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The Innovation Issue

We are experiencing two realities in Canadian philanthropy today and they are competing for time, attention and resources.

The first reality is the need to sustain and optimize the fundraising programs and practices that continue to be relevant and resonant.

The second is the need to innovate. To reshape, grow and respond to a rapidly changing world, where demographic changes, ongoing global economic uncertainty, rapidly changing technology, and an increasingly pervasive "anti-establishment" sentiment are redefining philanthropy and the concept of "doing good".

How to reconcile these two realities? They sound conflicting, and yet there is no denying that this is the world in which we now find ourselves. For many, it is also creating questions about the way forward – tell me what to do and how to do it.

We are at a transformative stage for philanthropy in Canada and we need to change the way we look at things.

It's time to step back and deeply analyze what's going on, not only on the part of senior leaders, but also all fundraising professionals.

It's time to be intentional and proactive about innovation, creating environments that engage employees in this exciting time of change and challenge.

And finally, it's time to develop adaptive leadership capacities to guide the way we think about and tackle problems and opportunities. Because I believe you can't practice innovation unless you are an adaptive leader.

It is an exciting time in the sector and in the profession. We have such a tremendous opportunity to grow, adapt and modernize how we do things…and through this work, not only define the future or our own organizations, but also the future of fundraising, philanthropy and community engagement in Canada. It's also such a stimulating time to be a consultant, as we are privileged to be called upon to work strategically with our clients to help them think about these issues and create their own personal paths forward.

All the best as we head into fall…my favourite time of year!

Marnie Spears
President and CEO

KCI »

FORWARD THINKING

"*The test of a first rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function.*"

This quote from F. Scott Fitzgerald is a particularly apt portrayal of the current reality faced by fundraisers today where a key to success is finding the balance between adapting to changing times while still maintaining an appropriate focus on current core business. This scenario creates a dynamic tension, one that is in part rooted in the past and present, another reflecting the future.

Now more than ever before, there is a need for organizations to be ambidextrous. A concept that has been around since the 1970s, organizational ambidexterity is the ability of an organization to "exploit the present" while simultaneously "exploring the future". (See box on page 3 for more on organizational ambidexterity.)

And in exploring the future, what is also required, now more than ever before, is innovation.

Many organizations, especially ones that are mature and long running, tend to be quite comfortable exploiting the present as there is stability and comfort here. Where the struggle comes for many is in the area of exploring new possibilities through innovation. This is a particular challenge for non-profit organizations that are generally risk averse for the very valid reason of not wanting to be seen as wasteful with donor money.

The term innovation tends to be bandied about somewhat haphazardly and the articulation of the need for it can come in a variety of ways – everything from "we need to be more innovative" to "we need to think outside the box" to "what is our ice bucket challenge".

While it is essential to put an emphasis on innovation, these types of questions are simply not enough; they do not take into account the complexity of what it takes to make innovation happen and create a culture that supports it. Staff and board leadership should be spending time asking and thinking about what innovation truly is and how to mainstream it and make it happen…something that starts with an alignment on definition.

Ted Garrard, President and CEO of SickKids Foundation believes that the first step to creating an innovative organization is to define innovation, suggesting there is a need to debunk the myth of it as something "new and flashy". Rather, he proposes that innovation should be

thought of through a lens of continuous improvement.

"We spent a lot of time defining what innovation means for us at SickKids. Through that process, we created alignment and agreement throughout the organization that for us, innovation is defined as constantly and relentlessly looking at how to enhance and improve in all areas of the Foundation based on trends and changes in technology. But we don't always expect that it will be something new and flashy."

Garrard says that he was sure to involve the Board in these discussions. "We asked them to weigh in on what innovation means for them in their enterprises and to assess the Board's tolerance for risk. Not only does their participation ensure alignment on definition, it also creates an understanding of the kind of investments the Board will support and establishes realistic expectations related to outcomes from these investments."

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>
> – Ted Garrard
> President and CEO
> SickKids Foundation

It's about mindset…and culture

Wendy McDowall, Chief Development Officer at the YMCA Greater Toronto, also believes that innovation should be defined less in terms of the "new and flashy" and more in terms of mindset and practice. "I believe innovation can be as small or as large as you want it to be. It's really more of a thought process, striving to embed an innovative mindset in how we work on a day to day basis. Innova-

tion should happen in eveyone's area and guide how we approach all of our projects and planning, thinking constantly about ways to tweak, strengthen and improve."

