sector is managements' lack of support and even demand for innovation! Leadership matters! If the Board and/or CEO do not ask for innovation, it won't happen!

May 21, 2013

Background

We recently analyzed information from our on-line data base relating to those respondents who state that they are with organizations which do not have a profit motive. This includes service organizations such as government, health and medical and education organizations.

Innovation is not a term usually associated with the not-for-profit sector (NPF) and yet there is every reason to believe that without innovation of some form, the NPF sector would be ineffective.

NFP organizations need to innovate just as corporations do and should expect the same results. In particular NFPs face challenges in terms of fund raising and delivering cost-effective solutions. Every so often an NFP must re-examine its overall objectives, restate its mission, and put in place actions to support its overall short and long-term plans. New ideas need to surface. Some system of managing ideas may need to be in place for larger-sized organizations. For smaller organizations the issues, while equally challenging, are less complex. Even Google³ believes that there is room for innovation in NFPs.

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¹ Health/Medical, Education, Government, Non-profit

² On-line survey available at <http://www.corporateinnovationonline.com>

³ Google is granting US\$23 million to seven NFPs to support technology innovations that are "changing the world". http://www.cio.com.au/article/443786/google_awards_23_million_non-profit_innovations/

One of the responsibilities of leadership⁴ is ‘create an inclusive environment in which all employees are encouraged to be innovative and share ideas’. Is this happening in NFPs? How does management do this? What management practices should be adopted by NFPs to bring innovation about?

In this paper we look at the management practices which support or discourage innovation in NFPs. We do so by making use of information drawn from our on-line survey instrument which, while based on researching the management practices of highly-innovative companies, has application to the NFP sector. Which management practices make sense to NFPs? Are they different for NFPs from the corporate sector?



Executive Summary

Respondents opinions from the NFP sector, as registered in the on-line survey, are quite consistent with the opinions of respondents overall. There is a close correlation between the two groups when it comes to their opinions on the ‘Ideal’ management practices which support innovation even though most respondents come from the private sector.

The areas of greatest dissatisfaction, as registered by those respondents from those in the NFP sector have mostly to do with the NFP’s management practices; i.e. managing people, providing motivation for innovators, attitude to financial planning in terms of identifying opportunities. Most importantly, it appears that management of NFPs does not call for innovation.

Respondents are also concerned that innovation is decreasing and more importantly that there is no tradition of innovation in their organization. The leadership issue is, however, the biggest concern. Nothing happens in any organization unless top management provides a meaningful signal. Evidently, according to the views of our respondents, the signal is missing.

Our report provides insights into the nature of this culture and points out the need for each organization to better understand its own culture before embarking on any program to improve innovativeness.

Methodology

Respondents to the on-line survey are asked for their opinion on what would be, for them, an ‘Ideal’ situation; i.e. what in their view characterizes the best management practices for encouraging innovation. Respondents provided their rating of an ‘Ideal’ situation for each of 25 Factors.

⁴ Securities Industry and Financial Markets Association (SIFMA) web site, May 14, 2013

On-line survey results are divided into two groups; those engaged in the NFP sector and all other survey registrants. The purpose of making the comparison is to ascertain whether there are major differences in the views held by those in the NFP sector as compared to the views of all respondents.

Additionally, respondents provided their opinion on the 'Reality' of their situation as compared to their view of their 'Ideal' for 25 Factors. The difference between the 'Ideal' and their 'Reality' is a measure of their satisfaction – or dissatisfaction - with their own organizations management practices respecting the 25 Factors impacting innovation.

All respondents from the NFP sector are employed with organizations having fewer than 2500 but 80% of the organizations have less than 500 employees. Respondents are from Canada, United States, Turkey, India, Portugal and South Africa.

Lastly, in terms of analyzing the opinions, we compared respondents' results with our own benchmark⁵ for measuring best management practices impacting innovation. In a sense, this benchmark provides an ultimate goal for each of the 25 Factors.

Personal statement

Over the years I have been on the boards of several not-for-profit organizations; theatrical, musical, child welfare, and local community organizations included.

I cannot recall a single instance when the word innovation was used. On the other hand there was always pressure to come up with new ideas to raise funds, extend the reach of the organization, and always, it seemed to cut costs and deal with priorities.

