Innovation in the Public and Nonprofit Sectors

A PUBLIC SOLUTIONS HANDBOOK

Edited by
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Routledge
Taylor & Francis Group
NEW YORK AND LONDON
Leadership Developing Partnerships to Address the Social Determinants of Health

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INTRODUCTION

The story of nonprofit innovations at the Sierra Health Foundation (SHF) over the past three years addresses access to health care and the social determinants of health. As a regionally focused foundation, Sierra Health Foundation’s Chief Executive Officer, Chet Hewitt, and Board of Directors have developed structural and strategic innovations to expand the geographic reach and impact of the foundation. In the years from 2008 through 2014, the leadership of SHF, driven by an underlying belief in the research on the social determinants of health, discussed and developed a range of public and nonprofit partners, along with diversified funding to address a wide range of health access, equity, and outcomes issues. The leadership at SHF created a new structure to expand their service region, to attract additional public funding, and to develop new partnerships with other grant making organizations. The innovations in this case study offer insight into the Great Recession as a catalyst for change, as opposed to retrenchment, as well as new strategy driving new structures.

As the SHF celebrated its 25th anniversary in 2008, three significant forces were reshaping the foundation’s future direction. One, the unfolding of the Great Recession of 2008 reduced the endowment’s investments and returns. Two, a growing body of public health research described as the social determinants of health, finding that the neighborhood with wide variances of environment, economics, education, services and health access accounted for individual health outcomes more than clinical care. And three, an increasing recognition of the vulnerable safety-net of community clinics in health delivery system that was not seen as positioned to take advantage of significant changes in national health care policy promoting health equity and reduction of health disparities. Chet Hewitt, as CEO of SHF, faced a limited geographical reach, the 26 northern, in-land counties in California, extending from the northern end of the central California San Joaquin Valley, through the state capital city of Sacramento, to the Oregon border.

In response to these three forces, the leadership at SHF launched a set of innovative initiatives to attract health funding to the region (the timeline of events is
summarized in the appendix). This case study explores how the SHF leadership leveraged existing foundation funding and staffing to attract over $10 million of federal funding, local, and foundation investment to the region to address a broad range of health care disparities. A fundamental innovation at SHF was to use on-going endowment funding as a catalyst for attracting new federal and foundation funding. A second and related innovation was the development of the separate nonprofit Center for Health Program Management that facilitated raising $12.5 million for multiple years of funding, with the additional resources attracted from federal, foundation, and intergovernmental funding sources. The net effect was to create resources of an endowment three times as large as Sierra Health Foundation.

The innovations at SHF suggest both a process of innovation and actual innovations that can be replicated in other jurisdictions. The case is generalizable to public administrators, as well as to directors of nonprofits and foundation staff, by offering a model of funding for foundation staff to work with local public agencies, such as social services and health services directed by public administrators. The model provides practical steps to operationalize the potential of combining foundation funding and expertise to support collaborations and partnerships with public agencies and private institutions, coupled with authentic engagement with community stakeholders to increase health-related investment in under-resourced communities. The outcome of the SHF innovations resulted in new federal, local, and foundation dollars for more in-depth assessment work, an increase in the quality, scale and cohesion of stakeholder partnerships, as well as a deeper understanding of, and commitment to, addressing unmet health service needs in the region.

The process and model addresses the fundamental challenges for nonprofits in any location facing limited resources, with seemingly intractable problems. The innovations in the case study provide a strategy roadmap for nonprofits, foundations, and public sector organizations at the county and federal levels. This strategy moves from zero sum funding approaches to partnerships or collaborations that address long-standing challenges at the core of the social determinants of health, health equity, and health disparities.

STATE OF PREVIOUS RESEARCH

The impact of the nonprofit sector as a service provider and a significant force for public good in the U.S. is well established (Salamon, 2012). The nonprofit sector has also emerged as a space for addressing social change and for innovation in “leadership for a changing world” (Ospina & Foldy, 2010). Research in the nonprofit sector readily offers examples of “forces for good” (Crutchfield & McLeod Grant, 2008). Less well understood is confluence of the conditions on both the demand and supply side that facilitate or impede innovation in nonprofit organizations to address societal challenges.