Leaders, both professional and volunteer, should include in their definition of innovation the evolution and improvement of current practices, as mundane and everyday as how to improve the prospect identification processes, generating new major gift cultivation ideas or how to better integrate major gifts and broad based giving.

Ted Garrard agrees that innovation should permeate the entire organization. "It is critical to embed innovation in the culture. If it isn't part of the day to day practice, there won't be the climate to drive new things forward. We have established innovation as one of our core values and have embedded innovation in everyone's performance plan. Employees get assessed on how they bring innova-

Organizational ambidexterity

First described in the mid-70s by academic Robert Duncan, the concept of organizational ambidexterity has been finding renewed relevance in helping organizations to find the right balance between making the most of current programming while adapting to the emerging opportunities of tomorrow.

Described as the ability to simultaneously "exploit the present" while "exploring the future", organizational ambidexterity is rapidly becoming a required competency for organizations in order to navigate the tension and complexities of the distinct and

competing realities facing us today.

Ambidextrous organizations are able to successfully navigate two very different business situations – one focused on exploiting existing capabilities for profit and one focused on exploring new opportunities for growth. Researchers and academics caution that these two require very different strategies, structures, processes, and cultures – the first being more operational and the second much more entrepreneurial. They also acknowledge that one of the most important criteria is that ambidextrous organizations need ambidextrous sen-

ior teams and managers – or at a minimum, a commitment on their part to operating ambidextrously.

They go on to suggest that organizations should develop ambidexterity in several ways. Firstly, they should think through the lens of incremental innovations, (small improvements in existing products and operations that enable more efficient operations and that make the most of current business models) as well as discontinuous innovations (radical changes that profoundly alter the way things are done).

tion to their roles and contribute to innovation across the Foundation." In addition to creating an expectation of it being part of everyone's job, they have also worked to create opportunities by which innovative ideas can be shared freely. "We have created innovation rounds where staff hold lunch and learn sessions and present to their peers 'here's something we tried, here's what worked, here's something that failed and here's what we learned from it'."

Garrard goes on to say that the development of that culture needs to be top down. "The impetus and direction must come from the CEO and the Board. As CEO, I believe that I serve as the organization's CIO (Chief Innovation Officer), working with all parts of the staff team, pushing them to push themselves and their thinking."

> *...innovation excellence is not a linear process, but rather one that is the result of a multi-year effort peppered with changes in direction based on evolving insights and yes, even failure.*

At The Princess Margaret Cancer Foundation (PMCF), innovation is one of their core values and has now become a part of the organization's DNA. "We started off thinking in terms of entrepreneurship but the language has morphed over time into a discussion about innovation. Everyone is involved in R&D and everyone does it as a part of their jobs. We are always thoughtfully and strategically striving to be out in front by constantly evaluating, assessing, growing and adapting. It has now simply become part of our way of operating," explains Sherri Freedman, Chief Development Officer at the Foundation.

"Yes, we are always actively looking for the next big idea, but we also endeavour to innovate and evolve existing programs so that they can continue to be relevant, asking ourselves, 'what will this program look like in five years? Ten years?' A great example is our current OneWalk to Conquer Cancer which began as The Weekend to End Breast Cancer, then became the Weekend to End Women's Cancers. As each of those events matured, we sought to evolve them, listening to what the marketplace was telling us about how to change the

Adaptive leadership

Another essential competency critical to successfully navigating dual realities is an understanding of and an ability to practice adaptive leadership.

Emerging from thirty plus years of research at Harvard University by Dr. Ron Heifetz and Marty Linsky of the Harvard Kennedy School, adaptive leadership is a framework that helps individuals and organizations adapt and thrive in challenging environments. Adaptive leadership is critical when change and progress cannot be achieved through current approaches and serves as the framework needed to diagnose, interrupt, and innovate to create the path forward.

There are four fundamental tenets of adaptive leadership to keep in mind.

