

INSIGHTS ON INNOVATION

Lessons for the
not-for-profit sector

Photo: Piers Benatar/Panos Pictures/ActionAid

Hasha Kalcatcha is a member of the Borana tribe in Rapsu, Kenya, where it can rain just once a year. Using mobile phones and solar chargers provided by ActionAid, farmers check market prices and choose when to harvest and sell their produce. This project received the Innovation Award at the 2012 Technology 4 Good Awards.

Foreword

"The nature of the problems that a foundation tackles is exactly the opposite of business. In business, you look for easy things, very good businesses that don't have very many problems and that almost run themselves ... In the philanthropic world you're looking at the toughest problems that exist. The reason why they are important problems is that they've resisted the intellect and the money being thrown at them over the years and they haven't been solved. You have to expect a lower batting average in tackling the problems of philanthropy than in tackling the problems of business."

Warren Buffet (Omaha World Herald, 27 April, 2003).

This report, commissioned by ActionAid and New Philanthropy Capital, aims to inform policy and practice in the not-for-profit sector by bringing together a range of perspectives and highlighting best practice. We wanted to work with others to stimulate informed debate and help create an enabling environment in which innovation can thrive.

Creating an environment in which great ideas can be 'mainstreamed' into our ways of working brings a number of challenges – both within our own organisations and across the whole sector. Yet if we can change the way we all think about innovation and failure, we will deepen our impact, scale up our reach and make the best use of scarce resources.

The report will certainly create debate, as the contributions are thought-provoking and describe the importance of rising to the challenge. We know that the contributors are as keen as we are to shape the debate. As this is a crowdsourced report, the contributions are unmoderated and we do not necessarily agree with all the views expressed. If you have any questions about the issues raised in the report, please feel free to contact ActionAid, New Philanthropy Capital or any of the contributors.

We would like to thank everyone who has been involved. Particular thanks to the contributors for their thought-provoking insights and to Alison Whyte as the report editor.

Judith Davey, Director People, Performance & Accountability (ActionAid UK)
Sue Wixley, Director of Communications (New Philanthropy Capital)

Contributors

Click on the organisation name to link to their website

[ActionAid](#)

[BBC](#)

[Bond](#)

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Why Innovation Matters

Why is innovation an imperative for charities and social enterprises? We need to innovate to expand our impact, scale up our reach and make the best use of scarce resources. This means we can change the lives of more people, more profoundly, sustainably and efficiently. Some people in our sector say we need to innovate because of the tough external environment. ActionAid and New Philanthropy Capital (and many other contributors) argue that innovation is essential if we are to deliver on our mission more effectively.

Nuggets of pure gold can be gleaned from the report:

- Innovation is a frame of mind. It enables you to think differently about how to approach seemingly intractable problems. This ability to think in a positive, open, exploratory, unfettered manner is an essential spark for ideas.
- It is important to distinguish between types of failure – failure resulting from poor management is quite different from failure resulting from well-considered and executed innovation or because a pilot didn't work as anticipated¹.
- It is important to 'fail fast' and fail cheaply.
- Shareholders of commercial organisations are more accepting of funds being used for innovation than are taxpayers and the charity-giving public.
- We must gain the support of our financial supporters for our need to take calculated, well-managed risks with their money to achieve our mission.
- The funding landscape can either enable or block innovation. Some give compelling examples of necessity being the 'mother of invention', while other examples show that funding is essential for innovation to thrive. Used effectively, unrestricted funding can be more enabling than 'tied' project funding.
- We need to create open dialogue within and between organisations about innovation and failure. This requires cultural change.
- It is hard to turn innovation into sustained organisational change.
- Technology and digital are essential for reach and scale up.
- Regulation and legislation are essential but must provide space for innovation to thrive.

There are some other golden nuggets in the report. As you will see, many of the contributors have recommended their favourite book on innovation and failure. Roxanne Persaud, from the University of Southampton, has also provided an extensive further reading list.

1. Although all types of failure can be a rich source of organisational and individual learning, this report does not address failure resulting from poor management

Change lives. **For good.**

act:onaid

Audience research shows that ActionAid is seen as bold and innovative. Innovation is a strategic imperative given our quest to change lives for good. Our international strategy calls for new thinking and the development of human rights based alternatives - innovative approaches that lead us towards a poverty free planet. This focus on innovation can be seen in our nuanced approach to governance and leadership, and shines through our work around the world:

- [Music Speaks](#), currently shortlisted for an innovation award, demonstrates how we creatively connect communities in the UK with those in countries where we work. We raise awareness among young people in the rich world, while helping young people in the south develop sustainable livelihoods from music.
- We connected UK supporters with survivors of acid attacks in Bangladesh through social media. Both beneficiaries and supporters found this uplifting.
- In Kenya we used mobile phone technology and solar chargers to enable small holder farmers to check market prices to make informed decisions about when to harvest and sell their crops.
- In Bangladesh we were already engaged in trying to improve workplace environments so following the Rana Plaza factory disaster we could provide humanitarian assistance. We lobbied nationally for labour laws to protect workers and raised the issue of unfair and unsafe practices in supply chains internationally.
- Through our accountability reports we share learning from failure and success with the Board of Trustees, staff and other members of the ActionAid federation. Sharing openly like this means that we are role modelling a focus on learning rather than a blame culture.

Organisational learning is key to innovation - 500 staff and partners share best practice and learning from failure through Communities of Practice. Although we try to ensure that our culture encourages creativity, we still have more to do.

The external environment makes it tough for innovation to thrive and it could get tougher still. An independent review of our work concluded that strategic funding enabled us to experiment, take calculated risks and innovate in order to enhance quality and effectiveness. Yet strategic funding is becoming scarcer.

Trying something innovative doesn't always work. Many financial supporters don't want us to take risks with the funds they've entrusted to us. This is understandable – as a sector we've not yet had a dialogue with the public to build understanding and consent. That is why ActionAid commissioned this report – to start the debate about how innovation can help us deliver more effectively on our mission.

Judith Davey, ActionAid Director of People, Performance & Accountability

"Always aim high, work hard and care deeply about what you believe in. When you stumble, keep faith. When you're knocked down, get right back up. And never listen to anyone who says that you can't or shouldn't go on."

Hillary Clinton



The BBC has a history of technology innovation. The R&D department has made countless contributions to broadcast technology from noise-cancelling microphones to Freeview. At the forefront of television and radio development in the early part of the 20th century, the BBC embraced the digital age, launching BBC Online in 1994, Red Button in 1999, and iPlayer in 2007.

The last decade has seen more rapid disruption. The iPad is now ubiquitous. Smartphones give millions of licence fee payers a touch-sensitive, voice-activated computer. These can respond to actions and movement of the device and data from the consumer. The opportunities to produce new experiences for BBC audiences are limitless.

The agility and single focus of small companies enables them to quickly develop innovative technologies, such as interactive video apps, that could transform the way we consume media. These technologies are rarely ready to scale across hundreds of devices for millions of people as production BBC technology has to do, so the BBC Connected Studio team - set up in 2012 - works with technology start-ups to evaluate via small scale pilots. By bringing these technologies to production teams across the BBC we learn about implications on production workflows, team structures, rights, creative process and more.

Working in this way, the price of failure is much less. Large organisations, particularly those in the public eye, are naturally risk averse, and 'fail fast' can be mistaken for being careless with scarce resources. But if a relatively low cost idea does not work, it is never a failure to discard it if there was a risk you could have spent more before arriving at the same point.