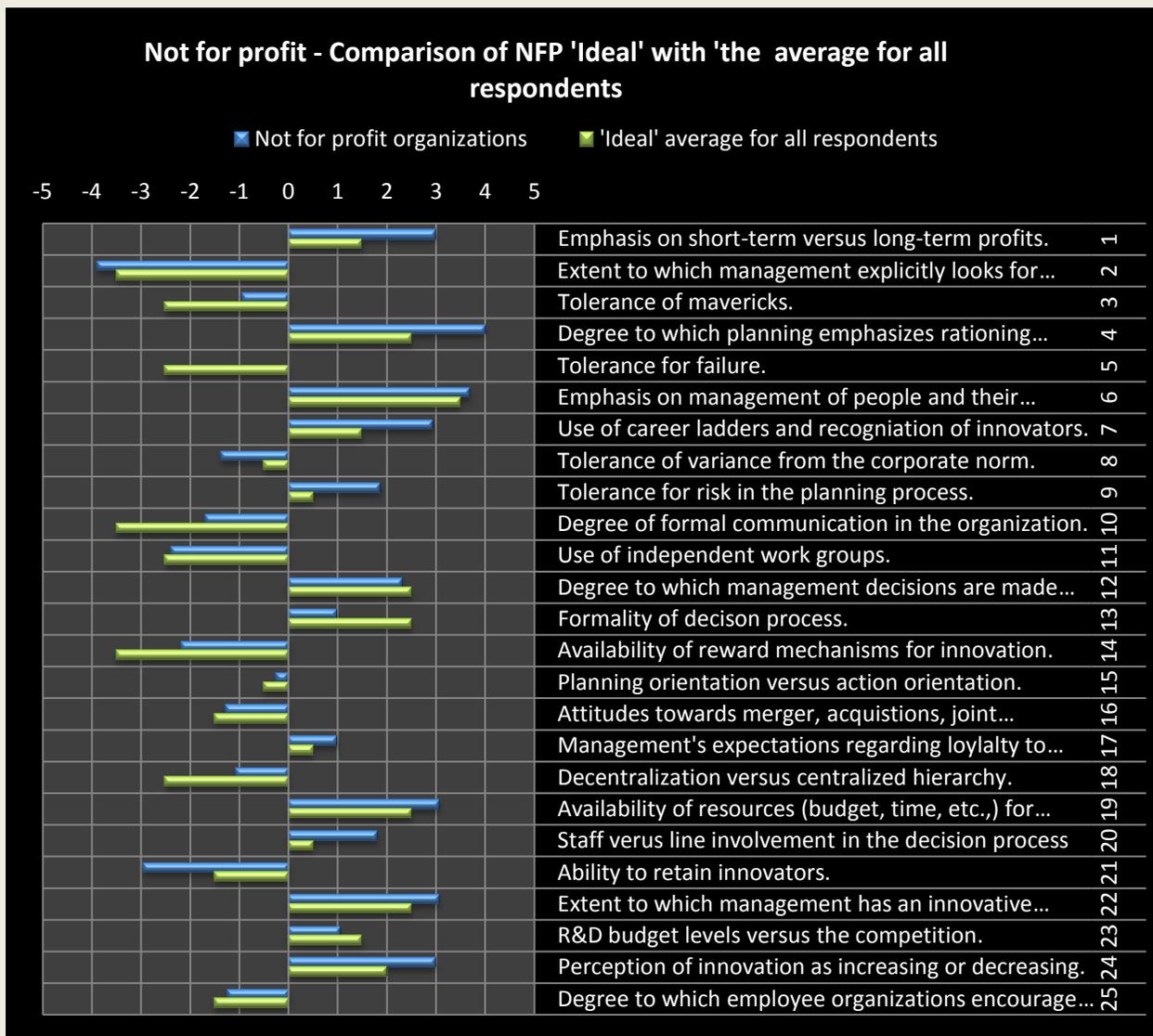
In retrospect, the lack of attention given to innovation or to the need for new ideas was a disservice to the supporters and stakeholders at large for these organizations. While the Board obviously wished for the organization to be successful, the lack of substantive discussion on innovation – i.e. the role of new ideas vis-a-vis current and future plans– led to a vacuum of understanding on how important innovation would be to the NFP.

A personal observation is that Boards of NFPs are risk averse and that is a big problem when it comes to the adoption of new ideas, all of which have an element of risk. Boards and managers of NFPs need to articulate their risk tolerance!

⁵ This benchmark is the 'BofB' or the Best of the Best and is derived from our research into the management practices of three highly-innovative companies' P&G, John Deere, and 3M. For further information on the benchmark, please visit <http://www.corproateinnovatononline.com>

Observations regarding on-line survey results

Those completing the on-line survey and making further use of the analysis should be aware that there are a few differences between the 'Ideal' as registered by respondents overall as compared to those who register themselves as engaged in a NFP organization. A comparison is set out in the following table.