1) Technical problems vs. adaptive challenges – Practicing adaptive leadership requires the ability to distinguish between technical problems (where solutions come from traditional expertise, current ways of doing things) and adaptive challenges (addressed through changes in people's priorities, beliefs, habits and mindsets). The reality is that most business problems require both adaptive and technical solutions.

2) Enchantment and tenacity of the status quo – Be aware of the enchantment and tenacity of the status quo. Solutions that have worked in the past tend to be anchored in the mind and there is very powerful draw toward them. So be very conscious of the strong pull toward the status quo in

your planning and problem solving.

3) Get onto the balcony – Adaptive leadership requires getting "off the dance floor and onto the balcony". To practice this type of leadership, one requires distance, objectivity and the time and capacity to observe. Brains are typically hard wired to find info a certain way and default to an interpretation, using the same lens over and over. Change the way you look at things and what you look at will change.

4) Experimental Mindset - Most interventions are at best good guesses. So don't get wedded to them. Instead, have an experimental mindset that enables that space and freedom to deviate from the plan as conditions change or new information emerges.

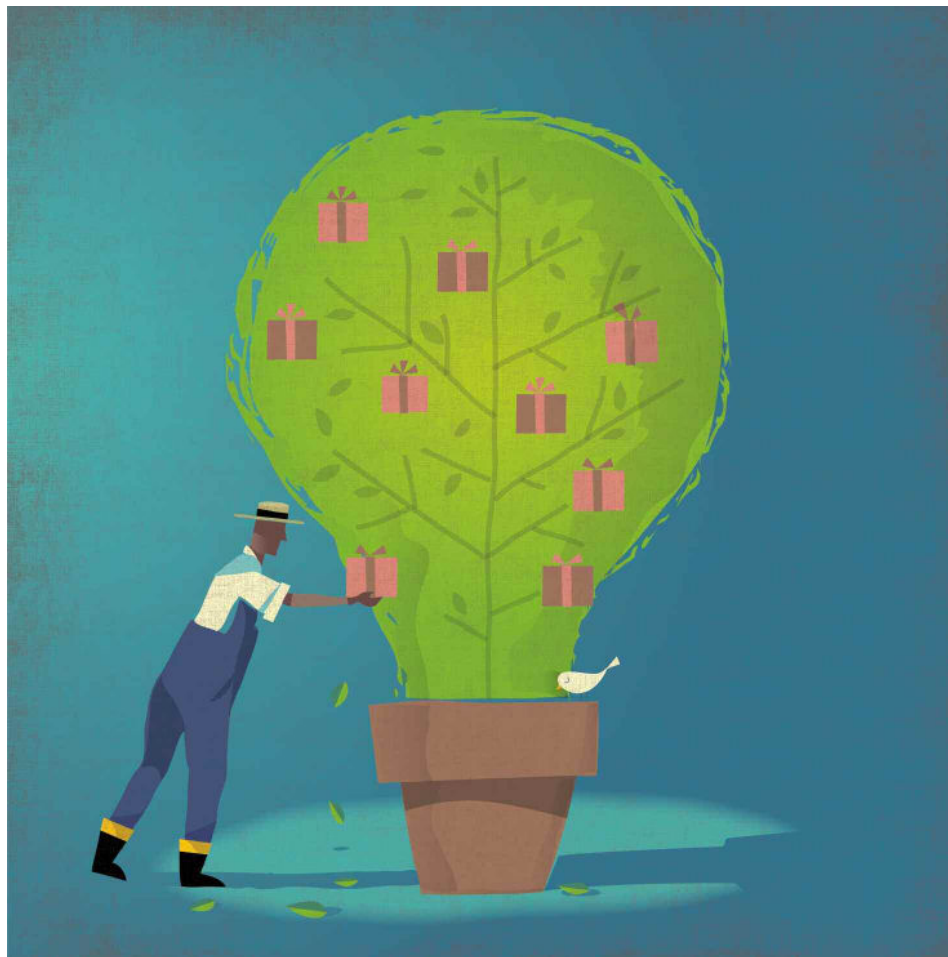event to ensure that it continued to be robust and vibrant."

