BEYOND THE OBVIOUS: SOCIAL INNOVATION IN THE NGOS MANAGEMENT

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ABSTRACT
What is in essence innovation occurs at the level of social behavioural patterns, routines, practices and settings. An innovation is therefore social to the extent that it, either conveyed by the market or by nonprofit, is socially accepted and diffused widely throughout society or in certain societal sub-areas, transformed depending on circumstances and ultimately institutionalized as new social practice or made routine. The field of social innovation turns critical societal problems into opportunities by actively involving the community actors. Organizations and networks of organizations are playing a decisive role in the dissemination of social innovation. NGOs are largely innovating the ways managerial activities are performed by their constituents. They are solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently their fundamental purpose and objectives.

The main questions to be explored are: what are the social innovation aspects in NGOs’ management and how they help to improve existing organizational models and management methods, and how those approaches can create value for these organizations.

KEYWORDS: innovation, social innovation, NGOs, management

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1. INNOVATION AND SOCIETY

There is a wide range of approaches to conceptualizing innovation in the scholarly literature. Traditional concepts of innovation define innovation as new or improved products, services, processes, or improved organizational or marketing strategies (OECD, 2009).

The major societal challenges we are currently facing, such as new opportunities for sustainable growth and enhanced well-being, are imposing positive changes and innovations across our societies and communities. This is why John Kao’s definition of innovation as “the ability of individuals, companies and entire nations to continuously create their desired future.” Innovation Nation (2007) means going beyond the focus on more R&D and technology to how an innovative mind-set can trigger broader systemic changes in society and the economy (Business Panel on Future EU Innovation Policy, 2009).

While business innovates mainly for return on financial investment, society must innovate for social return and positive transformation. In a world facing unprecedented challenges, like aging and diversifying population, youth unemployment, sustainable cities and global challenges, like climate change, environmental degradation and poverty, incremental change and business innovation alone are not enough (Business Panel on Future EU Innovation Policy, 2009). So, the concept of

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innovation must be broaden, in order to render possible the identification of similarities and
 differences between the existing and shifting variety of innovations taking place throughout society
 (Hochgerner, 2010). Over the last decades, humanity has struggled to align the best of its social
 models with the needs of a rapidly transforming economy by moving the society towards a
 knowledge-based and future-oriented economy. This is why innovation is now accelerated not just
 in the more familiar space of high technology, but also throughout society.
 Leaders play a decisive role in creating the right environment for innovation using vision and
 organizational culture focused on sparkling innovation within their organizations (Nastase, 2010).
 Innovations occur at the level of social practice. As Hochgerner (2010) shows, there are similarities
 but, also, differences between innovations concerning societal issues (social innovations) and
 innovations based on technologies, products, business models, (aiming at business purposes). By
 consequence, “the processes, metrics, models and methods used in innovation in the commercial or
 technological fields are not always directly transferable to the social economy” (Murray, Caulier-
 Grice and Mulgan, 2010). The intangible structure of the social innovations represents the main
 distinction comparing to technical innovations (Howaldt and Schwarz, 2010). In the same time,
 while being different in terms of purpose and objectives, the outcomes of the two types of
 innovation may overlap. Also, the rule of incremental innovations serving as background for a few
 “basic innovations” representing turning points in social change applies to social innovations as
 well (Hochgerner, 2010).
 Meantime, concerning the typology of social innovations, Brooks (1982) makes distinctions
 between market innovations (such as leasing), management innovations (such as new working hour
 arrangements), political innovations (such as summit meetings) and institutional innovations (such
 as self-help groups)”.
 According to Murray, Caulier-Grice and Mulgan (2010), as with every other innovation, there are
 not clear boundaries for social innovation. Social innovation can take place within public sector or
 within private sector, either for-profit or nonprofit, or in the space between them.
 In the report of the Business Panel on Future EU Innovation Policy (2009), the social innovation
 process is defined as: (I) experimental (testing out a range of alternatives), (II) cross-cutting
 (responding to a problem may require very different changes), (III) collaborative (using the
 potential of network technologies), (IV) participatory (engaging citizens as co-creators).
 Actually, the term social innovation has overlapping meanings: it can cover social processes, like
 open source methods and techniques, or it may refer to innovations with a social purpose, like
 microcredit or distance learning, or both. It may be, also, related to social entrepreneurship and it is
 As mentioned by Howaldt and Schwarz (2010): “A plethora of vastly diverging issues, subject matters and problem dimensions as well as
 expectations for resolving them are subsumed under the heading ‘social innovation’ without
 making distinctions between its different social and economic meanings, the conditions
 governing its inception, its genesis and dissemination, and clearly demarcating it from other
 forms of innovation.” In their view, social innovation is a “new combination and/or new
 configuration of social practices in certain areas of action or social contexts prompted by certain
 actors or constellations of actors in an intentional targeted manner with the goal of better
 satisfying or answering needs and problems than is possible on the basis of established practices”.
 Various definitions approach the social innovation concept observing different aspects: what is
 social innovation, which is the object of the innovation process, which are its motives and effects,
 which is the object of change, which is the targeted area of change, which are the components, etc.
 The field of social innovation turns critical societal problems into opportunities by actively
 involving the community actors. According to the report of the Business Panel on Future EU
 Innovation Policy (2009) “the social innovation process generates new answers to social problems
 by identifying and delivering new services that improve the quality of life of individuals and
 communities.” This is why “the new strategy for Europe, Europe 2020, must have social innovation
at its centre, as a means of stimulating a more dynamic, inclusive and sustainable social market economy.” (Study on social innovation, 2010). Meantime, on the role of the social innovation, Howaldt et al. (2008) are stating: “Where innovation was previously directed at advancements in the natural sciences and mechanical engineering to create new products and processes, social innovation will gain importance in the future in conjunction with accelerating change.” Moreover, nowadays, “the current financial and economic crisis makes social innovation more important than ever” (Study on social innovation, 2010).