Testing with representative audience groups at an early stage is vital, and not expensive: paper prototyping, guerrilla user-testing and small audience sessions are used to shape and assess Connected Studio prototypes, and audience research forms the backbone of our experiments.

The BBC formed efficient Radio and Television 'factories' over decades and we've been helping to create a similar culture of collaboration around innovation. Connected Studio launched BBC Taster (bbc.co.uk/taster) to showcase BBC innovation to the public and invite them to try, rate and share the ideas. We're proud to have been told many times that the Connected Studio office 'feels like a start-up'. We've worked hard to explain areas often seen as 'red-tape' such as rights, technical compliance, legal or procurement. We look at ways of crediting individuals and companies fairly and impartially. Most importantly, we always tell colleagues that digital innovation is a creative opportunity: 'What stories would you tell with this?'

Paul Wakely, Lead Portfolio Manager, BBC Connected Studio

"Don't be afraid to take a big step. You can't cross a chasm in two small jumps."

David Lloyd George



Addressing the development problems of today's rapidly changing world requires new strategies and creative thinking. Bond supports a diverse network of over 450 members, large and small, all of whom are grappling with this challenge in different ways.

Reflecting on data from *Bond's Health Check*, a self-assessment tool that enables organisations to identify their strengths and weaknesses, offers some insights into the conditions under which innovation flourishes. We share these tentatively, recognising that our sample of 32 organisations is small and not representative.

Over half of the organisations completing the Health Check assessed their approach to innovation as 'evolving' and a fifth as 'maturing', indicating that there is good experience across the sector to draw from. Despite common assumptions about the bureaucratic constraints of larger organisations, there was no correlation between innovation and organisational size.

However, organisational culture does seem to play a key role. There was a significant, positive correlation between innovation and monitoring and evaluation capacity; information sharing with country offices, members or affiliates; and strategic leadership. This reflects the literature on innovation, which highlights the importance of experimentation, open discussion of failure and fast learning loops.

At Bond, we see leadership as critical to any organisational change. Where leadership values, incentivises and rewards critical thinking, learning and innovation, it is more likely to flourish. This includes leadership behaviours such as using evidence on programme quality and impact to inform decision-making. Understanding how to promote this kind of 'learning leadership' is complex.

Donors also play an integral role in shaping organisational incentives. Bond's work on funding policy indicates that where funding is restricted and/or based on fixed, short-term measures of success it is less likely to create the space for innovation. This is supported by the Health Check data, which suggests that greater innovation occurs in organisations with higher levels of unrestricted income than in those with higher levels of restricted income.

Over recent years there has been a proliferation of funds for innovation. However, rather than an increase in funding mechanisms like this, what we hear from members is a demand for a more honest conversation between NGOs and funders about what is working and what is not, and flexibility on both sides to make changes in response to learning. In this way, funding can help promote rather than hinder the risk-taking and learning that underpins innovation.

Over the year ahead, Bond is committed to exploring these themes in more depth – particularly through our new *Futures Programme*. Do join us!

Jessica Greenhalf, Bond Effectiveness and Learning Team

**"Do one thing
every day that
scares you."**

Eleanor Roosevelt



Cabinet Office

Governments don't have a great reputation for innovation. We often do things too big, too late or too fixed.

The problem is rarely about invention. Governments tend to be quite good at that. We have lots of experience of identifying issues, designing creative solutions, and then piloting them.

Unfortunately, the innovation process often stops there. We have much less experience of turning invention into sustainable change.

Our work in the Government Innovation Group is to explore why that is, and how governments can be better innovators. We combine people who have experience of tools of innovation (such as design and data science) with those who focus on policy that demonstrates innovation in action.

So what have we found? Well, in a nutshell, room for improvement. Three areas stand out – on complexity, framing and failure.

On **complexity**, we frequently find that despite some of the best intentions, government has created systems that are beyond the ability of any single actor to influence. Innovation in these systems is often about removing complexity. That requires agility, proximity to social issues and deep relationships with users of public services – often areas of specialism for civil society organisations. Whether it's a Casserole Club or an Oomph, these groups regularly demonstrate a simpler, more elegant route to tackling social disadvantage than governments would design.

On **framing**, we see that the very way questions are formed can block innovation. The language of government is regularly about action done 'to' rather than 'with', about addressing gaps rather than realizing opportunities. Given that many of the most interesting innovations occur in partnership, it's important to reflect how open governments are to collaboration.

Finally, **failure** is another frequent blocker to innovation – or rather, the lack of it. Often public services can be slow to recognise that learning from failure can be a crucial step in improving services. And while the finger is often pointed at politicians or the media, responsibility also sits with officials and what we define as competence. A willingness to try things, and create more positive incentives for improvement underpins a lot of our work on the intersection of social investment and payment by outcomes. The crucial test is how quickly we adapt to failure and embed those insights across the system.

But overall, I see reasons for optimism. Governments are getting better at innovation. Developments such as What Works centres, design labs and outcomes based approaches are important building blocks for testing, iteration and adaption. In short, turning invention into innovation.

Kieron Boyle, Head of Social Investment, Government Innovation Group, Cabinet Office.

**"Go out on a limb.
That's where the
fruit is."**

Jimmy Carter

CAPITA

When Capita was ranked number three in the UK (and 60 globally) in Forbes' list of Innovative Companies it will have surprised some people. Capita people dress conventionally, there are no pinball machines in reception, we're pretty normal really! Forbes picked up on the fact that our actual results – innovation delivered – were very strong.

As the author of this piece I work in Local Government within Capita and have previously worked directly for councils, so I can look across both and make these observations.

Local government people are innovative, but the context isn't. When we bring council people into Capita it often unlocks their entrepreneurialism. If there's a way of adding more value then we want to know about it, because we have to add value to make money, and we can invest in good ideas.

We supported the Public Service Launchpad, a programme focused on developing early-stage ideas in the public sector (with support from mentors), and on the talent that could unlock them. It was notable that council people made great progress, when put in a supportive, rapid drumbeat environment of weekly progress accountability and constructive, structured, challenge.

The simple reality is that councils are local monopoly providers of essential services, publicly funded, democratically rationed, and exceptionally accountable. The regulatory and risk regime for any organisation with those characteristics is very challenging and it is astonishing how innovative that sector is, given those factors.

Innovation is easier when the people providing the cash want you to take 'risks' – to try out new ideas, to grow. Shareholder funds are very different to taxpayers' money. The counterbalance is that risks shouldn't be foolhardy, and a possible area of innovation strength for Capita is its level of internal challenge. We robustly qualify opportunities before proceeding and we're not afraid to stop something halfway through, or even later. Internal processes are often more challenging than client negotiation.

The major challenge for us all is how to find better ways of blending the attributes of different sectors to innovate together – bringing social purpose, commercial challenge, rigorous delivery, community expertise and democratic mandate into one place. Some of our joint ventures with councils are quietly doing this, by creating entities that can draw on the best of both owners, without being in thrall to either.

This sets a very exciting agenda for cross-sectoral leadership as we face the challenges ahead.

Jonathan Flowers is Capita's Local Government Market Director and Veredus Strategic Adviser

"Nothing will ever be attempted, if all possible objections must be first overcome."

