

Stanford SOCIAL INNOVATION REVIEW

10th Anniversary Essays
Out of London and New York
By Manju Mary George

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Code for America, and government initiatives such as Boston's New Urban Mechanics and the US Office of Personnel Management's new Innovation Lab.

The Asia-Pacific region is playing catch-up, fast. In Singapore, the Prime Minister's Public Service Division established the Design Thinking Unit, with the mission to involve users in redesigning policies and services. And Singapore's Ministry of Manpower is working with IDEO and the UK government's nudge unit to redesign the work permit experience for expats.

It might sound as if design-led innovation is sweeping into governments around the world, at least in the Western cultural sphere. But at least three major challenges stand out.

Creating authorizing environments | Although new entities ("labs," "centers," and "spaces") are created to help design take root, there is still a formidable challenge in embedding this approach within government. Ensuring funding, anchoring change in the organization, getting management buy-in, and actually executing the new ideas and solutions are all difficult. Many of the initiatives are still struggling to find their place as a legitimate part of the policy-making infrastructure.

Building and accessing capacity | Public sector organizations cannot rely solely on internal expertise for design-led innovation; they simply do not possess enough people (if any) with those skills. The market for consultancy services for public sector design, however, is still immature, and in some countries even declining (the UK is a case in point). In Denmark—a country with a proud architecture and design heritage—there is a growing service design industry, but no design consultancy has yet singled out the public sector as its main client; most are small and still working mainly for corporate clients, and many are still focusing on product design. Meanwhile, design education has yet to catch up with the growing need for service and systems design, and designers need to learn how to interact more effectively with government.

Opening up bureaucracy to co-production | When public sector organizations start taking a more user- or citizen-centric approach to innovation, they invariably discover that many other organizations play critical roles in people's lives. Human-centered design forces organizations to take a much broader, collaborative, and inclusive view of who needs to be part of the process of co-creating initiatives that will actually work in the real world. But social and public innovation that takes a citizen-centered and value-oriented approach is ultimately disruptive to the existing public governance paradigm. It is severely challenging to the command-and-control logic of hierarchical organizations and to the linear (if unrealistic) logic of the policy-making process.

Where does this leave us? In spite of the very tangible challenges, I believe the glass is more than half full. It is still early days, but public sector design is on the rise.

CHRISTIAN BASON is director of MindLab, an innovation lab in Copenhagen that serves three Danish ministries, and author of *Leading Public Sector Innovation: Co-creating for a Better Society*.



OUT OF LONDON AND NEW YORK

BY MANJU MARY GEORGE

The first round of impact investments has created more awareness of and confidence in the idea of investing for blended financial and social returns. But for impact investing to truly deliver on its promise, it needs to be more deeply rooted in the regions of the world that need it the most—those that abound in social problems and hence in opportunities to create positive social impact.

In October 2012, DFID and GIZ (the UK and German government's international development organizations, respectively), together with Intellectap, hosted a gathering of some 200 entrepreneurs, impact investors, and other stakeholders in Patna, the capital city of Bihar, one of eight Indian states with the greatest concentrations of low-income people. The gathering marked the first awards ceremony of the Sankalp Forum-Samridhi Social Enterprise Recognition, an initiative designed to identify and showcase social entrepreneurs from these eight states and to make visible the need and potential for impact investments in these parts of the country.



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—MANJU MARY GEORGE, Intellectap

Although the overall number of Indians living in poverty is falling, 65 percent of them are concentrated in 8 of India's 28 states. In Bihar, more than 80 percent of children under 5 years of age still suffer from malnutrition. Many households lack access to health care, water, energy, and sanitation. Despite this level of poverty, the rate of social entrepreneurship and impact investments in the region is lower than in more prosperous regions of India.

Gatherings such as the one in Patna, however, are few and far between. Today, most impact investors gather in cities like San Francisco, London, and New York, comfortable enclaves that are far from the remote areas where impact investing is most needed. And the conversations among impact investors are all too often about the lack of "ready-to-invest" enterprises, rather than about how to seek out and nurture potential social entrepreneurs in remote regions.

