

# The Power of Social Innovation

FOREWORD BY MICHAEL R. BLOOMBERG

**THE POWER**  
*of*  
**SOCIAL**  
**INNOVATION**



HOW CIVIC ENTREPRENEURS IGNITE  
COMMUNITY NETWORKS FOR GOOD

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# State and Local Budgets Under Huge Stress

## Costs up Revenues Down

- Total state and local debt was \$1.19 trillion in 2000 and soared to **\$1.85 trillion by 2005\***
- Cities face significant budget gaps this year: **-2.9%**
- These taxes are earliest source of city revenue to decline as job losses in a community increase and consumer purchases decrease
- Property taxes continue to slow as real property assessments are adjusted to reflect declining housing values\*\*

\*Data from Cato Institute, Tax and Budget Bulletin, July 2006, No 37.

\*\*Data from NLC's City Fiscal Conditions in 2009. 9/1/09. See [www.nlc.org](http://www.nlc.org).

# A Clouded Path to the Middle Class

## Social Outcomes Deteriorating

- High School Education Dropout Crisis
  - Male black graduation rate of 42% compared with 71% whites
  - 2/3 who don't graduate end up in prison
- Wealth Disparity
  - In 2008, 39.8 million in poverty nationwide
    - 17.2 million of these are in our country's cities—the largest number ever in urban poverty
    - 17% of the urban population lives in poverty, only 9.8% outside cities
- Children in Single Parent Households
  - 11.9% in 1970
  - 26.32% in 2008



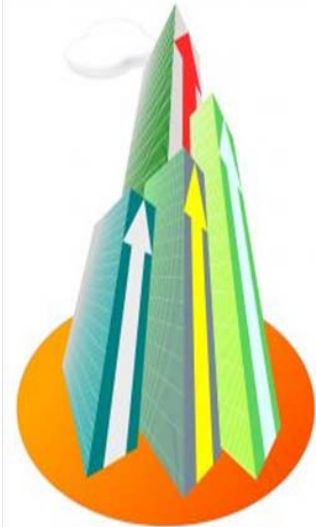
# Encouraging Signs

- Social entrepreneurs are now providing promising results
- Volunteer and service interest rising
  - Over 441,000 more young adults (16-24) volunteered in 2008 than in 2007
  - Increase of volunteer service from 7.8 million to 8.2 million
  - Neighborhood engagement up by 31% since 2007 (people who worked with neighbors to fix a community problem)



# Not Enough Scale; Not Fast Enough

- Government dominates funding
  - Indiana health and education nonprofits that receive majority government funding better equipped with technical tools than counterparts
- No market for innovation
- Iron triangle of funding
- Reluctance to hold good organizations accountable
- Business leaders on boards not insisting on performance
- Politics
- Legitimacy does not = performance or accountability



\* INDIANA NONPROFITS: IMPACT OF COMMUNITY AND POLICY CHANGES, Survey Report #3 June 2004, see <http://www.indiana.edu/~nonprof/results/npsurvey/inscom.html>

# Activities Confused With Value

- The point of all managerial activity is to “Create Public Value”:  
**to transform existing social conditions in collectively desired directions**
- Demonstrations of public value creation lie in evidence showing changes in social conditions
- Problem: Not everyone sees public value in the same way



# Example #1:

## Focus Less on Programs and More on Public Value

Before:  
DC General Hospital



After:  
DC Health Care Networks, From One to Many



# Example #2: NYC Homelessness

- Mission
  - Founding mission: provide good, decent shelter
  - Hadn't moved beyond that goal “
  - “they served homeless, but they didn't solve homelessness”
  - NEW Mission: preventing homelessness
- Vision
  - Systematic reallocation of resources; money and manpower devoted to ending homelessness

