

The Innovation Value Chain



The Big Idea

We have all seen companies and not-for-profits flounder because they fail to adapt to a drastically changing environment. We have also seen organisations thrive by adjusting their products or services to meet evolving consumer or beneficiary needs. But how do we make innovative changes happen within our own organisations?

The scale of the challenges many of us face encourage us to stick with our comfortable, 'business as usual' methods. We are afraid to take risks and fail. Management guru, Peter Drucker, noted that even among the best commercial enterprises "it takes special effort for the existing business to get beyond the temptation to feed yesterday and to starve tomorrow". And for many non-profits in today's unstable economic climate, the temptation to stick with what has worked in the past, to "feed yesterday" becomes even stronger.

And yet, beneficiary and donor needs *are* growing and changing. "Business as usual" won't help you adapt and evolve.

The question can't simply be "how do we survive the recession?" but "how do we increase our impact?" whether it's growing your fundraising income or looking at new ways to deliver services to beneficiaries. What can your competitive advantage be, particularly if you are not a big brand?

The answer is innovation. Once again, we can turn to Drucker for an explanation: "Innovation is change that creates a new dimension of performance".

So that's all very well – the argument for innovation is clear – but how can we put it into practice? To enable innovation in your organization, you can introduce a systematic approach, called the "innovation value chain".

Origins

McNair's research shows that many not-for-profit organisations need to cultivate the 'discipline' of innovation, in other words, a systematic approach that businesses – and not-for-profits – need to take to make innovation work for them.

Our research has built on, and adapted, some key research from Harvard University, to create a model that enables charities to embed innovation into their systems and processes.

This can be applied to fundraising and all other parts of the organisation.

How it works

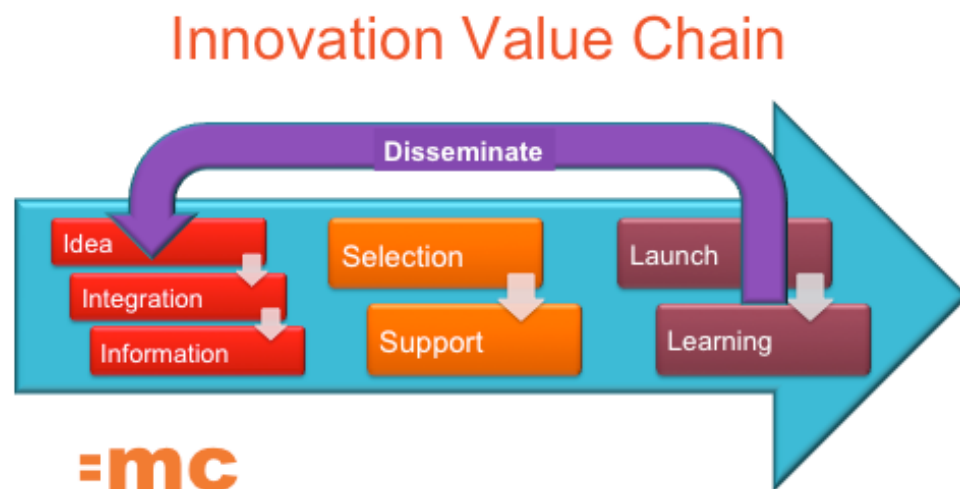
The risks involved with pursuing innovation become less frightening and seem more manageable if you think of innovation not as a big leap into the unknown, but as a process with defined stages and roles.

There are three overarching processes involved: **devising** ideas, **developing** them and then **delivering** the result – usually an increase in income or achieving a campaign goal.



=mc's model argues that innovation is a value-adding process with seven distinct stages. Monitoring your progress at each stage ensures you move from simple *production* (coming up with lots of ideas) to identifying *potential* (spotting and supporting ideas that may have benefits) to enjoying genuine *payoffs* (implementing the ideas and then applying the learning).

The arrow diagram below illustrates this process as a series across the six operational stages and one review stage.



At each stage, an organization can be strong or weak. The list below asks questions to help you assess yourself in terms of the challenges you face and the consequences — or symptoms — if you are less than effective.