The research explaining innovations in nonprofits fall into several themes. Reporting of models of extraordinary leadership of individual leaders of nonprofits. The example of Dr. Paul Farmer as a singular innovator, addressing public health challenges in rural Haiti and drug resistant tuberculosis globally, is the archetypical model that explains
Innovation through the leadership skills of one person (Kidder, 2003). A variant of the leadership research on nonprofit leaders collects “agents of change” (Cels, De Jong, & Nauta 2012; Moore, 1995; Ospina & Foldy, 2010) around particular themes or policy arenas, finding sets of leaders who innovate and generate notable outcomes. Often the research generates advice across contexts by (Crutchfield & McLeod Grant, 2008, 21–3) suggesting specific practices such as advocacy, alignment with markets, inspiring others and developing networks.

Another theme of previous research emphasizes the demand side barriers to innovation (Goldsmith, 2010), such as irrational markets coupled with limited understanding of causes of problems. In addressing the barriers to innovation, research focuses on start-up organizations as innovations, for example Teach for America in urban school districts, or A Room To Read in libraries in Nepal. A notable feature of these start-ups is a need to innovate “in environments that were not conducive—and were sometimes even hostile—to change” (Cels et al., 2012).

Empirically, there is a puzzle in the previous research literature with a need to deepen the understanding of well-intended examples and generalized advice into operationalized framework. The research has generated an exemplary and inspirational range of examples on nonprofit innovations but runs the risk of generating the “proverbs of nonprofit administration” to paraphrase Herbert Simon.

A SOLUTION TO THE PUZZLE

The puzzle of explaining innovation in nonprofits can be addressed by applying a framework outlined by Jim Collins in his monograph titled Good to Great and the Social Sectors (2005). The Collins framework provides analytical leverage to address the shortcomings of current research into nonprofit innovations. The Collins framework can deepen the understanding of nonprofit leadership practices with impact, predictable features for developing and sustaining collaboration, and features for effectively addressing seemingly intractable social problems.

This chapter proceeds as follows: A consideration of the basic logic of the problem of the explanation of innovation. The application of the framework of Jim Collins to explain the driving features for innovation. And concludes with a discussion of the limitations and implications of this research.

THE BASIC LOGIC OF EXPLAINING NONPROFIT INNOVATION

Applying Collins’ framework to the innovations at the Sierra Health Foundation combines the advantage of a framework developed across a large data set with the advantages of case study research, including nuanced explanation of the how (Yin, 2014), with access to an in-depth consideration of governance issues (Heinrich, Hill, & Lynn, 2004). The interviews for this case study allow for deepening the understanding of how innovation emerges from the inside of an organization. The research on this case study draws on interviews with the SHF CEO and President, Board Chair, and senior executive staff.
In addition there is a review of the Sierra Health Foundation Annual Reports, review of program publications and review of financial statements.

The SHF case examined through the lens of the Collins framework offers a more systematic way to explore nonprofit innovation, while addressing the fundamental question of how innovation in a nonprofit creates public good. In the case of the Sierra Health Foundation the public value (Moore, 1995) created new funding for the region, collaborations to develop new approaches to seemingly intractable health access and youth justice issues, as well as increased access to health care in underserved communities.

Jim Collins adopts a framework developed from extensive empirical research of a large data set of private sector companies that are publicly traded. In responding to questions of how to apply that framework to the social sector, Collins (2005, pp. 3–24) outlines the following features:

1. Tracking: output variables for performance and impact (10);
2. Leadership: diffuse power structure led through a “compelling combination of personal humility and professional will” (11);
3. Right people on the bus: aligning talents (13);
4. Hedgehog concept: intersection of passion, best at, and resources (19);
5. Flywheel effect: building momentum (24).

