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Chapter 19 -- The Challenge of Innovation for Third Sector Organizations

Contents

NGOs: Increasingly more relevant for individual achievement and societal development

Third Sector organizations gain evidence, importance and prestige throughout the 1990s

The emergence of Global Civil Society

The internationalization of the “NGO Entrepreneur” model: The example of Ashoka –
Innovators for the Public

The Priorities of Innovation Management for Third Sector Organizations

The Challenge of Innovation for Third Sector Organizations¹

NGOs: Increasingly more relevant for individual achievement and societal development

While in the process of developing this book, during a meeting with a CEO from a multinational company in Brazil, I had the opportunity to mention one of the objectives of my new work: to discuss the challenge of innovation management not only within companies, but also at government agencies and NGOs. The CEO found it to be an extremely relevant topic, affirming, “In the management classes I attend at Harvard and at similar institutions, I’ve noticed the increasing presence of directors from NGOs and government organizations. A few years ago, most of my colleagues were from the private sector.” He asked if I had an explanation for this new trend. I told him that I could offer some hypotheses, which I will proceed to share below.

Beginning primarily after World War II, private organizations—forced to live under an extreme Darwinian reality—began to create a vast body of structured knowledge on management and administration. This body of knowledge grows and becomes more sophisticated each year, especially as it gets passed on by universities

¹ Special thanks to Daniel Persia and Rossana Uessugui for their translation of this chapter from the Portuguese.

and schools of business and administration. In addition to these institutions, a global network of researchers, thinkers and practitioners from large consulting companies, consulting boutiques, independent consulting practices, etc., help companies of various sizes—and from diverse sectors—to accelerate and sharpen their capacity to produce innovation. Ultimately, the goal is to become more competitive. These attempts often result in failure, but this is natural given the intensity of learning experiences carried out in the corporate world. Nonetheless, the successful evolution of private organizations has led to the more widespread use of strategy and management techniques among government and third sector organizations.

There is a global community of public administration schools. In Brazil, for example, the National School of Public Service (ENAP), founded in 1986, has the mission of “developing public service competencies to strengthen the government’s capacity to manage public policies.” The school follows, in large part, the model of the renowned National School of Administration (ENA) in France, founded by Charles de Gaulle in 1945 with the aim of democratizing access to higher positions in public administration. Its students, called *énarques*, represent an elite class within French politics and bureaucracy. However, government schools were never quite able to replicate the dynamism of these elite business schools, which were thriving worldwide. Historically, government schools around the world have been unable to train quality cohorts in large enough numbers for government organizations. France, through the ENA, for instance, graduates on average only 90 students per year. In terms of resources and numbers, government schools pale in comparison with companies, which have far greater allocations and more employees seeking to grow in business and administration than public sector organizations. The funding of business schools has converted continuing executive education into a prosperous mechanism for the development and dissemination of excellence and organizational knowledge. Thus, corporate business schools have ended up attracting executives from government organizations and third sector organizations as well.

There has been an increase in activity among NGOs at the global level. We are living at a time in which the institutionalization of new channels for social

participation is developing at an enthusiastic rate. The daily exercise of democracy does not stop at free elections. Until a few decades ago, opportunities for work and achievement were seen largely as split between two organizational spheres: the corporate sphere, in which we would earn our survival as employees, employers, or proprietors, and the government sphere, the institutional organizing agent for all human life. The term “Third Sector” is a very recent term, and it was created to designate a new organizational sphere. A significant portion of the population still thinks of Third Sector organizations—NGOs—as predominantly charity and philanthropy, and thereby non-profit, organizations. This is a false notion. Basically, a non-profit NGO is a private organization that, regardless of whether or not it was granted fiscal immunity from the government, can—and should—profit from the projects and activities that it develops. However, that money cannot be distributed to natural persons or private individuals. All profit must be reinvested into the organization’s mission. Directors of NGOs seeking to strengthen capacity-building is a good thing. After all, these organizations will gradually become just as important as government and corporate agencies to a global society and will continue to form a vital part of the knowledge economy.

So, how has the evolution of the Third Sector been unfolding?

In the United States, Third Sector organizations gain evidence, importance and prestige throughout the 1990s

The idea is to achieve what money can't buy.

Bruce Springsteen

Rockstar

On November 9, 1989, I watched, from Washington (I was on a trip to the United States at the time), the historical television broadcast of manifestations in Berlin, celebrating the collapse of a wall that, for 28 years and 1 day, prevented free movement in the city. The fall of the Berlin Wall came to symbolize the end of the Cold War. But, perhaps more importantly, it showed humanity the conclusive result of a test initiated with the Russian Revolution, an attempt to create an omnipotent

state, a savior of society that would allow for individual redemption. Perhaps this explains why that day could also serve, as English historian Eric Hobsbaum suggests, as a historical marker for the end of the 20th century. After all, the 20th century was a time of intense arm wrestling between democratic, market-economy visions of the world (in all of their liberal and/or social variants) and totalitarian or nationalist perspectives, such as the more left-leaning Marxism, Leninism, Trotskyism, Castroism, etc. or right-leaning Nazism, fascism, Maoism, typical authoritarian developmentalism of the Latin American military dictatorship, etc.