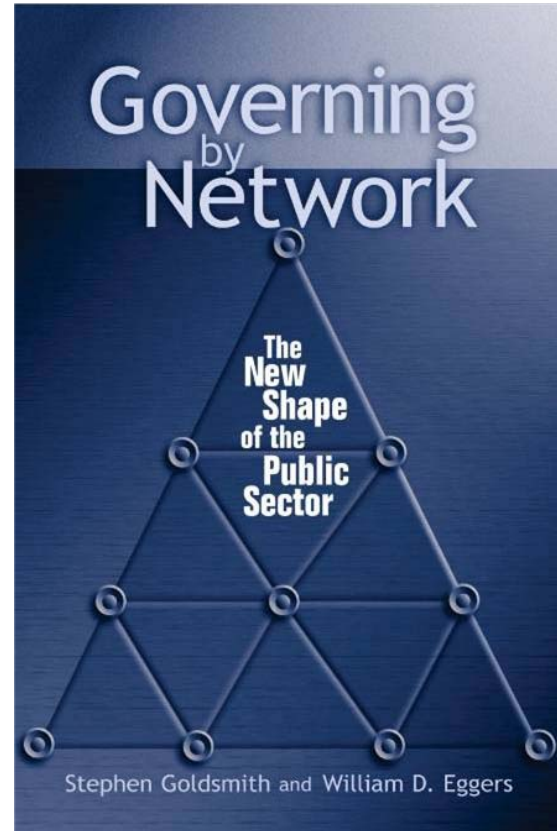
## Example #3:

# Oklahoma Milestone Payment Program

- Oklahoma Department of Rehabilitation Services (DRS)
- Sets specific goals and results for contractors
- Job coaches → JOBS
- Pay for activities → Pay for results

# Government Is Changing

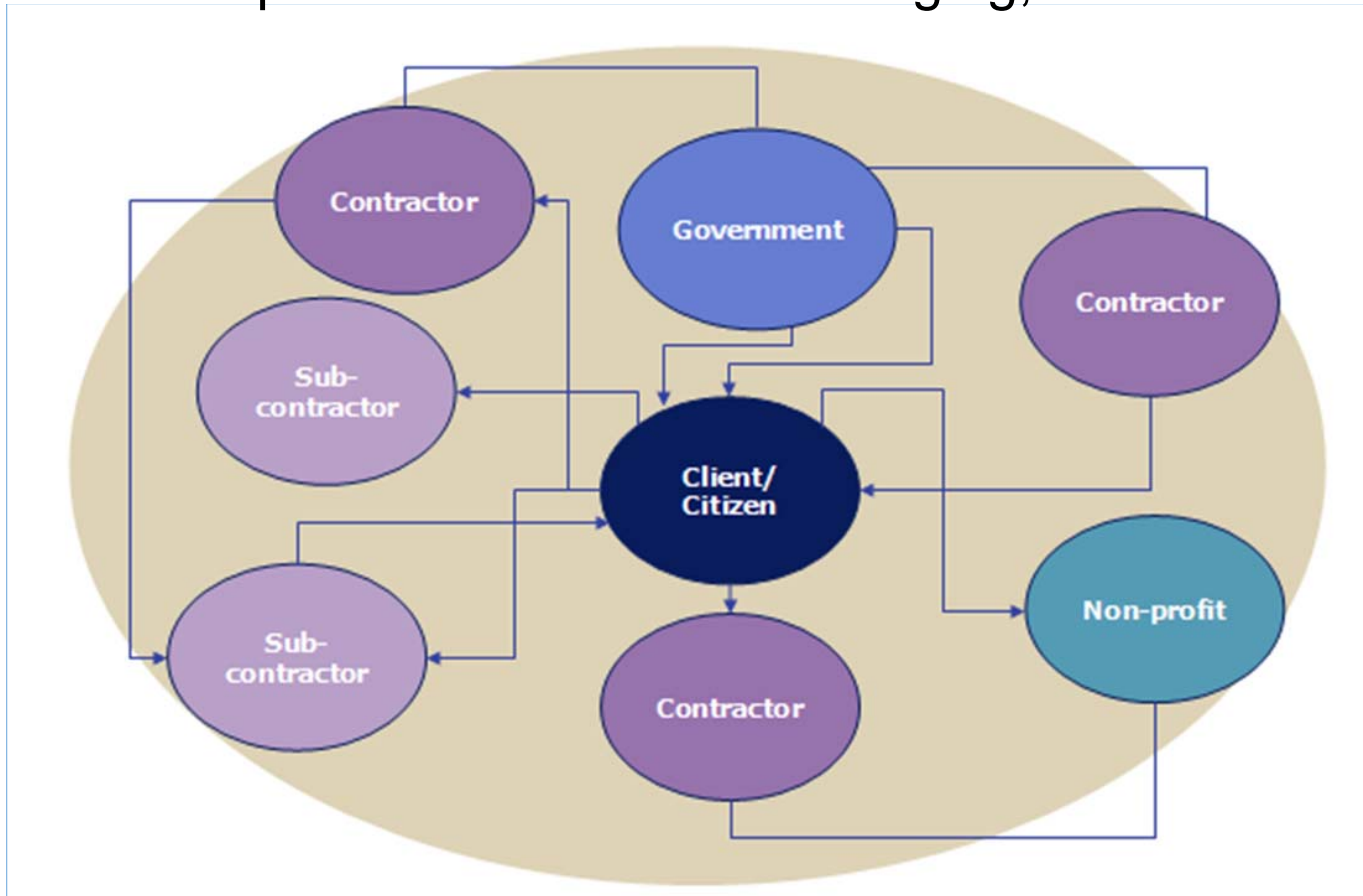
- 1** Government **can't solve complex horizontal problems with vertical solutions**, nor by simply accomplishing bureaucratic activities better.
- 2** The **role of government is being transformed** from direct service provider to generator of public value.
- 3** We won't get the results taxpayers deserve nor citizens require until we figure out how to **better manage a government** that does less itself and more through third parties.