Samuel Johnson



As charity regulator, the Commission maintains a delicate balance. On the one hand, our duty to protect what is unique and special about charities – they need to keep their distinctiveness to maintain public trust. On the other, we know that innovation, pushing boundaries, finding creative solutions to problems and taking risks has always been central to charitable endeavour. Indeed, we have a statutory duty to have regard to facilitating innovation by charities.

What does upholding that balance look like in practice? First, producing excellent legal guidance for trustees, neither unnecessarily restrictive nor unduly prescriptive. Our guidance should ensure trustees can take bold decisions within their discretion, accept there are decisions they cannot make, and understand the difference.

A good example is our guidance on decision making, making clear that trustees can make bold, even radical decisions, if they are mindful of their duties and responsibilities in reaching a decision. For example the need to act only in the charity's best interests, inform themselves, manage conflicts of interest and disregard irrelevant factors.

Our guidance says we do not expect charities to play safe all the time, but we expect proper consideration of the risks attached to trustees' decisions. For example, in the words of our chief executive Paula Sussex, "it's okay to call it a day". Sometimes the most innovative decision for trustees is to wind their charity up – perhaps having fulfilled its objects, or been superseded by a more effective charity in a similar field.

We also need balance in assessing concerns about charities. Even well run charities are not immune from failure. Not all projects are successful, not all investments yield return. Where trustees can demonstrate that they acted in the best interests of the charity and fulfilled their legal duties when making important decisions, we are unlikely to take regulatory action. But if trustees can't show they've fulfilled their legal duties and their charity is harmed as a result, we may need to be involved.

Sometimes we play a more direct role in helping charities to develop and innovate, for example providing legal consent to changes. We recently acted quickly in amending the purposes of Band Aid to include the relief of sickness, allowing them to raise millions to help those affected by Ebola in West Africa.

The Commission can never 'do innovation' on behalf of charities. But by balancing compliance with charity law and enabling innovation, we can help ensure charities continue to change lives for the better.

Sarah Atkinson, Director of Policy & Communications, Charity Commission

"Failure is only the opportunity to begin again, only this time more wisely"

Henry Ford

knowledge peers

Charity Leaders' Exchange

For me, innovation is a willingness to try new things and not to be limited by the way that you have done things in the past.

Small charities are in a great position to be innovative. Firstly, they are innovative by necessity because they lack resources, time and specialist expertise. Secondly, they may be dealing with niche, new or even unpopular causes, for which there is not an established approach. Thirdly, they can respond quickly and change rapidly because they have less bureaucracy to get through.

The charity sector was born out of a need for innovation, it sustains itself through innovation and will prosper into the future through innovation.

At the level of the individual charity, anything which doesn't bring unnecessary suffering to anyone: beneficiaries, staff, volunteers - and which doesn't threaten the long-term health of the charity, is an acceptable level of failure to me.

Ultimately I would say that having no failure whatsoever over a decent period of time is actually unacceptable, because it means that risks aren't being taken.

Poor service to beneficiaries, or a poor public reputation should be unacceptable (among many other things), but failure shouldn't be.

As a sector, we need to actively encourage failure and be open about failure so it is seen as part of the learning process and a natural aspect of maximising our collective contribution. As charity leaders, we need to support each other to admit failure and to show that we are human. Everyone makes mistakes.

Both innovation and failure need to become the norm. Trustees need to have more of an appetite for risk and our support for charity governance as a sector needs to recognize the pressure that trustees are under and the awesome responsibility that they feel. The public need to accept, if they want charities to be innovative, that not all money will go to the front line and that not all campaigns will be successful.

Transparency is important in many aspects of charity work, not just around failure. Transparency matters because the main currency of charities is trust. I believe that charities can trust people to react positively when they say "We're going to try this new thing. It might not work, but we owe it to the people we care about to give it a shot". That's the kind of charity sector I want to see.

Alex Swallow is the Programme Director of the Charity Leaders' Exchange. He is also the Director of Resonate Connect and the Founder of Young Charity Trustees.

"Only those who
will risk going
too far can
possibly find
out how far it is
possible to go"

T.S. Eliot



At Christian Aid we have created our own working definition for innovation in order to inform our decisions. We have created a flagship innovation fund called 'In Their Lifetime'. We have found that individual donors to this fund come mostly from the private sector and have a higher appetite for risk than our institutional donors.

For innovation to flourish senior leadership must share learning, model good practice and admit failure, embracing mistakes as opportunities and investing in learning from both success and failure. We need to create an enabling environment with appropriate incentives so that individuals at every level can be honest about failure. And we need flexible funding mechanisms that promote rather than stifle iteration, adaptation and innovation.

Development is complex and development processes are rarely linear but we would encourage piloting programme work where learning processes are truly embedded to ensure the intervention is appropriate, ahead of any wider roll-out or scale-up. In reality, there are some types of work where it is much harder to measure success. Yet advocacy and accountable governance work offer real scope for transformational change.

Here is one example of where innovation has helped Christian Aid to achieve greater impact. In Kenya, we brokered a relationship between community organisations, local farmers and the Meteorological Office. The project used SMS messages to give accurate weather forecasting and market information to the farmers. This meant they were able to make better choices about when and what to plant. The result was a 10-20% increase in crop yields for those farmers who were paid high prices for their crops at the market. This model is now central to a consortium we are leading with support from the UK government to build community level resilience to climate change in Ethiopia and Burkina Faso.

We can learn from failure by acknowledging it, being open about it, embracing it and rethinking how we could work more effectively towards transformational change. However some types of failure – such as poor financial management – are unacceptable.

It would be good to see NGOs share their learning from failure. This would involve a high level of dialogue and honesty. We would also need to have an honest dialogue with the UK public who donate to us directly or indirectly. We need to bring people (including supporters) with us on this journey.

I think that the language of success and failure is overly polarised – in reality it's important to explore the notion of success or failure from multiple viewpoints, and many development interventions will have both successful and unsuccessful elements.

Kate Bingley, Head of Programme Performance & Learning, Christian Aid.

"I looked up the way I was going and back the way I come and since I wasn't satisfied I stepped off and [found] me a new path."

Maya Angelou



For ClearlySo, innovation is about how financial markets can be changed to take social, ethical and environmental impact into account. Tweaking conventional instruments in this way is a large part of the way we innovate as a financial intermediary. The way we see things, the traditional two-dimensional world (where only risk and financial return are considered) is replaced with a '3D' world, where impact enters the equation. The way instruments behave and markets develop as a result is radically changing the way we can undertake financial intermediation for our clients; all of which are high-impact companies.

There is no doubt that innovation has helped us to increase our impact. In some cases we have created instruments which were not previously used. For example, we developed a quasi-equity (QE) instrument for the HCT Group, a community-owned bus company, where the leading company is a charity and therefore cannot issue shares. But this required risk capital, so the QE instrument we developed gave investors a share of HCT's revenue growth, with substantial investment upside potential.

I believe that failure plays a significant role in successful innovation. To date, we have helped more than 50 high-impact enterprises and failure has helped each of them to improve and develop.

ClearlySo has always sought to help high impact entrepreneurs and funds but, in our early days, we came up with about a dozen business models, all of which built our profile, but were a failure from a sustainability standpoint. We learned a great deal from this experience. We eventually realised that helping our clients gain access to finance from patient, impact-oriented investors, was a service our clients really wanted, which we were able to provide and that would enhance our own sustainability.