The supremacy of the trend toward democracy and the acknowledgment of the market economy was not a sign, in any way, that humanity had reached a plateau: nothing like the nonsense proposed by Francis Fukuyama, essayist and American scholar, in an article published in 1989 by the conservative newspaper *The National Interest* (and later developed in his book, *The End of History and the Last Man*). Fukuyama's main thesis was that liberal democracy would be the final point of evolution in terms of form of government. This paralyzing vision couldn't be farther from the truth. The notion of utopias and finalist states is typical of totalitarian tendencies, which Fukuyama claimed to have been defeated. In life, nothing is static. Life is movement and continual change. And, in terms of institutions created by humanity, we are condemned to always change. This is the only sure thing.

Two positive results stemmed from this new reality after the fall of the Berlin Wall: the role of totalitarian governments declined, and a new force emerged, represented by non-governmental organizations and agencies not seeking commercial or financial gain.

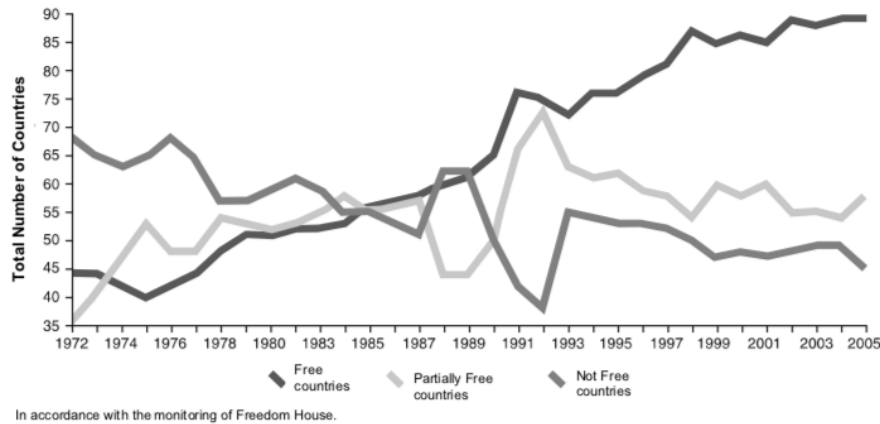
Figure 19.1² shows that, when using free elections, human rights, freedom of speech, and property rights as metrics, humanity has been experiencing a progressive increase in liberal democracy. As can be seen in the graph, more and

² This graph was produced by an international NGO based in the United States, called Freedom House. The mission of Freedom House is to internationally monitor metrics from several countries in terms of democratic freedoms. Though formed independently, this NGO relies on the American Congress for a significant part of its funding, which has led some critics to suggest that it has a pro-American bias. In any case, from my point of view, I consider its assessments relatively realistic.

more countries are aligning with a more democratic government that follows a liberal-democracy and market-economy model.

FIGURE 19.1

Freedom, Rule of Law and Market Economy in the World between 1972 and 2005



Between the fall of the Berlin Wall, in 1989, and the collapse of the former USSR, in 1991, we can see a rapid acceleration in this pro-democracy transition. However, in the two years following, various Eastern European countries returned to closed regimes.

Even still, the “planetarization of humanity” was accelerated by the increase of both international mobility (civil aviation offering more services at lower prices) and access to information and knowledge (telecommunications in general, but primarily the exponential growth of internet access). This phenomenon made it possible for people at the local, regional, and international levels to, on several occasions, act alongside, or even oppose, government and big business.

As I mentioned before, I watched the fall of the Berlin Wall on TV while on consecutive international trips, while in contact with multilateral agencies such as the UN, World Bank, Inter-American Development Bank, etc., and also with various international non-governmental organizations connected to sustainable development and nature conservation (Greenpeace, Friends of the Earth, Conservation International, Energy Foundation, WWF, etc.).

Over three years of intense trips (I was in New York alone more than 30 times), I was able to compare the reality of North America to that of Europe. I came to

determine that, in the United States, the institutionalization and operational capacity of NGOs—there referred to more commonly as Private Voluntary Organizations (PVOs)—was much more sophisticated and advanced than in European countries.

It was exactly at that moment in my life that I had, so to speak, a kind of epiphany: the country at the forefront of capitalism was also at the forefront of non-profit organizations. Gradually, I began to better understand what excited Alexis de Tocqueville and led him to write his famous classic, *Democracy in America*. I was surprised to find that the average American citizen, in contrast to the average European, had a more independent perspective of action.

The American citizen does not expect that all he receives from society come from public policy—that is, be the result of government action. On the contrary. NGOs in the United States offer much more room for achievement. For me, this supports the observations of Guerreiro Ramos, who shares his analyses of the United States in his book *The New Science of Organizations*: “There are many whose activities qualify them as para-economists, i.e., individuals who are attempting to implement scenarios which represent alternatives to market-centered processes.”³

NGOs expand the para-economic possibilities of achievement for society and individuals since they allow people to organize in a more flexible, creative and sustainable way outside of companies and the government. NGOs can count on the support of public mechanisms and, at the same time, remain independent of the government. The American reality is an example of this. It is not uncommon for families to come together when filing their income taxes to determine which organizations will receive their tax-deductible contributions. These could be museums, daycares, cultural centers, nursing homes, recreational organizations, support centers for family planning, environmental activist organizations, etc. This is a very American tradition, and I should clarify that I have yet to encounter anything quite like it in any other country. It is also worth noting that citizens of Iberian-Hispanic-Latin descent hold a different expectation, as they tend to believe that every action for the public good must come as a direct initiative of the government.