Creating lasting social impact in regions like Bihar will require impact investors to shift their attention from a narrow focus on

“making an investment” to a broader focus on understanding the social problems within a region, identifying opportunities to make an impact, and bringing together all the ingredients and actors needed to realize these opportunities. This isn’t easy work. It requires impact investors to find new and creative ways to identify entrepreneurs and structure deals that blend public, philanthropic, and private capital to make an opportunity “investment-worthy.” It also demands patience, comfort in the “grey zone,” an openness to experiment, and a willingness to fail.

At the Patna gathering I learned about Akhand Jyoti, an eye hospital that performed 60 percent of the 100,000 eye surgeries done in 2011 in Bihar to cure blindness—an impressive contribution in a region where the health care infrastructure is underdeveloped. Yet there are still an estimated 1.2 to 1.5 million blind people in Bihar who could benefit from surgery. Akhand Jyoti is a nonprofit because that organizational structure allows the hospital to provide free surgeries to low-income people without having to worry about making a profit. But the amount of philanthropic capital available to such initiatives is limited. It is imperative that we find financially viable and scalable ways to extend health care services in regions like Bihar—models that can alleviate some of this backlog faster because they are fuelled by impact investments.

How can impact investors amplify or complement the results that philanthropy is achieving? How can impact investors partner with the government to deliver basic services to low-income communities? Can effective partnerships be created that draw on different types of capital, all seeking social impact but having varying appetites for risk? The answers to these and similar questions lie in rethinking the framework within which we define, approach, and make impact investments.

One of the things we must do differently is to redefine what we mean by “skilled managerial talent.” Today the definition of “talent” is often biased toward English-speaking people found in urban centers. Yet social enterprises in regions like Bihar need talented managers who understand the local culture, people, and living conditions. Many of these people do not identify themselves as social entrepreneurs or frequent the high-profile forums and conversations on impact investing. Identifying and nurturing local talent will demand going much deeper into local areas and expending more effort than we do today.

In the next round of growth, the onus is on the champions of impact investing to find ways to reach out and enable local social entrepreneurs with the right resources at the right time. It is imperative that impact investors work in collaboration with all stakeholders—including philanthropic capital providers, governments, and regional and local enabling institutions—to identify creative solutions that can create positive impact in regions like Bihar and Guwahati. As much as there is a need to build the *global* community of impact investing, there is a need to also act local.

MANJU MARY GEORGE is co-founder and head of corporate development for Intellectap, a consulting and investment banking firm based in Hyderabad, India.



THE NONPROFITS OF 2025

BY HELMUT K. ANHEIER

Like all institutions and organizations, nonprofits are shaped by political frameworks, policies, and programs. So if we ask what future nonprofits might look like—say, the nonprofits of 2025—we must review past and current trends. For several decades, most developed market economies have seen a general increase in the economic importance of nonprofit organizations as providers of health, social, educational, and cultural services. There also has been a new and renewed emphasis on the social and political roles of nonprofits, usually in the context of civil society, democracy building, and political participation. Indeed, these developments are taking place in many countries, and they are driven in large measure by four broad perspectives.

First, nonprofits are increasingly part of new public management (NPM) approaches—what could be called a mixed economy of welfare—with a heavy reliance on quasi-markets and competitive bidding processes. Examples of this development include



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expanded contracting regimes in health and social service provision, voucher programs of many kinds, and public-private partnerships. In essence, this policy choice treats nonprofits as more efficient providers than public agencies and as more trustworthy than for-profit businesses in markets where monitoring is costly and profiteering likely.

Second, nonprofits are seen as central to building and rebuilding civil society and strengthening the nexus between social capital and economic development. With the social fabric changing, civic associations of many kinds seem to be the glue holding diverse societies together. The basic assumption is that people embedded in dense networks of associational bonds are not only less prone to social problems but also economically more productive and politically more involved.

Third, nonprofits are crucial to social accountability. They are increasingly viewed as instruments of greater transparency and heightened accountability for improving governance of public