Freedman cautions about the need to keep check on your mindset, ensuring that it is open to change and not too wedded to things. "We assess how much growth is left in programs as they mature and think about how to capitalize on that ongoing potential. But we also push ourselves to be realistic. There can be a tendency to get emotionally attached to programs, reminiscing about how they used to work and how people used to love them and that if only... But knowing when it's time to move on from something is also part of innovating."

Curiosity and insight

Curiosity and insight are important ingredients for innovation with the need for just as much investment in generating insights as is made into the new ideas themselves. It is crucial to invest in research to understand changing donor attitudes, motivations and behaviour as well as to the trends and advances in technology. It's also important to simply undertake regular "listening" exercises with your own donors through regular consultations and surveys.

There are instances where innovation can and should be defined as generating radical changes in how business is done. An organization that embodies all the elements of creating an innovation-friendly environment, which has led them to create new and different ways of doing things, is Ronald McDonald House Charities Canada (RMHC) as demonstrated through the development of its new, ground-breaking fundraising and awareness campaign *Make Fun Matter*.

According to CEO Cathy Loblaw, the campaign, which encourages individuals and families to "make fun matter" by doing what they love to do to raise money for RMHC, all started thanks to curiosity and insight. *"Make Fun Matter* is really the outcome of looking at ourselves and asking who we are in the world in which we operate. While RMHC started in an organic place, we have now evolved to a point where we have become a central part of the continuum of care for many families with sick children, so there is no longer an option for the Houses not to exist. We realized that serving families is really at the centre of who we are and what we do, which then led us to become aware of the wonderful energy that exists around the idea of families supporting families."

"So, with the help of our agency partner N/A, we created the *Make Fun Matter* campaign, which is a platform that gives families a way to make a difference if they want to. The whole platform is based on sharing family and fundraising stories that both create an understanding of why the houses exist while also, hopefully, inspiring involvement by describing what different families and individuals are doing to raise $30, $1,000 or $10,000."

Trust, patience and a permission to fail

Insight generation is iterative, not a "hit by a bolt of lightning" event. And excellence in innovation is not a linear process, but rather the result of a multi-year effort and commitment peppered with changes in direction based on new information, evolving insights and yes, even failure.

In their experience building the *Make Fun Matter* campaign, Cathy Loblaw confirms that it most definitely was not a linear journey. She notes that it has taken two years of exploration and conversation to get the campaign to the point of launching.

And she believes that for innovation to occur, a high trust environment and a permission to fail are necessities. "Trust is the basis from which everything grows. If you don't have that, people don't feel safe and won't have the confidence to try new things. I also believe in a flat structure where everyone's opinions are valued. This establishes a wonderful space of co-

> *We are often asked what resources should be allocated to innovation and how should resources be allocated across programs. The answer is "it depends". There is no magic formula.*

creation where it's safe to challenge the status quo and where there is room for everyone to participate. Every idea and conversation may not be the answer, but could be the path to the answer."

There must be a pan-organizational understanding that innovation can be inherently risky and that innovation is about managing risk rather than eliminating it. According to Ted Garrard, so too is creating a culture where failure is accepted. "We are fortunate to have Jordan Banks, CEO of Facebook Canada on our Board. He was clear with us that we've got to be comfortable with not always getting it right, but not to see those instances as failure or something to be punished. To be fully transparent on the outcomes of our innovation efforts, we've instituted semi-annual reports to our board on innovation. The board

Innovation checklist

Too often, organizations get in their own way when it comes to innovation by doing things that establish an unconscious immunity to it. Or, they oversimplify what innovation is and how it is achieved and don't do enough to create a workplace where it can flourish.

Here is a checklist of items required to create the kind of environment that enables innovation and creativity to flourish and thrive. How many can your organization check off?

1. Aspiration – A far-reaching vision and a quantified "innovation target for growth" can be compelling catalysts, provided they are realistic enough to stimulate action today.

2. Understanding – A shared definition of what innovation is and what it looks like. Definition should be collaboratively created and shared by board and senior management.

3. Risk Tolerance – Innovation is inherently risky. Leadership, particularly vol-

unteer, must be comfortable with taking risks and permitting failure. Must adopt an attitude of managing risk than eliminating it.

4. Leadership – Creating capacity to innovate must start at the top with the most senior leaders of the organization. Innovation cuts across just about every function and only senior leadership can mandate the focus on it.