We have always made it a priority to sit down and consider different ways of helping entrepreneurs. It was only when a client whose investors we knew needed some fundraising help that we discovered there was demand for such a service. We realised that a company I had previously founded had a FSA (now FCA) license that we could modify and use for this purpose.

For innovation to flourish you need to seek the truth and be willing to recognise mistakes. You also need to be highly sensitive to what customers or beneficiaries need. Like individuals, many organisations can be fearful when confronted with something negative about the way in which they operate. This information can seem threatening. Successful organisations will always embrace the truth and deal with it rather than stick their heads in the sand.

Rodney Schwartz, founder and CEO, ClearlySo

**"It is only by
risking our
persons from one
hour to another
that we live
at all."**

William James



Department for International Development

For the Department for International Development (DFID), innovation is about making a difference to millions of people's lives through new and better partnerships, creative design, and smarter solutions. We don't see innovation as being all about new technologies – although that's part of it – but about being free to adapt to context, learn from failures and create new solutions for tackling poverty.

We know that the contexts in which DFID works are often uncertain, with complex stakeholder environments and multiple dependencies where our objectives and results are not always easy to measure. Success in these contexts needs programmes that can navigate uncertainty: build knowledge, know-how and political will. We need to create a perspective that challenges conventional, linear approaches to project delivery.

We know that things won't always work and we aspire to develop strong partnerships where we can openly talk about what is not working and collaborate to find solutions. In practical terms we refer to 'well-managed failure' where we expect our staff and partners to identify where things are going wrong quickly and escalate, taking action together to fix things.

I try to give front line staff space to use their judgement to design and deliver programmes in the context in which they work. This means developing the capabilities, processes and incentives to give staff and partners the freedom and confidence to try out different approaches and use their knowledge and expertise to determine what will work best.

In terms of processes, we have rewritten DFID's programme management rulebook to create the space for learning and iteration making sure we are explicit about the need to adapt when the context changes. We have completely stripped back our programme processes, replacing rules with principles, making our expectations of adaptation and learning explicit. If failure happens, we want it to be fast and cheap, so that we learn and build new approaches quickly.

But changing process only gets us so far; we need to build capability, confidence and trust throughout the delivery chain. If partners don't feel trusted to have frank conversations with us, they won't tell us if something isn't working and will stick to what they think we want to hear. We seek collaborative partnerships where we can talk about what's really happening and find proactive solutions together.

There is still a lot to do; we need to expand the debate internally and externally, understand the formal and informal barriers, learn from our successes, improve our processes, integrate the latest thinking, provide strong leadership at every level, and build a partnership culture that values learning.

Pete Vowles, Head of Programme Delivery, DFID

**"Failure is the
key to success;
each mistake
teaches us
something"**

Morihei Ueshiba (founder
of the Japanese art of
Aikido)



To be successful GSK needs to develop innovative medicines, so we focus our research on science most likely to lead to novel approaches to treatment. We look for mature science and clear disease targets. We pursue whatever treatment modality we believe will be most effective. We source innovative ideas either via our own scientists or by working with academia and biotech.

Innovation is a constant in our industry. It can be big and small ranging from a completely new approach to a disease, such as gene therapy, to modernising a process such as how we run clinical trials. It can be scientific, technological or administrative – GSK has a culture where everyone, no matter what they do, is always looking for ways to do it better or more efficiently.

Since 2009 we've had more new medicines approved than any other healthcare company and we have new medicines and vaccines in development. This didn't happen by accident. We've confronted our own assumptions and changed the way we do things.

We made a difference with our 'Open Innovation' approach to research. We know that we won't discover everything inside our own labs. This is especially true of illnesses with a disproportionate impact on developing countries. In these regions, we need to come up with radically different ways of supporting our R&D. To do this, we're opening up access to our expertise, our facilities and even our intellectual property. To stimulate research into these diseases, we have made available the results of our screening, and have shared our compounds with external researchers.

In science, testing and failing helps you to learn, but in the pharmaceutical industry you have to think innovatively about problems that can seem impossible to solve. Discovering a medicine starts with screening millions of chemical compounds to see if they are active against a disease target, and the odds are stacked against even ending up with one medicine reaching patients 10-15 years ahead.

We are in a business where failure is a part of the process. But it's a positive. Internally you need to demonstrate you are open to new ideas. Many of our research programmes won't succeed, but failures can still be valuable. The important thing is that we learn from them, and use what we've learnt to find different paths to the discovery of new medicines.

If we fail when we haven't learned from earlier mistakes, or have been closed-off to challenge from others, then we have been foolish and it isn't good science. There is no place for blindly repeating the same mistakes because you have not been open to the advice of others.

In my view failure and innovation are two sides of the same coin, helping us to deliver the right medicine to patients.

Patrick Vallance, President, Pharmaceuticals Research & Development, GlaxoSmithKline

"Our greatest glory is not in never failing, but in rising every time we fail"

Confucius

— JAMIE OLIVER'S —
**FIFTEEN APPRENTICE
 PROGRAMME**

Innovation in our organisation means adapting our programme in changing situations without losing sight of our core purpose - to train the next generation of top chefs through our apprenticeship programme or one of our targeted short courses.

We innovate to stay relevant and to adapt to changes in youth unemployment and vocational training. Each aspect of the programme has helped us grow our reach and impact through an outreach team, supporting our graduates through regular contact and ensuring that every part of the core training is enriched. That is why we successfully train 18 young people each year, reach upwards of 1,000 other participants in our short courses, and deliver £9.50 of social value for every £1 invested.

The 'Life in the Present Tense' report highlighted some of the challenges. One participant described cooking in a busy kitchen, "No time to think, instant action required, move on to the next order, the next course, the next shift, the next menu. It's all about the now."

And that was part of the issue. By our own admission, we were under-resourced, erratic and reliant on a crest of publicity and Jamie's popularity. Support for the apprentices was genuine but lacked structure and consistency. We needed to provide technical skills and pastoral support in a supportive learning environment. The publication of the social report demonstrated we were bold enough to go public about the lessons we needed to learn. Jamie said, "...we haven't got it right, but without taking risks we won't make progress".

We have an incredible track record - upwards of 80% of apprentices graduating. But each year we do lose people due to the rigours of the programme. We do not see this as failure but as an opportunity to reflect and review how to improve our reach and scale. We won't lower our standards or criteria for success. That would be a failure.

For innovation to flourish you need collaboration, ideas sharing, an open and honest culture. You need to stick to your original objectives, bend according to need, work with like-minded organisations and share skill sets.

We need to learn by mistakes and ensure they are not repeated. Being open and honest and sharing that experience with others just starting out has added value.

Innovation isn't enough on its own and donors want to know that charities have stress tested their work. You need to show that you have worked through a problem, regardless of the outcome. Learning from your experiences and the decisions you make is critical in any organisation.

Tromie Dodd, Head of Fifteen Programmes, Jamie Oliver Food Foundation

**"Pearls don't lie
 on the seashore.
 If you want one,
 you must dive
 for it."**

Chinese proverb



Working together for a better society

Foundations like the KBF that target social change often tackle complex societal issues, or 'unstructured' or 'wicked' problems. In wicked settings there are no clear-cut scripts. Isolated methodologies are not enough: different tools must be matched or recycled in different contexts. Interventions must be designed and redesigned, guided by generic principles. These include: developing systemic insight; combining scientific evidence with subjective experience; creating space for pragmatic experiments; continuous learning and willingness to work with unclear goals and open-endedness.