2. NGOs AND SOCIAL INNOVATION. THE OBVIOUS

Social innovation brings together individuals and communities, including civil society organizations, to address specific challenges. More specifically, organizations and networks of organizations are playing a decisive role in the dissemination of social innovation (Howaldt and Schwarz, 2010). In this respect, by promoting volunteering and active citizenship, providing services for underprivileged and marginalised groups, civil society organizations (or third sector organizations, or nonprofit organizations, or nongovernmental organizations - NGOs) are engines of social cohesion (Business Panel on Future EU Innovation Policy, 2009) and “have long been rich sources of social innovation” (Study on social innovation, 2010).

The nonprofit organizations are agile, creative and collaborative, and can work across sectorial, jurisdictional and disciplinary barriers to employ effective strategies that make transformational change possible. NGOs provide important services to help meet the needs of the citizens. They work hard to make the communities a better place by providing quality research, policy advice and front line services on everything from health care to housing to education, the environment and the economy. In other words, a country benefits doubly from nonprofits: through both social and economic contributions that affect us all.

Many practitioners and academics have put an effort into the task of identifying and articulating the distinctive character and contribution made by nonprofit organizations. As Anheier (2000) mentions, „many writers have claimed that the non-profit form is intrinsically associated with distinctive features that lead to characteristic behaviours and outcomes: Kramer (1981) sees the essence of nonprofit agencies in their dual functions as value-guardians and service-providers; Hudson (1999) and Paton (1996) identify the value orientation of nonprofit organizations as their essential feature; Tonkiss and Passey (1999) suggests that trust and voluntarism are at the centre of nonprofit organizations. Billis (1989) sees ambiguity as the essence of most non-profit organizations; and Lohmann (1989) finds that the notion of the commons is the key to understanding this type of organisation”.

As important as the special or distinguishing features of the nonprofit organizations are the strategic purpose behind distinctiveness. It should be noted that strategies of distinction also operate within the nonprofit sector (also called the third sector). In a search for organizational identity, parts of the sector, types of activity, and even individual nonprofit sector organizations, may also use similar strategies to highlight their role, position and contribution as against and distinct from other parts of the sector.