³ Alberto Guerreiro Ramos, *The New Science of Organizations* (1981), p. 153.

In the context of American culture, non-profit organizations have become an avenue for personal fulfillment on top of daily work and professional careers. This dynamic has created opportunities for—and necessitated—the improvement of management within non-profit organizations. This is how several practices, techniques and methodologies that were developed in the context of for-profit companies have been adapted to NGOs. A kind of knowledge transfusion from the capitalist business world to the non-profit sector has been taking place, a process that intensified, most notably, in the second half of the 20th century.

In the turn from the 1980s to the 1990s, NGOs gained explicit recognition from two corporate “gurus”: Peter Drucker, a renowned thinker on business administration and management, and Philip Kotler, one of the biggest names in marketing. “Forty years ago, when I first began to work with non-profit institutions,” says Drucker, “they were generally seen as marginal to an American society dominated by government and big business... Today, we know that the non-profit institutions are central to American society and are indeed its most distinguishing feature.” During the launch of his new book, dedicated to the management of non-profit organizations, on July 4, 1990, Drucker went on to assert, “non-profit organizations have become ‘The Civil Society of America’.”⁴

By the time he turned eighty, Drucker—who had dedicated a good portion of his career to analyzing, writing, and providing consulting services to the most diverse sorts of front-line organizations—wanted to show that, parallel to his consulting work with big corporations, he also had a forty-year track record of working with non-profit organizations. Drucker always understood that NGOs were as important for individual achievement and societal development as companies and government agencies. Consequently, Drucker signaled that it was time to create a specific body of knowledge for this type of organizational challenge: “Forty years ago, ‘management’ was a very bad word in non-profit organizations. It meant ‘business’ to them, and the one thing they were not was business.” However, Drucker points out that this situation evolved, and that, by the turn of the

⁴ Drucker, Peter. *Managing the Non-profit Organization: Principles and Practices*. New York: Harper Collins, 1990, preface.

millennium, NGOs had become even more important in converting “good intentions” into results, as they “increasingly give the individual the ability to perform and to achieve.”⁵

Even people who are hardly familiar with the reality of American institutions can see the tip of the iceberg, the one factor that has been continually important for the existence and superior performance of American non-profit organizations: big foundations. It is hard to find someone who has not heard of the big foundations created in the early decades of the 20th century by magnates such as Ford, Rockefeller, Guggenheim, Carnegie, MacArthur, and others. However, as mentioned before, these foundations are only one of the factors that allow the non-profit sphere to exist as a space in which millions of people and billions of dollars move for a cause. For good or for bad. After all, we cannot forget that a rather bleak cause, the right to have a gun, drives one of the most controversial American NGOs, the National Rifle Association.

In 2006, according to the Nonprofit Almanac produced by the Urban Institute Center for Statistics, the Internal Revenue Service (IRS)—the federal revenue agency of the United States—registered approximately 1.4 million enrolled and active organizations. That document also points out that 5.2% of United States GDP comes from the Third Sector, which is responsible for 8.3% of the country’s paid income. American non-profit organizations run off the efforts of their direct employees and the participation of millions and millions of volunteers.

The same document from the Urban Institute indicates that, in 2005, individuals, companies and foundations donated an astounding \$260 billion to Third Sector organizations registered as tax-exempt. Moreover, 29 million Americans volunteered to work for these organizations.⁶

Philip Kotler, who, in the world of marketing, would be something of an equivalent to Peter Drucker in business and administration, launched a manual that became a classic reference and has been reedited several times since the 1980s, titled, *Strategic Marketing for Nonprofit Organizations*.⁷ The book, which analyzes how

⁵ Idem.

⁶ Nonprofit Almanac 2007. The National Center for Charitable Statistics at the Urban Institute.

⁷ Kotler, P. and Andreasen, A. *Strategic Marketing for Nonprofit Organizations*. New Jersey: Prentice Hall, 1990.

the Third Sector evolved in the United States, quickly became a bestseller and a reference work for executive directors of NGOs in the U.S. According to Kotler, today, non-profit organizations are riding a fourth wave of evolution. The first wave belonged to the pioneers, in rural times, when people gathered civically and voluntarily to meet collective needs—to address a spectrum of diverse causes ranging from orphanages to firefighting, from charity to culture, from park preservation to public property restoration. The second wave belonged to the countries that prospered rapidly with the Industrial Revolution, when wealth was concentrated in the hands of affluent families and individuals. This was the time of patronage/philanthropic sponsorship. The third wave followed the Great Depression and lasted until the 1940s and 1950s, when sponsorship came primarily from the government. During this period, Third Sector organizations followed a model and agenda more focused on demanding, affirming, and obtaining civil rights. The fourth wave is characterized by a highly competitive market stage of causes. In this context, which gained prevalence in the 1990s, organizations of the proclaimed Third Sector should “not only find and attract new markets, but also adapt their efforts to a flood of competitors.”⁸

The emergence of Global Civil Society

Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it is the only thing that ever has.
Margaret Mead

Until now, the 1990s were recognized by few people as one of the decades with the most accelerated change in the history of humankind. The biggest force of change was certainly the digital accessibility allowed by the internet. Joseph Stiglitz, recipient of the Nobel Prize in Economics in 2001, recognized this fact. He wrote a book called *The Roaring Nineties* and delivered a masterful speech

⁸ Kotler, P. and Andreasen, A. *Strategic Marketing for Nonprofit Organizations*. New Jersey: Prentice Hall, 1990, p. 11 [may differ slightly from original text].

during the Nobel Prize ceremony, titled, “Information and the Change in the Paradigm in Economics.”