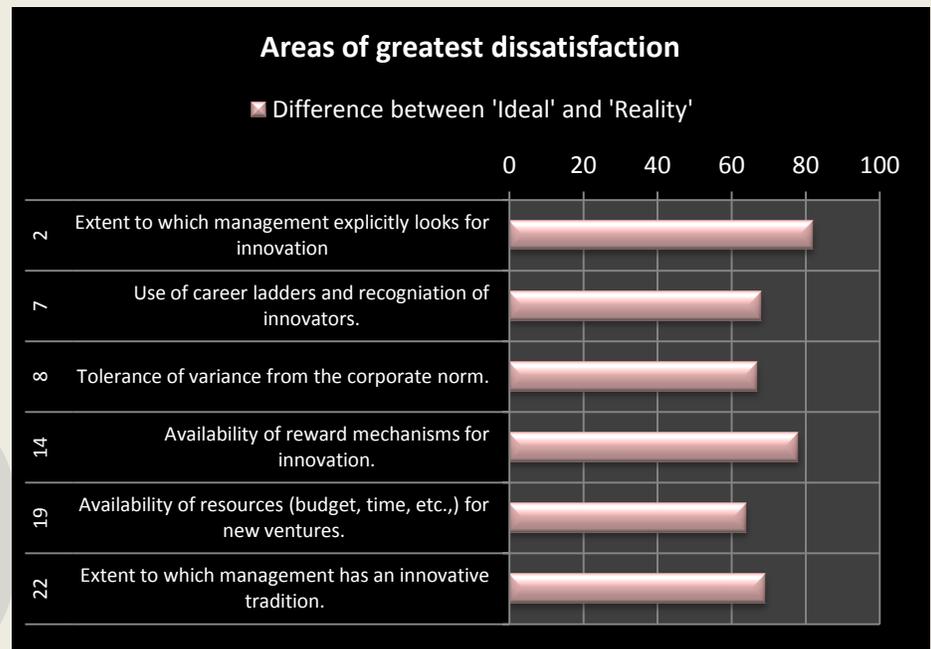


The differences are not hugely significant but none the less they should be noted should any further analysis be contemplated and perhaps used as a benchmark for analysis. The one difference which seems to be significant is the Factor related to Tolerance for failure (#5), where there is a difference which is notable. For all other Factors, the differences are less than 2 points on the scale used.

The 'Ideal' as viewed by those in the NFP sector is fundamentally the same as for all other respondents. In this respect the **not-for-profit sector is no different** than other organizations when it comes to what they believe constitute the best management practices which encourage innovation. There is a remarkable consistency of viewpoint.

The **level of dissatisfaction** amongst respondents from NFPs, as measured by the difference between their 'Ideal' and their 'Reality', is set out in the chart opposite. The 'Delta', as we refer to the difference, for these 6 Factors account for close to 30% of the overall dissatisfaction reported in the on-line survey.

- Factor #2; in NFPs, management does not look for innovation. Nothing happens without top level support. This, if it exists within your NFP is the probably the root cause of the lack of innovation. Of all of the differences reported, this was the largest for all 25 Factors!
- Factor #7; insufficient emphasis placed on the use of career ladders and recognition of innovators.
- Factor #8; a requirement to adhere to a corporate norm is a great concern.
- Factor #14; no specific reward mechanisms for innovation are in place
- Factor #19; addressing the issue of whether there is a sense that resources are or would be available should beneficial projects be identified. The sense is that there would not be resources available.
- Factors #22; a major concern that the organization does not have a tradition of innovation.



Most of the Factors and the dissatisfaction can clearly be traced back to the organizations importance given to innovation. This manifests itself in the way in which management approaches the whole subject of idea generation, its day to day management of its affairs through to its mission statement and strategy.

Another way of analyzing at respondents' opinions is to break the results into three themes.