Like in the case of other types of organizations, non-profit organizations vary much in terms of mission, size, mode of operation and impact. Some of them are closer to the model of a public agency; others may indeed resemble a commercial company; and yet others may be little more than an informal network (Anheier, 2000). Comparing to the other categories of institutions which operate in the community, NGOs resemble to private commercial entities concerning the way they function, but their goals and objectives are focused on social needs approached through public interest activities, without a distribution of the profit (if does exist) among the persons involved in the activities. This brings NGOs closer to the logic of the public institutions (Andersen et al., 2010). There are many definitions on the nonprofit nongovernmental organization concept. According to the structural-functional definition (Salamon, 1992), NGOs should meet couple of criteria: to have
an institutional structure, to be of private nature, to do not share profit, to be self governed, to be volunteer ran. Further, the discussion is focusing on only some of the NGOs, more precisely, in the meaning of this text, nongovernmental organizations or nonprofit organizations are defined as an organizational category, formed by institutionalised entities, of private nature, dedicated to social needs, independent from other institutions and not interested in political power (i.e. political parties) or profit (i.e. commercial private organizations) (Bibu and Lisetchi, 2011).

3. BEYOND THE OBVIOUS: SOCIAL INNOVATION IN NGOS’ MANAGEMENT

While management of any organization is fundamental to the success of its activities, the focus of this paper is on social innovations in NGOs’ management. What managerial skills do NGOs have for the implementation of social innovations, for an independent responsible examination of social problems and the associated approaches to resolve them are important questions to be answered. At the same time, is important to find what the social innovation aspects in NGOs’ management are and how they help to improve existing organizational models and management methods, and how those approaches can create value for these organizations.

First of all, a relevant aspect to be clarified is the issue of the social dimension of the NGOs management innovations. In this respect, Howaldt and Schwarz (2010) report that “An innovation is therefore social to the extent that it, conveyed by the market or ”non/without profit”, is socially accepted and diffused widely throughout society or in certain societal sub-areas, transformed depending on circumstances and ultimatly institutionalized as new social practice or made routine.” Therefore, it is necessary to identify which of the NGOs’ management aspects/features are “socially accepted and diffused widely” throughout nongovernmental organizations mass (“a certain societal sub-areas”) and which are the circumstances which conveyed these aspects as “new social practice” or “routine”.

For any organization, the reason of being determines its organizational behavior. For example, in the case of the commercial enterprises, the reason of being is to develop services and products for sale to a particular group of consumers in terms of efficiency and effectiveness and having as a performance criterion the profit maximization. By comparison, in the case of non-governmental organizations, development of services and products for sale could be one of the ways to achieve their organizational goal. This difference is manifested in nine perspectives of environment and organizational behavior.

First perspective is the organizational goal. In the case of non-governmental organizations, the organizational goal is a social need of a specified or ascertainable group or of the community at large (Noya and Clarence, 2007). Eventually, if the organization performs economic activities, the development of services and products for sale is a method that leads to achieving the social purpose of the organization. In this respect, NGOs, as a concept, represents a social innovation. The main theories explaining the rise of NGOs, as an organizational model, is the public sector and market failure (Burton, 1988). According to these theories, individuals or groups organize associations when they find that either the government or the profit-making market, or both, will not or cannot adequately address their concerns. Other theories include solidarity, or collective empowerment which are representing in our opinion managerial innovations generated by NGOs (Evers and Laville, 1988). The nonprofit social goal increases the public trust in such organizations, generating legitimacy and thus, creating value for these organizations.

Second perspective refers to the role of the governing board. In terms of representation of the clients’ interests and needs, NGOs’ beneficiaries may not be in a position to reveal their preferences (e.g., people with disabilities, children and older people), nor able to pay prices that cover the cost of service delivery (Anheier, 2000). In this respect, Carver (1997) suggested that boards should act as the “market” to determine services by setting mission and policies, because non-profits operate in a “muted market”. This is why, for a proper design of strategic decision in the case of non-profit organizations, the governing board must also assume the role of representative of the market.
Therefore, the specific role of the NGOs’ governing board represents a social innovation determined by the need for the type of market the NGOs serve.

Third perspective is the power distribution within the decision-making bodies (boards, general assembly, etc.). Compared to for-profit companies, in the nonprofit organizations there are no shares. This is why the decision power of the members of the decision-making bodies is not depending on shares. More precisely, in general, the decision-making power is divided equally between the members of the decision-making bodies (Noya and Clarence, 2007). Therefore, the specific way the power is distributed within the NGOs’ decision-making bodies represents a social innovation determined by the need for organizational legitimacy and in connection with the lack of shares.