A limitation of Collins’ Good to Great and the Social Sectors (2005) is that each feature of the five features of the framework is illustrated by a different case study. The application of the Collins framework to the SHF case addresses the methodological limit of Collins’ nonprofit sector research that selects different cases to illustrate specific features, without testing each of the framework’s features against one case. Other frameworks, most notably John Kotter’s (1996) eight-stage process for leading change, address organizational transformation efforts. The Collins framework offers the advantage of research drawn from the nonprofit sector, with a focus on key mechanisms specific to generating innovation to move to a measurably higher level of performance.

The Collins framework systematically addresses features of the current reality for innovations in nonprofits that are not well explained. The framework moves to a systematic exploration of the elements of the equation leading to an outcome of innovation. The Collins framework explains how an existing nonprofit organization moves from good to great in developing innovation. The framework’s Hedgehog concept helps distinguish between the passion, skills, and resources of foundations, government, and nonprofits. Also, the Collins concept of Level 5 Leadership in a diffused environment provides a framework to discern the skill set of CEO of SHF, Chet Hewitt (Parks, 2009).

APPLICATION OF THE GOOD TO GREAT FRAMEWORK

The Collins framework anticipates the key features driving innovation at the Sierra Health Foundation. Paradoxically, as an existing nonprofit, Sierra Health Foundation faced a greater risk in choosing not to innovate. The focus on explaining the move from
ections that are serving the vulnerable community safety-net facing numerous challenges, including "a lack of patient access, cultural and language barriers, transportation hurdles and administrative obstacles that constrained physicians [that] have been well scrutinized and verified for years, but to date haven’t been successfully addressed" (Hewitt, 2012).

Serving the inland 26, northern California counties from the Central Valley through the state capital region in Sacramento to the border with the State of Oregon, the SHF faced a challenging mix of demographics in advancing community health in the urban region of Sacramento County through the rural regions in the other counties, serving over two million residents. Leading one of the oldest health care conversion foundations in California, with over 20 years of annual funding in the range of $5 million, Chet Hewitt began a series of new initiatives with his 2008 selection to replace the retiring founding CEO and President.

The research focuses on the specific innovations at the Sierra Health Foundation responding to the economic downturn of 2008. The leadership at the SHF faced two sets of challenges precipitated by the downturn: internally, the loss in endowment and investments; and externally, greater demand for health care access and social services, such as food banks, attributable to job losses. As noted by the CFO, the significant financial losses in the portfolio of investments, with accompanying loss in annual investment returns highlighted the need to keep pace with an ever-changing world around the foundation (Alvarado, 2013). The research focuses on the innovations that emerged from this period of 2008 to 2014 of external high uncertainty, coupled with renewed internal leadership commitment to the foundation’s core values and mission. Specifically, this case study finds innovation across models for inter-sectorial collaborations, coupled with new funding sources for development of new programs addressing the health disparities.

The emergence of these innovative features in this case study is well explained by the application of Collins’ framework of the key findings in moving from Good to Great and the Social Sectors. The Collins framework structures the research discussion on the emergence of key structural components, including formation of a new 501(c)3,
new programs in mental health community dialogue, positive youth justice, community health collaborations, and sharing of best practices in health care access. The strength of the Collins frameworks is demonstrating the key mechanisms shared across a range of these structural innovations. In the absence of the framework the innovations could be seen as a time series of new structures. Simply presenting new structures and programs would not show how the programs are nested within shared goals and features in the emergence of innovation. The five features of the Collins framework that guide this research on nonprofit innovation can be summarized as follows:

<table>
<thead>
<tr>
<th>Collins Framework</th>
<th>Collins Description</th>
<th>Innovation in Nonprofit</th>
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<tbody>
<tr>
<td>Confront the Brutal Facts</td>
<td>Measures of success</td>
<td>Accountability</td>
</tr>
<tr>
<td>Level Five Leadership</td>
<td>Humble and determined</td>
<td>Leadership skills</td>
</tr>
<tr>
<td>Right People on Bus</td>
<td>Right talents and motivated</td>
<td>Staff selection</td>
</tr>
<tr>
<td>Hedgehog Concept</td>
<td>Passion, abilities, and assets</td>
<td>Focus</td>
</tr>
<tr>
<td>Flywheel Effect</td>
<td>Cumulative efforts create momentum</td>
<td>Strategy</td>
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**Tracking for Performance and Impact**

In his research on good to great in the private sector, Collins (2001) finds that the discussion within an organization of a select set of metrics that measure success can take several years—and that the discussion is as important as the measures chosen. Metrics for success create accountability for innovation. In addition, the discussion on metrics involves a discussion on the core values of the organization. An initial focus on metrics places innovation in the context of mission and core values of a nonprofit organization. The Collins framework highlights the importance of two aspects of metrics: the process of coming to agreement on the measures, as well as the actual tracking of the performance and impact.

In the SHF case study, a focus on metrics drove the discussion in 2008 in the foundation’s leadership response to the economic downturn. The leadership generally discussed future options. Implicit in the discussions was an underlying belief that SHF had developed 20 years of relationships with nonprofit organizations, government agencies, and public and nonprofit sector individual leaders in the regions served.

The Chairman of the Board of Directors, Jose Hermocillo (2014), noted that at the time of the 2008 economic downturn, Board discussions on the future directions of the Sierra Health Foundation recognized the risk inherent in doing nothing, through maintaining the same portfolio of activities. In addition, the CFO (Alvarado, 2013) described that making no investment or programmatic changes entailed risk. The recognition of risks suggest an important lesson for innovation in nonprofits: that risk is inherent on both sides of the equation, staying with an existing set of metrics and programs, as well as risk in developing innovation. The option is not risk avoidance, but managing risk.
During these 2008 discussions the Board and staff leadership at SHF came to agreement on seeking to advance three main goals of the foundation (Hewitt, 2013). One, stay true to mission; avoid mission drift in searching for a new business model and innovations. Two, do not compete with current nonprofits for existing funds. The approach avoided a zero sum game of competing for existing grants preferring to grow the investment in region. Three, add real value to improving health outcomes. The development of a good business model was necessary but not sufficient. The leadership at the foundation wanted a business model that would increase total investment in the region driving improved health care access and health outcomes.

The commitment to tracking metrics started with a survey of health needs (Prevention Institute, 2013). The SHF senior staff facilitated the formation of the Healthy Sacramento Coalition (HSC). This step aligns strongly with Collins’ finding of measuring success starts with a willingness to “confront the brutal facts.” A working group formed with over 80 partners from the nonprofit health and social services providers, along with public sector partners at the county level, who in California have primary responsibility for funding health care, public health, social services, and children’s protection services. In working with a long-standing nonprofit, Valley Vision, a plan was developed to respond to the federal Centers for Disease Control and Prevention call for proposals for a Community Transformation Grant of $500,00 per year for five years. The role of SHF facilitating the formation of a Steering Group to write a proposal to bring new federal funds into the region directly responded to each of the three main goals of the leadership at SHF. The Steering group focused on a capacity building grant with intention of transitioning to implementation.

SHF contracted with the Prevention Institute (2013) to survey the region to develop baseline data for metrics to measure for improvement. The data prior to and through the survey identified profound health access and health equity issues throughout the San Joaquin Valley that extended beyond the legally defined service region of the SHF. The resulting measurement of long-standing health access problems, coupled with poor health outcomes for communities in the central valley, provided the data to support the SHF Board creating a new 501(c)3 as a Center for Health Program Management. This new structure would allow for new funding from other statewide foundations, as well as government funding to improve health outcomes and to track the metrics for successful outcomes. The structural change allowed the SHF to extend its service reach through this new nonprofit into the San Joaquin Valley with additional counties beyond the existing 26 counties of the SHF. Whereas the Board of Directors of the SHF would serve as the Board of the new 501(c)3, the new structure would invite new and different stakeholder involvement, as well as access to different resources. The new center would be located in a major city in an underserved area of the central valley, with SHF as a co-investor but with the resources managed by the Center. In December 2012, the Board of Directors formally approved to create the Center for Health Program Management to initiate health disparity, equity, and well-being grant-making in the San Joaquin Valley.