Stage	Challenges and consequences
One: Ideation (Idea generation)	Do you come up with enough new ideas internally? Does your organisational culture support this approach? <i>You need lots of ideas to develop momentum. If not, you'll always be running to catch up with your competitors.</i>
Two: Integration (Cross pollination)	Are ideas exchanged between branches or departments or HQ and regions? Do you have systematic processes to ensure this happens? <i>If not you'll be missing out on synergies generated if you work in a joined-up way.</i>
Three: Information (External sourcing)	Do you consistently scan the environment – commercial and non-commercial – for new approaches and ideas you can adapt? Or is there a “not-invented” here syndrome? <i>Are others to gain first mover advantage?</i>
Four: Selection (Identifying ideas)	Do you have a process for identifying high potential/high payoff ideas? Is this process rigorous? Otherwise, you may be <i>developing</i> ideas but not <i>choosing the high pay-offs or only choosing ones that fit with current thinking</i>
Five: Support (Developing ideas)	How are ideas assessed and progressed? What metrics do you use to establish what has real potential and what isn't going to make it? <i>If you don't have a rigorous process you may waste energy on low pay-offs.</i>
Six: Launch (Diffusion and returns)	How well are ideas rolled out? What expectations of financial return do you have? And over what period? If you have too short-term an approach, ideas will never succeed. <i>If you wait too long for results the opportunity window may have closed.</i>
Seven: Learning (Establishing what can be improved)	How well are successes and failures recognised? How is learning captured and shared across the organisation? <i>If you don't evaluate and review as a learning organisation, you may be doomed to make the same mistakes again...</i>

Benchmarking

=mc has compiled datasets for different not-for-profit functions – from fundraising to service delivery. Below is the average score for fundraising functions for a number of international charities. They were surveyed at conferences and online in 2008-11 in terms of how they were doing against the seven stages. It's important to emphasize this is a *self-assessment*.

Stage	1. Ideation	2. Integration	3. Information	4. Selection	5. Support	6. Devise	7. Deliver
INGO Benchmark	64%	43%	76%	62%	45%	46%	50%

These results suggest that, in terms of fundraising innovation, our group of international fundraising charities/not-for-profits are:

- good at coming up with ideas and external sourcing of new approaches.
- average at getting their ideas to market and securing financial returns.
- good at selecting ideas but then weak at developing these ideas.
- weak at integrating their teams across boundaries.

How might you score on the seven stages? Where are you good, and where do you need to improve? (If you want to download a short version questionnaire that benchmarks your organization against other national and international fundraising charities, you can do so at www.managementcentre.co.uk/iaudit)¹

There also are simple, practical strategies to improve performance in each of these areas. Some of these include:

Stage One: Ideation (idea generation)

- * Have weird “away” days. Show a movie like “Ocean’s Eleven,” and seek inspiration there.
- * Create a stimulating environment — play music or kids games before the staff meeting.

Stage two: Integration (cross-pollination)

- * Shuffle your teams internally to cross-pollinate and recombine skills.
- * Organize workshops between different departments and teams.

Stage three: Information (external sourcing)

- * Visit commercial companies you admire, and learn from them.
- * Benchmark yourself against other charities through =mc’s innovation test.

Stage four: Selection (identifying ideas)

- * Organize a “Dragons’ Den”-type contest with external judges for the ideas.
- * Develop a set of clear and specific metrics for success — and failure.

Stage five: Support (developing ideas)

- * Create a team that acts as gardeners or who nurture ideas to launch.
- * Delegate responsibility for idea nurturing to team leaders. Give them an idea target.

Stage six: Launch (diffusion and returns)

- * Create an internal “launch” team that acts as salespeople for ideas it didn’t invent.
- * Be clear on what the return metrics are — invest fully but reasonably.

Stage seven: Learning (identify and integrate learning)

- * Have a wash-up event to identify what worked and didn’t.
- * Review the return metrics— were those the right ones?

¹ =mc has a dataset of benchmarks for national and international charities. To compare yourself in a dataset contact David Segal, Knowledge Management Consultant. d.segal@managementcentre.co.uk.