A fourth perspective is leaders’ compensation. The NGO board members act on a voluntary basis with no material compensation for their activity (Salamon, 1992). The volunteer work of the leaders in favor of the organisation is specific only for the non-profit organizations. In this respect, the specific lack of material compensation of the NGO board members represents a social innovation determined by the need for organizational legitimacy and in connection with the lack of shares.

The fifth perspective refers to management structure. Many non-profit organizations have a dual management structure where operating procedures are the province of executive officers, and the overall governance vested in the hands of boards; often the board emphasizes the mission of the organisation – and not the financial bottom line alone, as in the case of a shareholder board; by contrast, management focuses on operational aspects and financial matters in running the organisation (Anheier, 2000). This situation reflects a more balanced power relationship between the executive and governance structure of the organization. In this respect, the specific structure of the NGOs’ management represents a social innovation determined by the need for organizational legitimacy and in connection with the NGOs’ social goal. Actually, comparing to non-profit organizations, for-profit firms delegate more decision-making power to executives and owners, and less to their employees, consumers, families, boards of directors, and community representatives. Although the differences are, generally, small, they support the hypothesis that decision-making is allocated to different groups based on the broad objectives of the organization (Ben-Ner and Ren, 2010).

The sixth perspective refers to service-market couple. Many times, the cost of a product or service provided by a non-governmental organization has not been determined in relation to the cost of product or service delivery so that beneficiaries do not pay for their benefit or pay less than the market value. This is possible when there is a third-party, the funder, which subsidizes, in whole or in part, products or services provided to beneficiaries by the organization. The funder is not a direct beneficiary of the provided products or services. Therefore, the specific funders-NGOs-beneficiaries relations represent a social innovation determined by the week financial potential of the NGOs’ beneficiaries and in connection with the NGOs’ social goal. Such an approach allows deprived or vulnerable groups to receive with no costs or reduced costs services which they would not get other way.

The seventh perspective is about the ways of obtaining resources. To obtain the necessary resources for developing their activities, NGOs can appeal to a multiplicity of ways of both to non-commercial activities (i.e., attracting grants) and to the economic activities obtaining resources (Noya and Clarence, 2007). In this respect, using non-commercial activities as a specific way NGOs are obtaining resources represents a social innovation determined by the week financial potential of the NGOs’ beneficiaries and in connection with the NGOs’ social goal.

The eights perspective refers to human resources. Comparing to for-profit companies, NGOs use a mix of types of human resources: both paid and volunteer staff. This implies a complex motivational structure of staff, volunteers and stakeholders, and the interplay between altruistic and egotistical goals (Anheier, 2000). Therefore, using volunteers as a specific way NGOs are developing activities represents a social innovation determined by the week financial potential of the NGOs’ beneficiaries and in connection with the NGOs’ social goal.
The ninth perspective is about the principle of profit sharing. Unlike economic agents, the profit derived from carrying out economic activities and/or, the remaining amount, if any, arising from grant funded projects cannot be claimed by the employer or associates like in the case of economic agents. These amounts remain available to non-governmental organization to achieve the overall organizational goal (Salamon, 1992). In this respect, non-distributing profit shares as a specific way NGOs are operating represents a social innovation determined by the NGOs’ social goal and the implicit operating mode.

It should be noted that the particularities of the above mentioned perspectives are not absolute, neither in terms of their existence in the entire mass of non-governmental organizations, nor in terms of their uniqueness only for this category of organizations. For example, working with volunteers can be done in public institutions too, but in this case, volunteers are found only at the operational management level and, more importantly, have no role in the decision making process. On the other hand, the above mentioned items are the most representative and thus defining for NGO operation mode.

In the same time, the above mentioned particularities of non-governmental organizations show no significant differences in relation to the type of incorporation of the organization (i.e. association or federation or foundation). This last observation takes into account the fact that in modern times has become increasingly consistent the tendency for foundations to operate, often as a direct operator on the problem while in a classical approach the main role of foundations is to act as sources of funding for other non-governmental organizations (i.e. associations, federations) (Andersen et al., 2010).