Operating in wicked contexts characterised by uncertainty and interpretive flexibility requires nuancing our ambition to 'solve problems' or 'optimise solutions'. There are no final solutions, just modest steps towards improvement.

Central to all these approaches is a pragmatic approach to experimentation: local concentrations of assets and energy for change offering tangible opportunities for improvement.

It is frequently prior to formal decision-making that the Foundation intervenes to make a positive difference. We can afford to experiment and we have the unique opportunity to bring together stakeholders across sectoral boundaries. Stakeholder management, partners and networks are key to our work. Ultimately this means that we never claim the impacts, although we have prepared the ground.

Like other foundations, the KBF struggles with the dominant project-based format. We like to think in terms of interventions which are limited in time, use tightly managed resources and a credible theory of change. We are aware of the non-linearity of the journey but track progress towards strategies using traditional evaluation tools. This is not good enough. There is a shift towards strong emphasis on learning within and beyond the KBF. Innovation demands less restrictive approaches and courage to believe in the power of small changes. It means dealing smartly with complexity and realising radical change through incremental steps.

In 2011, at the end of a strategic plan, KBF launched its internal Best Failure Award to encourage knowledge sharing and accelerate the innovation of philanthropic tools. Talking about failures was unusual and the award created unease and distrust. It became a wake-up call for much greater investment in developing a mindset of active learning. A 'best failure' team of six project managers was invited to discuss their failures with colleagues. One issue was bringing your project to a radical stop when the theory of change is not working. If this is not done, the result is improvisation – a signal to stop. For KBF, the best failures result from thoughtful experimentation.

Trust and tolerance for ambiguity, continuous problem finding and puzzling, flexibility and freedom to experiment are all vital in enabling innovation.

Tinne Vandensande, Advisor at the King Baudouin Foundation

"It's not because things are difficult that we dare not venture. It's because we dare not venture that they are difficult."

Seneca



For us, innovation is about finding new ways of expanding our service offer. We are doing this in a number of ways. We are enhancing our IT systems to deliver efficiency and value for money and we are using any surplus to generate effective, unfunded services that meet the charitable aims of the organisation. We are also developing systems that accurately communicate the complex detail of the arena in which we operate.

To give an example, to address the lack of accurate data on migration and asylum seekers that existed in the UK, we conceived, funded and developed the UK Institute for Migration Research. Our goal was to provide the media, the government, academic researchers and the public with accurate information on migration issues. We also developed a digitally enhanced Asylum Help Service that delivers a better service for half the cost. It includes a telephone help centre, an interactive website and a wealth of information.

For creativity to thrive, you must positively encourage it at every level and throughout the organisation. You must develop an internal communications framework that allows ideas to come forward. It's important to take risks and to do that you need to get rid of the 'blame culture'. A certain amount of failure has to be seen as a necessary result of innovation. However failure to perform against achievable targets that have been set for no credible reason is unacceptable.

Perhaps most importantly, and I feel very passionate about this, you need to develop healthy partnerships with other organisations that encourage an open and honest engagement. You need to ban negative thinking, adopt a positive attitude, be outward-facing and open to information that exists outside your organisation.

Prior to 2013, before I joined, Migrant Help was failing for a number of reasons. In part, this was due to government cuts, but I am sure that without that failure there would have been no appetite for innovation within the organisation. We became much more creative in order to survive.

In my view, charities must consider it a necessary overhead to invest in the quality of staff they need to achieve these goals. They need to become more business-focused in order to guarantee a more stable, consistently high standard of service to their beneficiaries. To achieve this they need staff who can take this forward, who can see the bigger picture.

Robert McCrea, CEO, Migrant Help and Clear Voice Trading.

**"I am not afraid
of storms for I
am learning how
to sail my ship."**

Louisa May Alcott



Making the case for innovation when money is tight and transparency rules is one of today's defining public policy challenges. The need for economy and efficiency, with the allure of cashable savings today, can trump the effectiveness of better services or savings tomorrow. Yet pretty much everyone seems to agree that a greater capacity for innovation is central to spur growth in productivity (the UK's most pressing economic problem?) and, for organisations like NCVO, to survive in a world where the old certainties of grant funding have all but disappeared.

While it's a myth to assume that charities are inherently innovative, we see charities identifying and then applying new ideas or approaches to service design, business models and resource development: so key to our innovative capacity is finding and sharing our members' good ideas.

Given the funding environment, it may seem surprising that charities have the capacity or culture to innovate. Few charities hold reserves for investment, while it has been argued that contracting deters innovation. But for some, a lack of money arguably encourages a culture of resourcefulness, a preparedness to try different ideas. NCVO is no different: like many organisations that have seen the end of grant funding, the loss of a major income stream has led us to innovate around our business model (such as adopting freemium pricing) and identify different approaches to using resources (collaborative consumption). We're now thinking about how we can work with our own members more, shifting from a 'join us' culture to a 'join in' culture. Money isn't irrelevant to innovation – we're currently investing in our digital skills, for example, and that's been supported by short-term investment – but much of the change we need to make here is cultural. Digital tools to support new ways of working are relatively cheap.

The rise of 'network thinking' is probably another important factor. Charities are often at the centre of a web of stakeholder interests, which also means that they're at the centre of a web of ideas, including from users. The feedback loops on what works are short and many. If innovation is about the application of new ideas or approaches, then charities get to find out pretty quickly if they're working. NCVO is attempting to involve members much more in the way we work: rather than just provide solutions, we're seeking to convene, curate and create. With members involved in how we achieve our mission, failure seems less fearful – and maybe less likely. As I recently heard, it needs a network to run a network.

**Karl Wilding, Director of Public Policy
National Council for Voluntary Organisations**

**"I am always
doing that which
I cannot do, in
order that I may
learn how to
do it."**

Pablo Picasso



Innovation is vital if charities and social enterprises are to keep pace with change and to continue tackling the social, economic and environmental problems our society faces.

For NPC, innovation is the process of applying information, imagination and initiative to produce greater values from resources. For non-profits, innovation is therefore about creating new products, processes or approaches to maximise their social impact. For donors and funders, it is about new products, processes or approaches that enable money to be given or invested more wisely or more easily.

As we have seen in our work as a think tank and consultancy in the UK and beyond, innovation can be a process as straightforward as borrowing and adapting a model from one country to another or re-applying an approach from the public or private context in a non-profit environment. Technological developments have fuelled the rise in many innovations, such as crowdfunding or data-driven analysis, but there are many that are less reliant on technology.

In order to build a culture of innovation, we believe that greater openness to sharing information, data and resources, is key. As examples like the Glasspockets initiative and 360 Giving show, transparency can help with everything from spotting where an innovation is needed, to testing whether a new approach is working or not.

Overcoming a fear of failure is vital too. Of course, discovering that a project or activity has failed to meet its goals is rarely a pleasant experience, but there are some important benefits. Responding positively when something fails—acknowledging it, talking about it and learning and sharing lessons—can help you get it right next time. As Winston Churchill put it, “Success consists of going from failure to failure without loss of enthusiasm”.