A multi-prong set of new initiatives advanced the SHF three main goals. Each bringing in new resources, central to mission, and aimed at improving health outcomes. These new
innovations ranged from facilitating discussions among new partners sharing similar goals to partnering with public and nonprofit organizations to offering new programs.

National Dialogue on Mental Health
Four foundations and a group of policy makers supported this initiative and ran it through the newly formed nonprofit to insure accountability in funding and outcomes (Littlefield, 2014).

Positive Youth Justice
SHF’s first statewide initiative was designed to shift juvenile justice practice and policy from a focus on incarceration to an emphasis on human development.

Respite Partnership Collaborative
Designed to help the range of family members and consumers experiencing a mental health crisis find community based services to reduce the ineffective and costly use of the emergency departments (Sierra Health Foundation, 2012).

Health Care Partnership Program
Built the capacity of the community clinics to better coordinate with large health care systems in the region for implementation of the Affordable Care Act

University of Best Practices
SHF hosted the meetings to start the dialogue to facilitate collaborations in the Sacramento region.

Within the context of the three main goals of the foundation, a range of innovations developed to promote these goals, and equally important, to track the impact of these innovations. Consistently, SHF leadership emphasized in interviews, as well as in studies published by the SHF, the theme of not only innovations but in learning from the experiences. The tracking of outcomes and performance is central to the new innovations to support “Persistence—keep at it until you find what works,” as noted by Senior Vice President for Programs Diane Littlefield (2014).

The multiple dimensions needed to address the range of challenges embedded in the social determinants of health called for multiple innovation at SHF. The innovation was located not just one of the programs, but in the varied new partners, new funding, and new initiatives that collectively provided an opportunity to learn what worked best in improving health care access, health outcomes, and program performance in addressing health disparities. The SHF case finds three of the four types of inter-organizational networks identified in the research of Milward and Provan (2006) with networks for capacity building, information diffusion, and service delivery.

Leadership through a Diffuse Power Structure

The Collins description of Level 5 Leadership as fierce determination combined with personal humility describes Chet Hewitt. Those who work with him attest to his deep
commitment to the mission of addressing health disparities and social inequity. In addition, viewing from the outside of the organization, one of the long-standing leaders in health care regulation saw one of Hewitt’s great strengths as his ability to hire and work with outstanding staff (Barnes, 2014). Collins’ research highlighting the importance of humility in leading companies and nonprofits from good to great provides insight into the importance of leadership as inquiry and openness to learning from experience. This aspect of learning from the new approaches appears to be embedded in each of the innovations, through both the process of setting up the new structures, as well as through the regular convening of debriefing of participants and partners as the programs are on-going. In addition, formal program evaluation is an area of expertise of newly hired staff, and expected at points of time into the new programs.

The coupling of determination and humility has resulted in partnerships of equals in the foundations at the foundation. In their study of effective practices of high impact nonprofits, long-standing nonprofit leadership researchers Crutchfield and Me Coal Grant (2008, 161) find that for effective nonprofit leaders the sharing of power is essential for success. Hewitt approached innovation through a careful consideration of how power is diffused, of “what you do and choose not to do” (Hewitt, 2013). The diffusion of power had very specific components in each of the innovative partnership or collaboration, with the most significant features as follows:

- autonomy in giving up some power to do their own work;
- revising the requirements to have only one report when projects were co-funded;
- managing the process to account for the needs of the co-funders;
- finding connections with the core values of partners;
- investing in the new partnership beyond the minimum payout of the endowment;
- relying on local and community knowledge;
- developing a knowledge base and convening of experts to explore opportunity for change;
- saying no to some projects.