In the new dynamic made possible by the internet, globalization was no longer exclusively for the “big players,” the proclaimed “big business” or high government officials. Over the course of the 1990s, the internet, which grew exponentially, stopped being a network solely for companies and governments and became the network of the people. This created a much more vibrant type of network capacity for Third Sector organizations.

The vitality of the Third Sector was fully present in the United States during the 1990s, the result of decades of social and cultural experiments. Such dynamism slowly began to inspire experiences and new practices around the world. At the very beginning of the 1990s, the concept of entrepreneurship started to spread to the Third Sector. At that time, several important books were launched in the United States, which tried to emphasize that the Third Sector could be dynamized even further if the idea of entrepreneurship was adapted to the reality of the sector. These books explicitly formalized what was already more or less tacit knowledge among the vanguard of American NGOs during the 1990s.

Once again, thinkers, consultants and pragmatic leaders did the heavy lifting of transforming tacit knowledge into explicit knowledge, writing the right books at the right time. Some were straightforward, such as *The Nonprofit Entrepreneur*,⁹ others were more provocative, encouraging Third Sector leaders to “think big” and abandon old feelings of inferiority that came with comparison to the corporate sector and government. For example, Richard Steckel’s *Filthy Rich & Other Nonprofit Fantasies: Changing the way nonprofits do business in the 90’s* (not published in Brazil) became a provocative bestseller in the United States among NGO leaders.

In Brazil, the exponential increase in mobility (trips and events, especially those sponsored by the proclaimed international cooperation network for development) and internet accessibility during the 1990s created an inflection point for large national NGOs, most of which were founded during the resistance to the military

⁹ Skloot, E. (org.) *The Nonprofit Entrepreneur: Creating Ventures to Earn Income*. New York: Foundation Center, 1988.

regime. One example is the Brazilian Institute of Social and Economic Analysis (IBASE), founded by sociologist Herbert de Souza, the famous *Betinho*. Most of the leaders of, until then, the emerging Third Sector in Brazil followed the tradition of the European left, in which the United States was viewed as the “colonialist and imperialist yankee.” Over the course of the 1990s, Brazilian NGOs initiated a long journey of reevaluating their fundamentalist perception of the anti-American left. Gradually, they began to realize that American society, overall, was much more dynamic, diverse and democratic than they had thought.

As the Third Sector grew in Brazil, it also began to emerge in other developing countries around the world. With the acceleration of globalization in the 1990s, United Nations agencies became the ones that were most active in spreading the idea of the Third Sector. They upheld that the Third Sector was crucial to promoting development as something larger than mere economic growth. Operationally, this was the result of an endless number of meetings, events, summits, small projects and programs carried out since the beginning of the 1990s by the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-Habitat), UNESCO, etc. Some of these international events were marked by the simultaneous presence of heads of state, CEOs, and NGO leaders, as was the case of: the United Nations Conference on Environment & Development (Rio de Janeiro, 1992), the International Conference on Population and Development (Cairo, 1994), the World Summit for Social Development (Copenhagen, 1995), and Habitat II, the Second United Nations Conference on Human Settlements (Istanbul, 1996), among others.

With the participation of influential actors—including organizers, sponsors and participants—in all of these institutional efforts, NGOs began to take on a new persona. They increasingly abandoned former notions of pressure and confrontation to embrace a more co-participative, even collaborative, approach to working with government and corporate agencies.

The internationalization of the “NGO Entrepreneur” model: The example of Ashoka–Innovators for the Public

Whenever you find something getting done, you find a monomaniac with a mission.

Peter Drucker

When I was a young undergraduate student at the Pontifical Catholic University of Rio de Janeiro (PUC Rio), in the 1970s, I used to have fierce discussions with an older priest who, aside from being stubborn, was a mover and shaker within the university. I was studying, simultaneously, Physics and Electronic Engineering (though I ended up choosing to graduate solely as an engineer). This was during the military dictatorship in Brazil, and PUC was one of the few spaces where we still had a little freedom of thought and expression. Father Félix de Almeida, aside from his academic contributions, was one of those Jesuits who, in addition to teaching, carried out several entrepreneurial projects that were highly advanced for the time, when the university was solely about teaching and academic research. He dared to create a company within PUC that developed and manufactured a complete line of high-precision electronic devices for laboratories. I had the opportunity to work as an intern for the company. In addition to gaining technical experience, I had the pleasure of carrying out several large ideological debates with Father Almeida.

However, at the time, debates about society and politics were highly problematic and dangerous. To declare oneself a conservative, as Father Almeida had done, was to discredit oneself; in general, this was seen as an endorsement of the destruction of the rule of law. And it was also dangerous for people who, like me, identified with the resistance to military authoritarianism. One idea in particular from a debate with the old and grumpy Father Almeida has stuck with me: “Ricardo, I hope you learn this one day: that saying that Marx supported, that ‘it’s economic infrastructure that dominates history,’ that’s absolute nonsense. It’s people that make things happen.” Only twenty at the time, that conversation planted in my spirit—despite my differences with the conservative thinking of old Father Almeida—a crystal-clear feeling that he was right. After that, I began to recognize

the importance of individual leaders, who have the capacity to make a difference in collective achievement.