Many charities worry that their donors and supporters will be put off by failure, but NPC’s ‘Matter of trust’ polling of the public may allay some of these concerns. We found that 78% of people say their support for an organisation will not be affected if they learn about a failure. Indeed, many charities have found that being open about plans going awry can build, rather than damage, stakeholders’ trust. For our part, NPC makes a point of talking about things that haven’t worked in its annual reports and in public forums, and we are committed to encouraging greater transparency about failure in ours and others’ work.

NPC might go so far as to say that if an organisation isn’t failing then perhaps it isn’t innovating enough. Innovation is, after all, a risky business. But in our fast-changing world, simply doing what you’ve done before may no longer cut it.

Sue Wixley, Director of Communications, New Philanthropy Capital (NPC)

"Don't be afraid to take a big step. You can't cross a chasm in two small jumps."

David Lloyd George



For Oxfam, innovation means ‘new solutions that meet unmet needs and improve people’s lives’. Our goal is not to be innovative per se but to work with others for positive change at scale, through problem-focused resourcefulness.

Oxfam has a heritage of collaborative innovation the best of which has been adopted by and benefitted others. Examples range from pioneering humanitarian and campaigning work, fundraising (shops and ‘Oxfam Unwrapped’ gifts), to practical solutions such as water tanks and energy biscuits. In a large, complex organisation, shaping a culture that is geared to opportunistic innovation is essential. We are trying to develop flatter, more networked ways of working, but Oxfam doesn’t yet have an adaptive enough culture that adequately admits to and learns from mistakes

Key moments of strategic reflection are in the sector’s DNA, including scrutiny of the efficacy of our approach and learning from failings. One way Oxfam promotes positive reflection is through accountability and transparency. So we conduct and publish programme effectiveness reviews and an accountability report (see <http://www.oxfam.org.uk/what-we-do/about-us/plans-reports-and-policies>).

After the Horn of Africa drought our reflections on the late response of Oxfam and the sector resulted in the ‘Dangerous Delay’ report with Save the Children that challenged us to change our response to slow onset crises. Our response to the Sahel crisis was more timely and focused on crisis prevention. With income generation activities Oxfam had failed to deliver the desired scale of change, which led us to switch to systems thinking in our agriculture work.

Learning doesn’t always result in adaptation, more often risk management, processes and deliverables can create obstacles to exploring opportunities within and beyond Oxfam.

Oxfam recently commissioned a report by James Whitehead, ‘*Unlocking Innovation - Enabling and Blocking Factors in developing innovative programmes in Oxfam GB*’. Based on analysis of innovative programmes around the world, it highlights how a ‘fail fast’ approach involving rapid trial, reflection, learning, and adaptation has enabled innovative initiatives to take shape before developing into larger programmes.

We need to promote tried and tested approaches that increase collaboration, creativity and agility, while managing risk and ensuring scalability. This requires structured support, flexible budget for research, exploration and development and a culture of trust and agility. Programme innovations that succeed require patient, flexible funding.

Trustees have a role in shaping Oxfam’s culture. We are trying to create a balance between our attention to risks and opportunities. As a sector, we need to be more honest and proud about experimentation. Enlightened donorship and an informed public are also critical.

Karen Brown, Chair of Trustees, Oxfam

"There are no secrets to success. It is the result of preparation, hard work and learning from failure."

Colin Powell



Learning from experience, dealing with challenge and gaining strength from what otherwise might be seen as failure or adversity is Place2Be's core business. We help children to face challenges and make sense of them, build resilience and maintain a sense of hope.

Innovation has helped Place2Be to achieve greater impact. Founded in 1994, we are today the leading UK provider of emotional and therapeutic support to almost 100,000 children. We work with 250 schools, using a replicable, sustainable model to deliver mental health services. We hope to share our knowledge nationally and internationally.

Innovation means continually growing, developing, learning from practice and the latest thinking to reach more children, striving to be the best we can be.

As a 'learning organisation' we think of pilots and learning rather than success or failure. Piloting new ways of doing things, along with evaluation and evidence, is part of our DNA. When we don't succeed, we review to learn and identify how we can do better. This may sound very organised. The reality can also be organic and 'messy'. That's where culture and leadership is so important.

In the past, when setting up a project the whole team started in a school on the same day. It was too much so we developed a phased start-up, refined over years.

When a school decommissions the Place2Be service a member of the Executive undertakes an exit interview with the headteacher. This helped us identify high-risk conditions or situations, which we have built into our Quality Improvement Programme.

Fostering innovation requires a culture of openness and transparency; a supportive culture without fear of reprisal. It requires a healthy organisation with confidence and core strength, resilient, able to withstand failure and learn from it, enquire, build transparency and encourage teams to engage in constructive challenge. It necessitates positive risk management processes, built with an open and enquiring mindset.

In our experience it is vital to found donor/charity relationships on that transparency and trust. This requires the charity to be open, transparent and to keep our donors informed or involved in the programme they are supporting. And for the donor to understand that things don't always work to plan, to have an interest in being part of the 'journey' and learning as well as impact. The organisation must reflect on outcomes, failures and successes and understand how they can inform practice and the journey ahead.

Catherine Roche, CEO, Place2Be

"It is impossible to live without failing at something, unless you live so cautiously that you might as well not have lived at all - in which case, you fail by default."

J.K. Rowling



Our business is focused 100% on delivering innovation. We invest in and work with new start-ups - and sometimes innovation groups in larger companies - who are focused on the future needs and wants of the world.

To us, 'innovation' means making ideas happen. We are fortunate to see many new ideas and concepts each week, but taking a concept and bending it to meet real people's needs at the right time is an art that few get right... and that's where we help. Having proudly made lots of mistakes ourselves, we help get the right funds, people and processes in place to turn that rough diamond idea into a real business.

Unusually for a UK business, we embrace failure. That's because we have experienced it with many start-ups. Failing fast often leads to a successful outcome because resources are focused on the right things going forward.

This perspective was developed from our experience of taking seven UK start-ups to Silicon Valley in 2011. Seeing entrepreneurs openly speaking about their failures and appreciating the lessons from them was a breath of fresh air when compared to the typical UK approach of embarrassment and withdrawal at the first sign of a failure.

In the US you seem to need failures under your belt to be credible. In the UK you have to hide them so they're not held against you in the future.

For innovation to thrive you need freedom and time to experiment. We create projects and even companies on the basis that there may be no business at the end. Often the learning experience and the journey is the value. I heard a student pitch an idea recently which was just a bit of fun... it caught my imagination and we made it happen. Will it make money? Who knows? Did we learn a huge amount in doing it? Of course! Will it drive better future decisions? I don't see how it can't!

Banish a blame culture. Nine out of 10 start-ups will fail. With those odds most people wouldn't start. Those who do should be applauded.

Recognise that ideas are free. The implementation of ideas is where the value is, so openness about discussing concepts without secretiveness is critical. We invested in www.ideasquares.com which is all about getting concepts validated before the cost of implementation comes.

Fail fast and recognise that stopping can be the best result possible.

Richard Godfrey, founder and CEO of Rocketmakers.

"Do not fear mistakes. You will know failure. Continue to reach out."

Benjamin Franklin



For us, innovation is a way of life. In 2008, two prospective clients told me that buying HR services from a supplier within the third sector, rather than the private sector, was compelling. Employment disputes and tribunal claims were considerably higher per capita than in the public or private sectors and valuable time and money was being used to resolve these.