## Problems Are No Longer Vertical Silos



## The Shape of Government is Changing, Cont'd...



# Vortex of Social Change



# A Path to Innovative Progress



# I. Open Space for Innovation

- **Set aside risk capital.** To stimulate change, the President's Social Innovation Fund and similar efforts direct public and private capital into new models and hold them accountable.
- **Identify and support exceptional successes.** Incubate innovation by helping grow the best programs already succeeding in their communities.
- **Import new expertise** into an organization or community.
- **Break apart “iron triangles”** between entrenched bureaucracies, incumbent providers and politically-connected funders that protect an underperforming status quo.
- **Stop social protectionism.** Elected officials, particularly legislators, must no longer protect existing programs by earmarking budgets or biasing regulations against new providers.



## II. Trust in Citizens

- **Ask for feedback on services** and take that feedback seriously.
- **Devolve access to information** from “experts” to citizens.
- **Develop new volunteer and donor goodwill pipelines.** Identify an unmet need and unleash people’s energy with activities they find meaningful and productive.
- **Replace patronizing systems.** Don’t assume those seeking assistance will always be in need– and instead give citizens choices and hold them high expectations.
- **Leverage social media.** Make the most of new attention grabbing ways to mobilize fellow citizens.



### III. Get Performance-Based Results

- **Trade good intentions for performance.** Be less impressed with the ongoing efforts of good-hearted nonprofits and be willing to repurpose dollars to what works.
- **Repurpose dollars to what works.** Create a new market for better services to catalyze system-wide change.
- **Realign systems.** Take on the status quo, create a culture of collaboration, and develop new roles that closely match goals.
- **Take the first financial risk** to help individuals in whom you see potential, even when others see only liabilities.



# What Next?

## **Foster an environment ripe for innovation...**

**Set aside innovation capital.** e.g. NYC, Indianapolis MindTrust and White House.

**Trade good intentions for better results.** United Way as community change agent.

**Trust those in need.** Give clients choices, seek their feedback and hold them to high expectations.

**Stop social protectionism.** Funders must no longer protect existing programs.

**Look at local systems and policy, not just organizational growth.** e.g. Communities in Schools.



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