The success of this model of diffused power drew on the credibility of Hewitt. This inter-sectorial credibility across foundations, service delivery nonprofits, and public sector leaders developed from two sets of professional accomplishments. The first was his national reputation through his work with the national Grantmakers in Health Care and previous service with a national foundation, as well as with national recognition from the association for county welfare directors. He had a reputation as an innovator and change agent, with the ability to align action to mission. He was seen as a major thought leader for community based organizations (Hermocillo, 2014).

The second source of his credibility was significant public sector experience. Immediately prior to his appointment at SHF, he formerly served as the Alameda County—a San Francisco Bay area urban county—Director of the Social Services Agency for six years, and prior to that as Director of the Alameda County Department of Children and Family Services (DCFS) for one year. Hewitt had engaged in significant turnaround
management in restructure of DCFS (Parks, 2009). In addition, Hewitt’s work in Alameda County ran concurrent with the tenure of the County Public Health Officer, Dr. Anthony Iton’s development of the data and strategies to conceptualize cutting edge thinking emerging in public health on the social determinates of health. Dr. Iton’s findings on the impact of environmental and social factors as an effective framework for explaining health disparities significantly added to Hewitt’s understanding of the value of tracking data for impact.

Getting the Right People on the Bus

The Collins framework emphasizes getting the right people on the bus; that the challenge is not to motivate staff but to align talent with task. For the Sierra Health Foundation this framework provides insights on two levels: internally with staff and externally with partners.

The most telling visual on the staffing at Sierra Health Foundation is the difference between the number of business cards on the receptionist’s desk as the economic downturn’s impact was felt at the foundation in 2009 and 2010, with less than 10 staff business cards available. As of 2014, that number is over 20. More significant than the number of staff, was the expertise and motivation each staff member brought to SHF. The selection of Chet Hewitt as CEO and President in 2008 by the Board of Directors continued a process of aligning the talent at the Foundation (Hermocillo, 2014). As an organization, a culture emerged that “inspires you to think differently” as described by Senior Vice President Diane Littlefield (2014). From the Board of Directors’ perspective the staff was challenged to develop innovation and responded “amazingly” according to the Board Chair (Hermocillo, 2014). The staffing and board developed a capacity to discuss risk and mitigate risk in innovations. In particular, the Chief Financial Officer, the CEO, and the current Board Chair each had fluency in the language of risk identification and mitigation that extended beyond fiscal fluency. In addition, the SHF staffing patterns aligned Hewitt and Littlefield around the talents to get close to the community, be responsive to community needs, and systematically identify and respond to those needs in specific communities.

Externally, the getting the right partners on the bus was critical to innovation. The leadership at SHF recognized that one of the cultural biases in philanthropy is that foundations do not give to other foundations. In addition, the potential partners of larger foundations did not know how to fully address community needs in the San Joaquin Valley (Hermocillo, 2014). The challenge in developing external partners was to develop the confidence of larger foundations for a sustained effort. This effort started with the recognition that those communities who most needed the help can be the least competitive in meeting the requirements for large foundations requirements.

Getting the right foundation partners on the bus started with recognition that as a regional foundation SHF brought a deep understanding of community needs. The next step was to recognize that the problems of health disparities and positive youth justice extended beyond the borders of the SHF. Partners were needed that not only had larger
endowments, but a willingness to engage in the central valley, as well as other areas of the state of California. The partnership called for going beyond co-funding of initiatives to finding foundations recognizing these initiatives as investment in social change.

The right partners on the bus led to the innovation of partnerships with other foundations through the newly established 501(c)3 Center For Health Program Management. This mechanism overcame the cultural bias of foundations not wanting to fund other foundations. In addition, the newly formed 501(c)3 would bring in new funding through foundations and the federal CDC that addressed the SHF goal of avoiding competition for existing funds. The partnership that emerged included The California Endowment and The Wellness Foundation each investing at over a half-million dollars. The innovative structure attracted innovative partners, expanded the stakeholders for outcomes addressing health disparities in the central valley, and other regions broadly addressing health disparities.