I knew I could reduce these wasted resources if I could create a third sector professional services company. I wanted to demonstrate uniqueness through a commitment to our sector - but how could I reflect that in a business model?

We were the UK's first HR consultancy to be constituted as a social enterprise. We provide HR services developed specifically for small, social sector employers. We create profit to develop our organisation and to provide pro bono training and consultancy services which improves people management in our sector.

To be as credible as any private sector competitor, we must deliver a high-quality service, demonstrating value and consistency as well as delivering on our social purpose. The big risk I have to accept is the tension between engaging qualified, sector-experienced HR consultants and the highly variable flow of client work. It takes 12-18 months of training for a new consultant to deliver to our standards. Skilled salaries are relatively high and still need to be paid when staff are training or when customer demand is lower.

In 2012 we focused nearly all our sales and marketing effort for 6 months on developing two or three-year retainer options but the government spending review meant that our clients weren't in a position to make that commitment to us. The time and cost delivered zero return. It took us 12 months to re-focus our sales activity; we made a loss that year. I've learned to constantly scan the external market to know what is going on.

For innovation to thrive at Roots HR, consultants need to spend a high percentage of working time on billable work. We have no shortage of ideas or aspiration but without income, we can't bring these to fruition.

We cannot take risks that could affect our professional standards but we can tolerate risks within certain parameters - for example, time invested in trialling a whistleblowing hotline service or running an intern programme as a very small employer. You have to align your desire to innovate with your organisation's reputation and credibility.

Jan Golding Chartered FCIPD is founder and CEO of Roots Human Resources CIC and a Non-Executive Director of the West Midlands School for Social Entrepreneurs.

"Taking a new step, uttering a new word, is what people fear most."

Fyodor Dostoevsky



In organisations, invention and creativity rely on intentional experimentation, which means we need to be alert to surprises and novelty, as well as focusing on expected results. We need to test new ideas in different ways until we discover something useful. Our problem is that working for social change using our existing systems, cultures and tools is almost impossible. Transformative innovation is what we should be aiming for, and it disrupts everything.

If we are looking for new service design, for improved performance, engagement and competitive advantage, incremental innovation is the way to go. It comes from encouraging new ideas, spotting opportunities, responding to shocks and so on. Failures in incremental innovation are fast, cheap and manageable. It's OK to fail, when we're doing experimental 'R&D'. This kind of 'failing well' is efficient and effective. It produces small cumulative changes - quick wins - that can change our methods but rarely our whole system.

Every experiment narrows our options and what we can do next. It is important to reproduce 'what works' but we risk losing the ability to think creatively. Our ambitions are narrowed. We become set in our ways when we make decisions and this affects our understanding of what is desirable or achievable. In service organisations, developing the adaptive capacity to respond to unpredictable situations requires incremental innovation so all activity can be part of a coherent organisational story. That is why learning from success makes some kinds of innovation - the important kinds with the most significant impact - hard to achieve.

The kind of failure we need for transformative innovation is different. It is used to find out why we do what we do as well as what happens when we break the rules. We focus on what doesn't work rather than what does. The innovation effort aims for total redesign of our work rather than stretching what is possible or doable. But since this reveals failure after failure in the way we currently do things, this kind of innovation is risky, unpopular, even damaging to our organisation. Disruptive innovation lives up to its name (even one of the best-known methods 'skunk-works', has an unattractive label). It demands unusual amounts of inspiration and perspiration, tenacity and leadership. The odds are stacked against us, but its impact is out of all proportion to the effort.

Embracing surprises rather than failures are the way to achieve the hard task of disruptive innovation. Settling for incremental innovation fails the people and places we aim to support. Failing well is too close to our comfort zone, too easy and too unambitious, to produce the kinds of creative innovation we need to transform society.

Roxanne Persaud, Doctoral researcher, University of Southampton

"We've reached the end of incrementalism. Only those companies that are capable of creating industry revolutions will prosper in the new economy"

Gary Hamel



Contrary to popular belief innovation is not just a bunch of new ideas dreamed up by some creative types with post-it notes!

Innovation in the social sector is about creating greater social value, and when it's really effective it changes a system and the behaviours of those in it for the better. This is why for social change organisations like Scope, innovation is an essential tool.

I think there are just two conditions required for innovation – freedom and rigour. These appear contradictory at face value but successful innovation borrows much from successful design – you need to be free to think the unthinkable, but at the end of the day your solution needs to work. Hence you need rigorous processes to support data gathering, user insight, problem definition and testing, iterating and re-testing. This is the reason we chose to base our internal innovation process on the 'double diamond' design methodology.

For most charities and social sector organisations the biggest barrier to effective innovation is attitude to risk. Charities rely on donations, so spending precious resources on things that might not work is wasteful; irresponsible even, right? I would make two points in response:

One: the risk of not doing something is often not considered. For Scope I think our biggest failure has been the result of a lack of innovation. We are in the process of consulting on closing or changing 11 of our traditional residential care homes. The process is painful for our customers and for Scope, but the model of care is outdated because we didn't innovate when we should have.

Two: risk of failure can, and should, be mitigated – it is perfectly possible to develop and test an idea with minimal expenditure of time and money and to create organisational boundaries that separate experimentation from business as usual.

For this reason, I am not a fan of failure. While 'Failure Fridays' have taken off in some companies I think what they are in fact celebrating is learning, not failure. No-one wants to fail, but getting things wrong is an essential part of the learning process, and organisational cultures that support this are undoubtedly healthier places to work, and better at innovation.

Ruth Marvel is the Director of Foresight and Innovation at Scope

"The dangers of life are infinite, and among them is safety."

Goethe



Innovation has been one of War Child Holland's four strategic objectives since 2010, but what constitutes 'innovation' has been hotly debated within the organisation.

We distinguish between two types of innovation. The first is longer-term, focused and strategic, emphasising the end goal such as greater impact or sector-wide change. The second, more inclusive definition creates room for employees to engage with the concept and, thus, become familiar with what innovating is all about. We agree with the Office for the Coordination of Humanitarian Affairs' quite inclusive definition, which allows room for both 'game-changing' and incremental innovation.

Most importantly, for War Child, innovation is about working with other stakeholders to create greater impact. Our organisational agenda is quite simple – to improve the lives of children in regions affected by conflict. We believe that innovative approaches, when carefully applied, have the potential to significantly increase our impact.

In Sudan, for example, there are over two million children without access to education, a large percentage of whom will most likely never set foot within a classroom. War Child and its partners, Ahfad University for Women and TNO, together with the Sudanese Ministry of Education, are working to bring relevant education opportunities to children eager to learn. We are doing this with a curriculum-based e-learning game which children can access at village level. UNICEF International has chosen this project as one of five UNICEF "Innovation in Education" projects worldwide. Projects which UNICEF believes have transformative potential and address issues of equity and access, while strengthening education systems and delivering strong learning outcomes.

In this project we have taken a structured approach to innovation from the beginning. What do we mean by this? We have developed our innovation hypothesis quite carefully, i.e. what is the impact we think we can achieve with our new approach? We have not been afraid of failure, but have sought to mitigate risk through careful project design. We seek to differentiate between hypothesis-testing which could produce a negative result, and failure resulting from incompetence, which is just not acceptable.

It is, of course, imperative to share experiences of failure with others. Analysing reasons for failure in this manner results in organisational, or even better – sector-wide learning. We should not 'celebrate' failure as such, but share our experiences in order to learn. We firmly believe there is a role for greater transparency about how and why a project fails and why innovations have succeeded. When innovating, both success and failure are stepping stones to delivering greater impact.