Visionary individuals, who share a perspective that transcends national borders, have enabled the Third Sector to enter the international stage with force, as an active player in the globalization of organizations and the planetarization of humanity. One of the most successful cases—and a good, inspiring example—is that of American Bill Drayton, who, nearly three decades ago, founded an international NGO called Ashoka, its headquarters in Washington D.C. The case of Drayton and Ashoka is one that eloquently ties together the previous quotes from Peter Drucker, Margaret Mead, and Father Almeida.

We should begin by taking a look at the visionary concept developed by Bill Drayton. Still in the middle of the 1980s, Drayton was developing the idea that innovation and social change often occur because someone has devoted his/her life to the cause. Not as a saint or a prophet, but as a social entrepreneur.

“Social entrepreneurs are individuals with innovative solutions to the most pressing social problems. They are ambitious and persistent, confront large social challenges and offer new ideas to enact change on a broader scale. Rather than leaving the needs of society to the government or to the private sector, social entrepreneurs identify what is not working and solve the problem by changing the system, disseminating their solution and persuading entire societies to take a leap and try something new.”¹⁰

Drayton, who has defended this position since he was young, adds this regarding the concept of social entrepreneurs: “They are visionaries, but that doesn’t mean that they’re not pragmatic, concerned, above all, with the implementation of strategic vision. Every social entrepreneur presents ideas that are practical, clear, ethical and that mobilize widespread support in an effort to maximize the number of community members who will rise to the challenge and help them implement their proposals. In other words, every leader who is a social entrepreneur is a mobilizer of the masses; he is a changemaker—a model (of an individual) that

¹⁰ Promotional documents, Ashoka—Innovators for the Public: www.ashoka.org.

suggests that citizens who transform their passion into action can achieve almost anything.”

Drayton says that his favorite, most inspiring examples of social entrepreneurs were four historical figures, whom he has admired since youth: Thomas Jefferson, Mahatma Ghandi, Jean Monnet and an Indian emperor from ancient times, Ashoka the Great. Thomas Jefferson and Ghandi need no introduction. Jean Monnet (1888-1979) is considered the architect of the reunification of Europe following World War II. From the beginning of the 20th century, Monnet was already advocating, in a visionary way, for the formation of the European Union. He believed that latent rivalries without any integrative institutionalization would generate conflicts of great proportions. Ashoka, Drayton’s fourth inspiration, is lesser known to those unfamiliar with the history of India. He was the emperor who unified the south of Asia in the third century B.C., and who ushered in an era of unprecedented prosperity, tolerance, and economic and social development.

Bill Drayton, who had been refining the concept of social entrepreneurship since he first entered college, completed his studies as a lawyer at one of the top universities in the United States. He started his career in the 1970s, working for five years at one of the most famous consulting companies: McKinsey & Company. There, he was able to prove what the business world had already known for many, many decades: there is nothing more powerful than an innovative idea in the hands of a first-rate entrepreneur. At McKinsey, he dedicated his work to the public sector, and, since then, he has been oscillating between the government and corporate sectors.¹¹

In American politics, Bill Drayton always aligned himself with the Democratic Party. During the administration of Jimmy Carter, between January 20, 1977 and January 20, 1981, he was invited to take on the role of assistant administrator of the Environmental Protection Agency (EPA). Bill’s idea of creating an entity to support social entrepreneurs occupied his thoughts, but it still did not quite fit into his agenda as an administrator for the public sector. A change in direction came with

¹¹ A detailed narrative of Bill Drayton’s biography can be found in Bernstein, D. *How to Change the World: Social Entrepreneurs and the Power of New Ideas*. New York: Oxford University Press, 2004.

the election of Ronald Reagan, from the Republican Party, who wanted to virtually dismantle the EPA. The Republicans were never very sensible to environmental issues. On the contrary, especially in the 1970s, they believed that restrictions stemming from an agenda committed to environmental preservation and sustainability served as a major barrier to economic development. Drayton then decided that it was time to create the organization that he had been dreaming about for over 20 years, and he decided to call it Ashoka Social Innovators.

The journey has been a long one. Ashoka—having recently celebrated 27 years—has become an increasingly important world reference for the development of the Third Sector. Above all, Ashoka has introduced a new mindset, a new way of thinking about non-governmental organizations that have the capacity to be, so to speak, more aerodynamic and more audacious. Ashoka seeks candidates and social entrepreneurs in the same way that risk capitalists search for projects of interest: they look for individuals who are still young, still honing their approach, who may run a high risk of not working out and are, so to speak, taxiing on the runway.

Ashoka offers a scholarship of one to three years to its fellows, candidates to become social entrepreneurs, and offers them the opportunity to join an international network of other fellows, partners and institutions that can play the role of “angels,” mentors and supporters. Bill, with his experience at McKinsey, is aware that the private sector evolved tremendously over the course of the 20th century, and that many methodologies, tools and solutions that allow companies to make a profit can be adapted to the reality of the Third Sector. Ashoka established a partnership with McKinsey that resulted in a manual to improve capacity-building in organizations created by fellows, titled, *Sustainable Social Enterprises: How to Develop Business Plans for Social Organizations*.¹²

Today, Drayton receives praise from heads of state and CEOs from all over the world. Ashoka, in turn, has more than 2,000 fellows, not only in countries said to be “in development,” but also in the United States and Europe. Figure 19.2 shows the distribution of Ashoka fellows around the world.