1. Leadership,
2. Organization and management of day-to-day operations and,
3. Idea generation and realization.

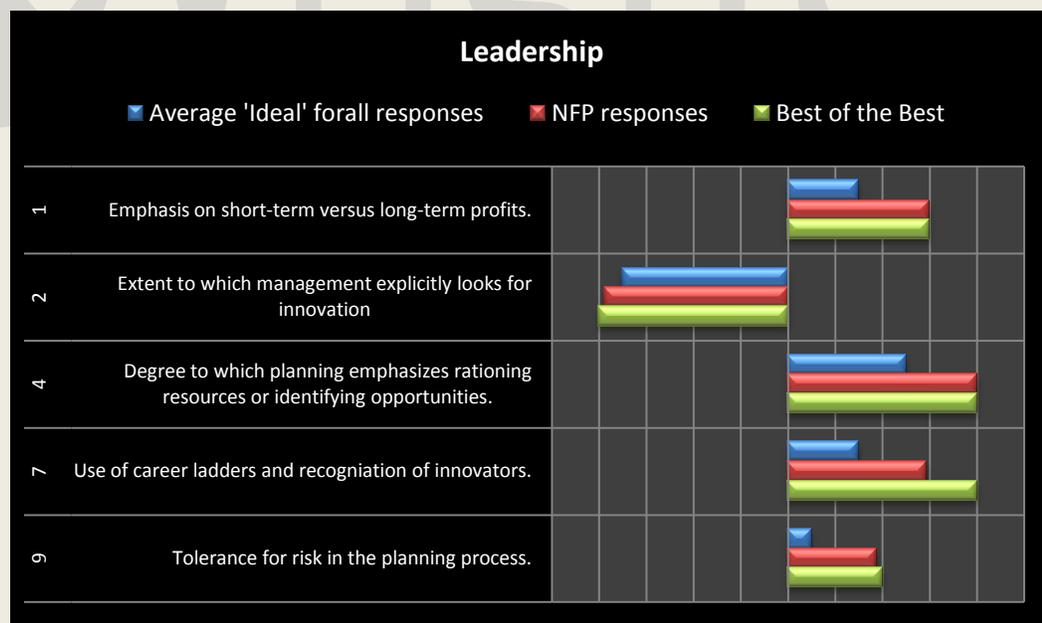
An analysis based on these three themes provides further insight into reasons for the dissatisfaction? Overall 78% of the total level of dissatisfaction is contributed by all three of these themes, apportioned to each by 22%, 31%, and 25% respectfully. The point is that there is not just one cause of dissatisfaction but several sources. Solutions don't come in just one change, but rather, as a result of implementing a set of improvements to current practices. The balance of the 'dissatisfaction' total derives from the remaining 5 Factors which have more to do with outcomes of the management practices than the practices themselves.

White & Partners has developed a higher level benchmark⁶ for purposes of comparing company results. This benchmark, a collage drawn from researching the management practices of three highly-innovative companies (P&G, John Deere, and 3M), is called the 'BofB' or the Best of the Best. If management of NFP organizations wishes to become more innovative, the best practices of these companies should be used as a benchmark. The challenges are higher than represented by the on-line survey 'Ideal'. We examine each of these themes.

1. Leadership

We have isolated 5 Factors which come under the theme of 'Leadership' and provided a comparison of all three 'Ideals' under this theme. There is a consistency of the results from all three sources for 4 of the 5 Factors.

The inclusion of the BofB benchmark provides a further benchmark. This finding is especially relevant since it suggests that all responses, being in line, know the importance of leadership as related to innovation.



⁶ For more information on the Best of the Best benchmark, please visit the web site; <http://www.corporateinnovationonline.com>

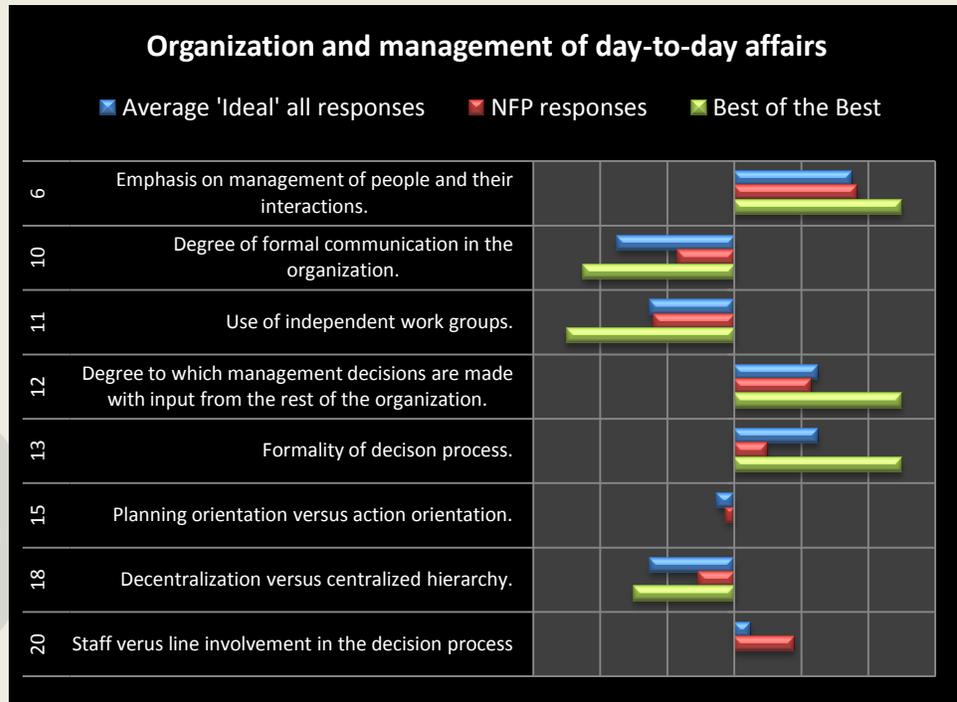
The 'Delta' resulting from these 5 Factors accounts for close to 20% of the overall dissatisfaction, as noted earlier. The two largest contributors to the 'Delta' are Factor #2 and Factor #7, both consistent results. Management does not call for innovation and since it does not, why worry about careers for and recognition of innovators?