In terms of organizational learning, the relation between NGO sector and business sector is a two ways street. While business has adopted some of the models for mobilising networks of users that were developed by the third sector in the 1960s and 1970s, conversely, some NGOs are learning from venture capital (Murray, Caulier-Grice and Mulgan, 2010). In this respect, many non-profit organizations have come to embrace the language, the management practices, even the culture of the business world. These NGOs look more to for-profit corporations and commercial enterprises for management tools and models in the hope of finding solutions to real or perceived financial challenges (Anheier, 2000). Still, there are semnificative differences concerning their implementation due to fundamental differences in purpose, functionality and founding principles.

Meanwhile, the third sector organizations have largely contributed to the emergence of a new school of thought in managing organizations, called “multistream management” coined by Dyck and Neubert (2009). Their definition of the concept of multistream management is “the process of planning, organizing, leading and controlling human and other organizational resources with the aim of achieving organizational goals virtuously and therefore effectively”. They consider it an ideal extreme approach while mainstream management is defined in the same way with the difference that performance is defined as achieving organizational goals efficiently and effectively. ‘Mainstream’ comes from MAterialistic-INdividualistic approach to management, while ‘multistream’ comes from multiple stakeholder approach to managing organizations, including business, for profit organisations.

The key approach of multistream management is nurture community via virtue, which is more or less the main reason of NGOs to exist. Multistream planning emphasizes is based on managers working together with other people to set goals and design strategies that maximize the stakeholders wellbeing and focus on nurturing community and ecological sustainability (Dyck and Neubert, 2009). They set measurable goals such as environmental stability, human dignity and happiness, related to a variety of forms of well-being. The underlying goal is to serve and to ensure the well being of many different of many different stakeholders. The idea of being in the service of others than shareholders is quite fundamental in differentiating multistream management from mainstream management.

The main idea behind multistream planning is the use of practical wisdom by managers. Practical wisdom is defined by (Dyck and Neubert, 2009) as a “virtue that fosters the capacity for
deliberation and action to obtain what is good for the community, especially by asking insightful questions, evaluating real world management situations and applying relevant knowledge”.

The other foundation for multistream planning is participation via consultation with members and other stakeholders that means collective action to setting goals and making decisions. The benefits are important: much better informed decisions and strategies, more motivated members and more satisfied stakeholders. In our opinion, we observe that a part of profit oriented organizations are learning from NGOs and are moving towards the multistream end of the continuum. At this end, one can find the nonprofit organizations.

4. CONCLUSIONS

According to Anheier (Anheier, 2000), in terms of NGOs environment (i.e. managing diverse constituencies, stakeholders and multiple revenue sources including donations, fees and charges, and public sector payments like subsidies, grants and contracts), and its internal components (i.e. board, staff, volunteers, clients and users) the management of non-profit organizations becomes more complex than the case of a for profit company of similar size. This is why non-profit organizations are frequently several organizations or organisational components in one and this heavily impact on NGO operation mode.

NGOs are largely innovating in the way managerial activities are performed by their constituents. Both at organizational level and networks level, NGOs are solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently/virtuously their fundamental purpose and objectives. Consequently, their future and survival becomes crucial for the society (Nicolau and Simaens, 2007).

The reported NGOs’ management aspects come to improve organizational models and management methods. Such innovations were determined by an array of factors: public sector and market failure, human solidarity, need for collective empowerment, type of market the NGOs serve, the need for organizational legitimacy, lack of shares, the NGOs’ social goal and their implicit operating mode, the week financial potential of the NGOs’ beneficiaries, etc. They represent changes which increase the public trust in such organizations, generating legitimacy and thus, creating value for these organizations. Therefore, they are socially accepted and diffused widely throughout a certain societal sub-area (nongovernmental organizations mass) being conveyed as “new social practice” or “routines”. By consequence, they are identified as social innovations.

In a learning society, business and NGO sector are engaged in a mutual learning process. The two sectors are not equal in size, and nor the exchange process is balanced. Still, each one has a considerable impact on the other and both are going through a process of hybridization, process which is based on new business models, like the case of socially driven businesses or social enterprises.

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