Given some thought, most of us can easily come up with additional ideas that will be useful. But remember, the key is to focus where you need to *improve* — that's where the innovation-chain approach and benchmarking are useful.

Innovation Roles for Fundraising Managers

Experience shows that even a systematic model and benchmarking aren't enough. There are a number of roles individual managers can play in stimulating innovation. What does your organization need you to be and how can these roles help with progress at the different stages?

Mentor: The mentor adopts individuals or even ideas, ensuring that they achieve their full potential. He or she cuts through bureaucracy to ensure innovation or an innovator wins through and is recognized at the top. Does your organization need you to be a mentor? Who or what should you mentor?

Gardener: The gardener ensures that the organizational culture (a garden) sustains ideas (plants). The gardener can nurture ideas in their early stages, but there also comes a time when ideas have to grow by themselves. Is your organization an "innovation garden"? What would you change to make it so? Are you clear on when to let ideas grow or die by themselves?

Talent scout: The talent scout, like the mentor, focuses on individuals. But the key is seeking talent from *outside* — new employees, temps, interns or even consultants. Organizational energy is created through an influx of fresh blood. Does your organization need talent? And if so, what kind? Are you clear on where to source it?

Catalyst: In science, a catalyst produces radical change in a normally stable substance. In innovation, it's someone who brings together diverse elements — teams or individuals — to create a reaction. (Note that once you create the reaction, you can't control it.) Who could you bring together to create a dramatic reaction — donors and beneficiaries, perhaps? Who, if brought together, could work on a problem in a radical, new way?

Mash-up artist: In music, a mash-up artist mixes existing tracks and sounds to create something new. An innovation mash-up artist combines and controls in an organizational sense. He or she tears down silos, links unlikely ideas and brings in oddball outsiders to challenge current thinking. Unlike the catalyst, he or she *directs* the process. Are you a mash-up artist capable of choosing elements and combining them in unusual ways?

Ethnographer: An ethnographer studies human behavior across cultures and generations. In an innovation sense, he or she searches for needs not yet met or even fully expressed by the organization's donors and tracks how donors use the website, then changes it to meet this need. Which users or donors might you study to gain some insights into how to change your work? What insights might that offer you?

Venture intellectual capitalist: This role is a budget-holder with a free rein and the ability to spot longshots. He or she sustains a portfolio of projects with high returns. It's important to allow this individual to be judged across a whole

portfolio over time rather than on a case-by-case basis. Could you get your hands on a budget? And if you could, what would you support with it?

Innovation matters. Not just to help you deal with the crunch/crisis/catastrophe. But to help you thrive as you come up with new ideas, to persuade existing supporters, staff and even board members that you're committed to really feeding the future. And it also matters if you are to attract good, new people — staff and donors — to your cause.

Need some other fundraising Big Ideas?

Welcome to another **Big Idea** download from **=mc**. These downloads are designed to share with you some of the classic and contemporary techniques we're using to help *transform* the results of major charities in the UK and internationally. Collect the set!

Even if you don't want or need the innovation value chain, why not let **=mc** help unlock your fundraising potential?

=mc has a team of unrivalled fundraising consultants able to assist with the biggest and smallest campaigns. Between us we share experience in large charity work, international development, arts and culture, disability and the environment.

=mc consultants have worked with many of the world's major charities on their strategy or fundraising. We're proud to be helping or have helped Oxfam, UNICEF, the World Health Organisation, the Federation of Red Cross and Red Crescent Societies, Greenpeace International, WWF, Concern Worldwide and Amnesty International. In the UK, we've worked with Imperial War Museum, Alzheimer's Society, Oxford University, Care, WWF, Science Museum and the National Trust for Scotland.

To find out how we've helped these organisations achieve their big ideas – and how we could help you – call **Angela Cluff**, Director on +44 207 978 1516. Alternatively, you can email us at a.cluff@managementcentre.co.uk or go to our website at managementcentre.co.uk/fundraising. Or even visit our international website at managementcentre.com.