Kate Radford, Innovation Programme Manager, War Child Holland.

Camille Lemouchoux, Head of Quality, Accountability and Learning, War Child Holland.

"The only real mistake is the one from which we learn nothing."

Henry Ford



Innovation has always been a core value of WaterAid. Historically we have focused on technologies, especially for water pumps and toilets. Since we redefined our role, we have been working towards universal water and sanitation coverage. We have also sought innovative 'software' approaches that can influence policy makers and service providers, like promoting Community-Led Total Sanitation to Africa, and integrating it with social marketing approaches.

Innovation by itself is exciting but doesn't always lead to impact. As the International Rescue Committee said recently, "pilots rarely fail but rarely scale". Therefore we have to think of innovation within the framework of our quest for impact: how will innovation be taken up by service providers and governments?

Failing is an inherent part of innovating: if you are willing to innovate, you must be willing to accept changes in plans. It is best illustrated in our work with small entrepreneurs, where we are trying different business models for emptying toilet pits with a new low-cost pump and transporting faecal sludge to treatment centres, one of the most challenging areas of sanitation at the moment.

By its nature, supporting start-ups is an area where failure is expected. In Tanzania, we have seen just one business work out successfully out of four supported initially. Whilst a 'failure' in donor terms, this was considered a success by peer NGOs and local authorities, as we now have a workable model to build on, and the three others have taught us valuable lessons regarding finance models, use of technology and our choice of partners.

Funding can be a catalyst or a hindrance: raising unrestricted funds and allocating some specifically for innovation helps, but it is essential to have donors willing to engage with the complexity of our work and learn from it. Donors and NGOs can engage beyond proposals and reports, for instance by participating together in communities of practice or organising 'learning sessions' to discuss innovative work.

A 'culture of innovation' doesn't always come naturally when there are rigorous and inflexible planning processes, which may serve the limited purpose of providing assurance. But decentralisation, agility, responsiveness and trust towards local staff managing projects is key. It is this balance between trust and accountability to set plans that can help define what is acceptable, along with sound risk management. The most important factor is always how we learn from mistakes and avoid repeating them. A culture of sharing, honesty and learning is key.

Girish Menon is the Director of International Programmes and Deputy Chief Executive, WaterAid.

"Failures, repeated failures, are finger posts on the road to achievement. One fails forward toward success."

C. S. Lewis

women's aid

until women & children are safe

Innovation is vital. It pushes us to do better – to be better. But as a sector we must unite to secure and sustain the conditions needed for innovation. Sometimes we need to preserve tried-and-tested solutions – but a truly innovative organisation and sector is prepared to try things that may not work.

Women's Aid is innovating by modelling what a needs-led approach to domestic violence would look like across the system. We believe this will lead to better long-term outcomes for women and children. We must not be precious about our own services – although we work to protect them. It is difficult to protect innovation from the 'day job'.

Instead, we must be open about what is needed, challenge assumptions, look for different expertise - and, most importantly, put the service user at the centre. The crucial aspect of developing this new model is listening to survivors about what they need, rather than what is easy to provide.

Currently, it is very difficult to build services around an understanding of what the beneficiary needs rather than the charity. This applies to public sector agencies, many of whom fund the services charities provide. They too have a tendency to manage the risk to themselves, rather than meet the needs of service users. Funders are not prepared for any failure - so we are tempted to spin and minimise risk.

In order to innovate, we have to be prepared to fail. We need a culture change. Innovation involves testing different models. Organisations have different perspectives, histories, values – and therefore propose different models. Funders may not know which is best before they make funding decisions. Reacting against what funders see as 'competition' stifles innovation by limiting the range of what can be tested. But without risk, there is no innovation. It is paradoxical; many funders seek to fund innovation, therefore successful things are not funded because they are not 'innovative'. Many services rewrite what they have done for years to get funding.

To raise money from the public, you need a compelling human-interest story; they must think they are part of the solution, part of the narrative. That leads to a tried-and-tested solution. A major problem is finding core funding from any source. Yet without core capacity we cannot innovate.

Charities need funding to innovate the way they are run. Without it, many have an old-fashioned business model. We can only improve service delivery with an innovative, lean and effective operating model.

Polly Neate is the Chief Executive of Women's Aid.

"To avoid criticism, do nothing, say nothing, Be nothing."

Aristotle

WRIGLEYS

— SOLICITORS —

It is often said that the work of charities starts where state engagement stops. Following the recent election, charities may need to innovate to meet growing social needs.

Innovation comes with a risk of failure or misunderstanding. This can create a tension for charities, which are required to act within charity law, compliance with which is regulated by the Charity Commission and occasionally by the Courts.

Is it charitable? Charities must act for a charitable purpose (and must act within their own objects). We have a new series of descriptions of what is charitable in the Charities Act 2011. The parameters of some are still being explored and there is little case-law to explain the limitations exactly. For example, under 'advancement of citizenship or community development', more charities are seeking to enable communities to create local improvement innovatively. In areas in need of regeneration, it is easier to find a charitable purpose, but in others the boundaries can be more difficult. Staff at the Charity Commission have acknowledged on occasion that without case-law, the parameters can be hard to determine; so they often take a cautious approach to attempts at creativity.

Should it be funded? Whilst it is important to follow Charity Commission guidance, such as Charity Trustees and Decision-Making or The Essential Trustee (CC3), either the press or the Charity Commission may take a different view as to whether a particular course of action was acceptable. The Charity Commission is concerned with 'protecting the public trust and confidence' and 'reputational risk'. This can result in a subjective, sometimes knee-jerk analysis, which trustees will need to bear in mind when making innovative decisions. An example is the recent decision by various charities to fund the organisation Cage, which attracted considerable media attention. The resulting (in my view surprising) request by the Charity Commission for assurances that charities would never fund Cage again shows how views on what is 'acceptably innovative' can differ.

Innovation has involved different types of funding and fundraising. In 2011, the sector welcomed the concept of 'mixed motive' investments, which partly further the charitable purposes of the charity and partly generate investment income. The challenge to the sector is the tax treatment which ensues. Although HMRC provide guidance on this, an attempt to clarify the legal position may not be matched by an effort to clarify the tax treatment. Charities should be able to push the boundaries to support those in need and the regulatory framework should encourage this, within the sometimes difficult boundaries of charity law.

Sylvie Nunn, Partner, Wrigleys Solicitors LLP

(All views expressed are my own and do not necessarily represent the views of the firm)

"Remember, a dead fish can float down a stream, but it takes a live one to swim upstream."

W.C. Fields

Recommendations on Further Reading

We would like to thank the following contributors for recommending their favourite book on the subject of innovation and failure:

Camille Lemouchoux and **Kate Radford** recommend: Betts, A. and Bloom, L. (2014) *Humanitarian Innovation: The State of the Art*, New York, Geneva: United Nations Office for the Coordination of Humanitarian Affairs:
https://docs.unocha.org/sites/dms/Documents/OP9_Understanding%20Innovation_web.pdf

They also recommend: McClure, D and Gray, I. (2014) *Scaling: Innovation's Missing Middle*, Humanitarian Innovation Project, Humanitarian Innovation Conference, 19-20 July 2014, Oxford:
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