2. Organization and management of day-to-day operations

A second theme provides another means of focusing in on the management practices which, if adopted, could improve innovation in the NFP sector.

The introduction of the 'BofB' benchmark provides a measure of the challenge facing the sector more so than the views of on-line respondents.

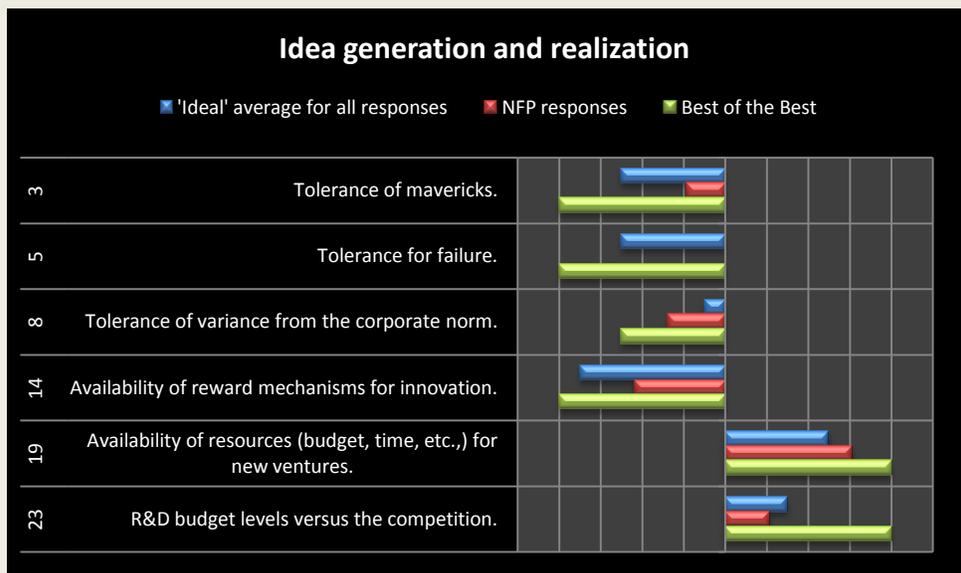
Factors #15 and #20 are somewhat inconclusive but for the other 6 Factors, the BofB represents an objective over and above the opinions of all respondents.



3. Idea generation and realization

Of extreme importance to the process of improving innovation is the manner by which the corporation encourages ideas of all types and from throughout the organization.

Six Factors are measured in this comparison of 'Ideals'. When compared to the 'Ideal' average overall the results from the NFP sector are already closely in line with the views of respondents. Tolerance for mavericks in NFPs is extremely low when



compared to the other two benchmarks. The last Factor - #23 concerning R&D spending is probably not as relevant to the NFP sector as for corporations in general.

Conclusion

Each organization has its own climate or culture with which it has to deal. This collage of the on-line survey results probably does not apply to any one organization. The accuracy of the data might be regarded as suspect as there are differences in the opinions of the 'Ideal' for each organization and we have not taken the analysis to a full discussion of correlation, standard of deviation and probability. On the other hand the consistency of viewpoint that has been represented should provide a guideline to those in NFPs who wish to innovate, understand how to innovate, or just improve their own situation.

For managements wishing to improve innovativeness and innovation, the central message is

- Each organization is different in terms of its culture for innovation
- Knowing more about that culture is a key first step
- Aim high and take guidance from the established management practices of highly-innovative companies even outside the financial services industry.
- Track progress with the same tools used to define the problem.

Respectfully submitted
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