5. Expectation – While creating an innovative organization starts with senior management, there should be an expectation that all employees consider innovation a part of the roles. Innovation can't be seen as "someone else's job".

6. Employee Engagement – Creating expectations is one thing. Staff and board leadership must also create an environment that enables employees to engage in innovation, providing them with the tools, skills and opportunities to enthusiastically tackle challenges and come up with new ideas.

7. Discovery – Curiosity and the generation of insights are critical to innovation. Tied to the concept of "ok to fail", discovery can be iterative and while one initiative may fail, it may be a pathway to success thanks to learnings from the process and outcomes.

8. Choice – Regardless of organizational size and scope, decisions must be made about which projects will receive investment. Ideally look to create a portfolio of intentionally selected projects into which investment will be made.

9. Investment – And speaking of investments, innovation must be fueled and cannot happen in the absence of some degree of upfront commitment of resources. And so it is critical that sufficient resources are invested into projects to enable the possibility of their success.

10. Patience – Finally, seeing results from innovation requires a good dose of patience. The concept of "overnight success" rarely applies when it comes to new and innovative programs and ideas.

expects to see us advance in this area and so we share with them what we tried that was new and what the results are, both the good and the not-so-good, certain to communicate what we learned from what didn't go as planned."

Process and resources

Mindset, culture and curiosity, while all critical, are only parts of the puzzle. There are also very practical and tactical pieces that must be addressed.

The first is process, which is particularly important in large-scale organizations. At both PMCF and SickKids Foundation, there is a procedure whereby ideas are presented to senior management for review and consideration. Staff members are expected to develop business plans that outline the new initiatives they would like to try along with cost, expected return on investment and anticipated length of time before that return is realized.

At KCI, we are often asked what resources should be allocated to innovation and how resources should be allocated across programs. The answer is "it depends". There is no magic formula. As with any strategic question, the answer will be specific to each organization's particular circumstances and contingent on a variety of factors, including starting point, degree of current program optimization, level of risk tolerance and available opportunities.

Organizational changes may be required, but not because there is a silver bullet.

Rather, the organization must be set up so that collaboration, learning and experimentation are promoted and employees are able to share ideas and insights freely, all of which are required for innovation to occur.

One thing that is absolutely critical is investment. Everyone we interviewed was adamant that innovation cannot and will not happen unless investments are made to fuel it. "While the cost of fundraising issue makes everyone hypersensitive, resources must be allocated to support innovation. It could be about carving out a certain percentage of your program budgets or creating a New Initiatives Fund. Regardless, unless there is money allocated and staff attention devoted to it, innovation simply won't happen," says Wendy McDowall. As with any investment, choice is important and the objective should be to create a balanced portfolio of initiatives that have adequate resources allocated to them to achieve success.

Always in style

All our interviewees were also very clear that certain things will never go out of style.

"Authentic engagement with donors and prospects as well as good solid stewardship," says Sherri Freedman. "That is a standard that will always exist no matter what happens with technology. We take the long view with our donors and I believe that they want authentic, personal interaction and on-going involve-

ment." She goes on to say that connection with the organization's mission and the desire to make a difference will continue to be key motivators for donors. "Offering substance over flash will never go out of style. Most donors will go for meaningful impact over the desire to see their name in lights."

"Our focus as fundraising professional should always remain on raising money," says Wendy McDowall. "We aren't programmers or artistic directors. It is important not to blur those lines. We have experts in our organization and we can't lose sight of that."

And finally, Ted Garrard notes that "as you innovate, you have to be true to your vision, mission and values, which can lead you to decide against certain types of innovation that simply aren't the right fit."

For smaller organizations, all of this talk about innovation may seem daunting. However, everyone agreed it is really a question of scale. If you approach innovation as a way of thinking and doing, it doesn't matter if you are large or small. Often a lack of success in innovation is that it is left to chance or the hope people will get creative during an "innovation retreat" or via gimmicks like "Innovation Wednesdays". Instead, success comes from tackling innovation enthusiastically and systematically, which includes cultivating a mindset that nurtures it, creating processes that enable it, developing structures that foster it and dedicating resources to fuel it. »

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FORWARD THINKING