¹² Ashoka Social Entrepreneurs and McKinsey & Company. *Empreendimentos sociais sustentáveis: como elaborar planos de negócio para organizações sociais*. São Paulo: Peirópolis, 2001.

The history of Ashoka gives reason to Father Almeida. I would not be surprised if, several years down the road, Bill Drayton were to be awarded the Nobel Peace Prize.

FIGURE 19.2

Countries in which Ashoka Social Innovators is present



Countries in which Ashoka Social Innovators has Fellows (as of 2008)

Asia	Fellows	Africa	Fellows	South America	Fellows	Europe	Fellows
Afghanistan	1	Botswana	1	Argentina*	40	Belgium	1
Bangladesh	61	Burkina Faso	12	Bolivia	26	Czech Republic	21
Hong Kong	1	Cameroon	4	Brazil*	284	France*	10
India*	283	Cote d'Ivoire*	4	Chile	34	Germany*	13
Indonesia*	126	Gambia	4	Colombia*	46	Hungary	27
Nepal*	39	Ghana	4	Ecuador	28	Iceland	1
Pakistan*	42	Guinea-Bissau	1	Paraguay	14	Ireland*	2
Sri Lanka*	11	Kenya*	11	Peru*	36	Latvia	1
Thailand*	77	Mali	11	Uruguay	17	Lithuania	9
		Mozambique	2	Venezuela	15	Poland*	60
North America		Nigeria*	64			Slovakia*	16
Canada*	12	Senegal*	16	Middle East		Spain*	9
Costa Rica	8	South Africa*	82	Egypt*	33	Switzerland	1
El Salvador	6	Tanzania	4	Lebanon	2	Turkey*	25
Guatemala	2	Uganda	16	Morocco	3	United Kingdom	4
Mexico*	131	Zambia	1	Palestine	3		
Nicaragua	3	Zimbabwe	14	Saudi Arabia	3		
United States*	84						

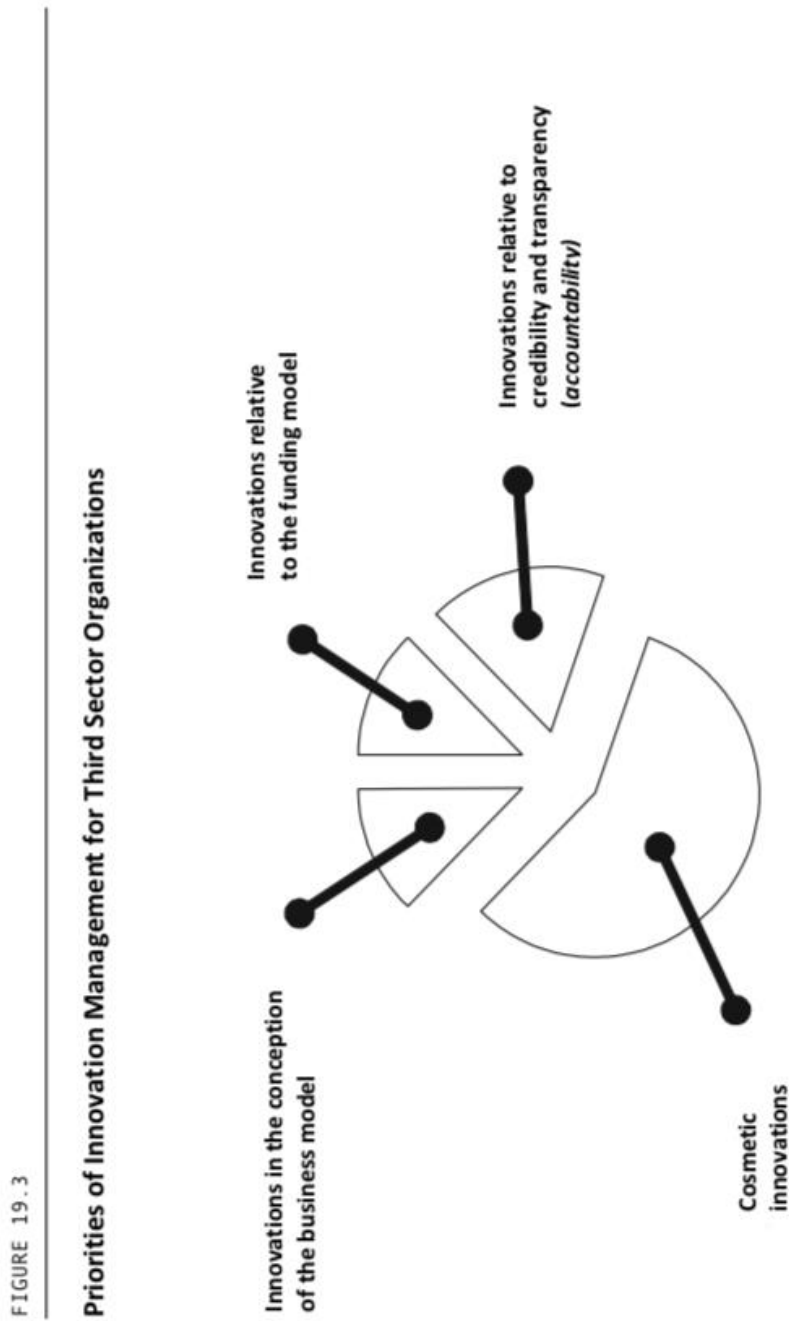
*Countries where Ashoka has a local or regional office

Countries/regions where Ashoka is preparing to launch programs

- Caribbean
- Ethiopia
- Japan
- Philippines
- Ukraine
- China
- Israel
- Netherlands
- Russia
- Vietnam

The Priorities of Innovation Management for Third Sector Organizations

Now that we have developed the current context of Third Sector organizations, we can begin to identify and justify their priorities for innovation, which are shown in Figure 19.3.



- **Innovation in the business model: operationalizing good intentions in the form of sustainable enterprises**

Companies are organizations that are formed with the objective of making profit; they produce goods and services in a highly competitive market environment and are conditioned to have a sustainable return. In contrast, Third Sector organizations—even if they produce services, goods and events—are driven by a specific social cause, such as: raising environmental awareness within a community; maintaining a social or cultural institution, such as a hospital, museum or daycare; promoting events that help revitalize a particular region, attracting new businesses and creating jobs; providing support to at-risk groups, such as the homeless or youth in communities in need, etc. The cause may be one that influences public policy. For example, NGOs in Brazil played a very important role in how AIDS was successfully tackled by the federal government in the 1990s. However, just as demonstrated in American society over the last two decades of the 20th century, it is no longer enough to simply present to the public as an organization with good intentions. Internationally, a competitive environment has become the reality for the Third Sector as well. All types of NGOs compete against one another, each one presenting its cause as worthy of support from donors, volunteers, sponsors and partners. They must be more and more effective, efficient, and transparent to earn such support.

Consequently, leaders of Third Sector organizations must respond by developing clear strategic visions. Such vision helps to guide operationalization of the organization, from product and service formation to competitive positioning in the “social cause market” to communication with the public, etc., in the short, medium, and long term. Without this, even the best of intentions cannot save an organization from renouncing its dreams and, sooner or later, closing its doors.

Overall, NGO leaders, in the recent past and all over the world, have appeared to be very reluctant in identifying with companies and their competitive, capitalist cultures. This is not surprising. Profit, as a motive for existing and operating, is very different from the altruistic motivation of improving society, which is, after all, the motivation behind an NGO. Nevertheless, starting in the 1990s, many NGO

leaders began to understand that important organizational methodologies and tools developed by companies could be imported by, and adapted to, the Third Sector.

Strategic planning, market research, brand creation, the development of marketing and communication plans, branding, executive and operational management, etc. are examples of imports that, gradually, have become familiar to NGOs, especially the larger ones. In a time of progressive sophistication, innovation management in Third Sector organizations should favor the development of a business model with a more entrepreneurial strategy—one that guarantees the sustainability of the organization, the efficiency of its administration, and a differential that increases the competitiveness of the NGO, vis-à-vis other NGOs operating in the same “social cause market.”

Said another way, NGO leaders will be challenged to think and act strategically, inspired by the experiences that companies have already been having for decades. Ashoka’s aim of fostering a new culture in the Third Sector is well illustrated by its collaboration with McKinsey & Co. to produce the manual already mentioned about social enterprises.¹³

- **Innovation in the funding model**

One of the most well-known figures within the Third Sector in the United States is the fundraiser—the resource captivator. Until the 1980s, the fundraiser worked in several specific capacities: to search for affluent individuals and ask for donations, to contact companies to ask for sponsorship, to submit joint grant proposals with foundations, and, eventually, to contact governmental agencies to ask for funds. To summarize, the fundraiser was a solicitor, professional or voluntary, who sought money and resources for a good cause. In that context, to fundraise was, truly, to solicit donations, sponsorships, grants and assistance funds.

In the 1990s, a new vision of fundraising started to emerge in the United States. The competitive environment prompted Third Sector organizations to modernize their strategic and organizational visions. Even to defend a social cause,

¹³ Idem.

organizations needed to develop more sophisticated approaches, otherwise they would not make it. Social entrepreneurship was a new concept that, gradually, became the new standard. With this modernization, many organizations understood that the funding of NGOs needed to be reassessed. Fundraising could no longer be a *via crucis*, a beggar's pilgrimage; it needed to obey a more sophisticated and efficient strategic vision. People began to talk more about "fundraising strategy," which was about organizing "ventures," creating products and services, organizing special events, creating volunteer programs, etc. Trying to escape from notions of "lack" and "shortage," many organizations opted to turn *fundraising* into *fund development*.

Today, that perspective has already spread around the world. Every leader of a Third Sector organization must hold innovation in funding strategy as his second highest priority. Third Sector organizations must look to diversify their sources of revenue and funding in creative and innovative ways. Otherwise, paradoxically, in a world that is becoming more and more affluent, they will become hostage to a vicious cycle of impoverishment and deprivation that will lead them to shutting their doors.

- **Innovation in the credibility and transparency model**

We often hear critiques of NGOs. In many circumstances, these critiques include negative remarks about Third Sector organizations, claiming that they are, for instance, "sleazy" entities, that they engage in money laundering, that they are organizations that benefit from public money, that they have controversial partnerships with companies interested in promoting a positive corporate image, that they are inefficient and waste resources that could have been allocated in a more productive way to society, etc. Recently, in the face of various denunciations of fraudulent schemes involving NGOs, we had, here in Brazil, the creation of the "Parliamentary Inquiry Commission (CPI) of NGOs."

There is no use in relativizing and saying that we have more than 250,000 NGOs in Brazil and over 1.5 million in the United States, and that it must only be a minority of these organizations that are involved in malversation or have inefficient structures. Demonstrations of enthusiasm and solidarity from NGO directors do

not persuade the media or public opinion. It is necessary to stop being reactive and start being more proactive. How? From the perspective of sustainable social enterprises, one of the priorities in producing innovation in the Third Sector is to create a strategic way of communicating with the market, i.e., with society, supporters, clients, communities, and partners who consider the need to make funding and the use of resources public. Inspired by companies that have ROI (Return of Investment) and positions such as the Director of IR (Investor Relations), NGOs must develop—in an innovative and creative way—indicators, mechanisms, and channels of communication to share information about operational efficiency, consistency of plans, projects, programs and objectives with the public.

In the same way that companies are becoming more and more committed to corporate governance, Third Sector organizations are facing the challenge of transparency and credibility, adopting a proactive stance. This, in the years to come, will become an important mechanism for competitive differentiation and institutional sustainability.

“Third Sector” has sometimes been viewed alternatively as a pejorative expression, much like “Third World,” as if companies were first-class and NGOs merely belonged to a second rung. Some examples have started to emerge from test cases conducted by organizations that are carrying the evolution of non-profits to the border of the “rich and influential world of companies.” Recently, *The Economist* published an article, “Non-profit capitalism,” that illustrates this perspective: “‘We run a business here—but instead of selling cars or candy to kids, we’re selling hope and leadership,’ says Nancy Lublin, the chief executive of Do Something, a non-profit group that promotes volunteerism by teenagers. On September 17th she is launching an initial public offering (IPO) to raise the \$8 million needed to double Do Something’s activities by 2011, by which time it plans to be engaging with around 21 million of America’s 32 million teenagers.”¹⁴ In reality, Do Something’s fundraising strategy only simulates what is done in the stock market. The organization emulates what is customarily done by companies for the IPO,

¹⁴ *The Economist*, September 11, 2008.

including the production of a prospectus and other mechanisms that directors of investor relations use, such as roadshow presentations and question-and-answer sessions.

“This imitation of the for-profit IPO process may seem gimmicky, but in fact it is part of a new trend to improve how non-profits are financed, so that they can escape the obsession with short-term fund-raising that is pervasive in the charitable world. With money in the bank to finance the next three years’ operations, Ms. Lublin and her team will be free to focus on reaching Do Something’s goals,” explains the article in *The Economist*. It continues: “Other non-profits have done something similar...Do ‘investors’ get anything for their money? Do Something promotes ‘a significant social return on investment,’ quarterly performance updates and a conference call with management” (as is typically done in the stock market).

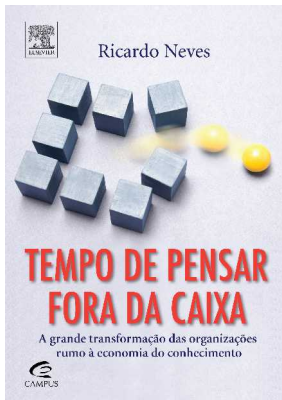
Yes, these may be *non-profit* organizations. But they will continue to gain more and more institutional importance due to their capacity to generate innovative impact and enact positive change in society—all without forgetting the importance of widening the realm of possibilities for individual achievement.



Press Release



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Ricardo Neves has more than two decades of intense national and international experience as a strategy and marketing consultant, working for world-quality companies and governments and development organizations (United Nations Development Programme, World Bank, NGOs, etc.).

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Time to think outside the box

The great transformation of the organizations towards the knowledge economy

This new book, brought to you by **Elsevier**, is even more relevant today, when we experience the consequences of the financial and economic crisis since the second half of 2008. In this book, the author Ricardo Neves, strategic consultant, offers a solid, consistent and informed argumentation, although at the same time provocative and passionate, pointing out that the current crisis is part of a broader, more dramatic and brutal transition process in which mankind is embarking.

The book points out that organizational leaders must understand, urgently, that it's their responsibility – first and foremost – to find new answers to the questions that will emerge amongst the intensifying uncertainties and turbulences that will distinguish themselves years ahead. The economy – its basis and its paradigm – is not the only factor that will be shaken in this disruptive and transitional process. Similarly, people will be forced to alter their lifestyles and institutions in general will have to change their arrangements and organizational and productive modes. Even culture and politics will be deeply changed.

Facing this challenging scenario, the author warns that “*nowadays creativity becomes more important than knowledge*”. Hence the leaders' need to understand the crucial importance to incentive continuous innovation and change management as the only alternatives to prevent their companies and organizations to become decadent, obsolete or to hinder their disappearance.

Ricardo Neves emphasizes and demonstrate through the analysis and cases presented in this book that, pursuing the goal to continuously innovate and change, organizations must consider innovative talents as their most strategic resource: “*As humankind progresses in its turbulent transition towards the knowledge economy, it is more and more clear that survival and the success of nations, territories, communities, and organizations are unconditionally and inexorably related to the ability to attract and retain talented and creative people – although the companies don't know exactly how to define talent nor how to conduct the talent management*”, he states.

This book is a must read not only for organizational leaders, but it is a book that can sensitize, please and generate polemics amongst readers interested in the development of the global contemporary thinking.