The Hedgehog Concept as the Intersection of Passion, Best at, and Resources

Collins' discussion of the hedgehog draws on the example of that animal as successful because of a unique capacity to focus on finding the right ecological niche. The Collins framework finds social sector organizations that have transitioned from good to great have a particular capacity to find the intersection of their passion, what they are best at, and their assets. This concept outlines the key features for innovation by design as opposed to accident. Along similar lines, Chet Hewitt discusses "intentionality" as a focus on achieving goals by design, through connecting various assets and talents.

In the case of the Sierra Health Foundation, the intersection of their mission, the talents of the Board leadership and staff leadership, and the assets of the foundation combined to make innovation possible. This combination of features drove particular strategies and processes to adopt innovations and successfully incorporate them into new initiatives and collaborations.

The most visible evidence of the passion of the leadership to the cause of reducing health disparities, is the first guiding principle that emerged in the discussion of Board of Directors in 2008 to avoid mission drift from the mission of increasing health equity through the SHF programs (Hewitt, 2013; Hermocillo, 2014). Consistently, the SHF programs sought to address health disparities, with health broadly defined. One example of the passion for improving health access was the development of the SHF "Responsive Grants Program" of $25,000 grants to community based nonprofits, totaling $1.2 million in funding in 2008 that focused on building capacity to improve health access and health outcomes. Additional evidence of the leadership passion for the mission emerged in the interviews with senior staff repeatedly emphasizing the importance of advancing the mission of the SHF.

In considering what SHF leadership was best at, the most visible and long-standing feature of the 25 years of the foundation has been its capacity to build relationships with leaders of nonprofits in the community. A long-standing commitment to children’s health, dental health, and nonprofit leadership development in the first two decades of the foundation built a presence in each of the 26 counties, as well as with public managers
in county government. In addition to institutional relationship building, the senior leadership and Board of Directors at Sierra Health Foundation had developed long-standing personal ties to professionals and residents in varied communities. In particular, former Board Chair, Carol Whiteside had for several decades led efforts to bring more public and foundation resources into the central valley. The SHF leadership had a talent for building collaborations and a skill at learning the needs of their partners, developing shared decision-making, communicating throughout the process, and publicly and properly acknowledging their partners (Littlefield, 2014). The net effect was the development of “trust and respect on both sides of equation” (Hewitt, 2013).

A less obvious set of what Sierra Health Foundation was best at was identifying, assessing and managing risk. In an environment of high uncertainty, both senior staff and the Board Chair had considerable professional experience in high-risk environments. Hewitt’s leadership of Alameda County’s Department of Youth and Family services started the week the state oversight agency sent a letter advising that the department would be taken over by the State Department of Social Services unless significant improvements were accomplished immediately. The Board Chair, Jose Hermocillo’s training was as an attorney assisting clients in times of uncertainty and in risk impacted environments. The Chief Financial Officer, Gil Alvarado, recognized a clear acceptance of need to move beyond dividends and returns, to seek new revenue and address risk assessment, while maintaining their commitment to community (Alvarado, 2013). The leadership at SHF combined to manage enterprise-wide risk in innovations, making sure that the IRS and the Office of the State Attorney General saw that each of the entities is adhering to the laws and regulations that apply to each as a private foundation and 501(c)3. This important set of distinctions included looking at liability and assets separately. The Board understood the important nuances and distinctions between being a private foundation and public service nonprofit (Hermocillo, 2014).

As a result, the SHF leadership could innovate because of their abilities to address and mitigate risk in the following ways:

- Geographically: through an expanded service region and programs across counties.
- Operationally: with the human capital and infrastructure to align skill sets and expertise in administering federal and foundation grants.
- Financially: with the capacity and investment returns to sustain administering and reporting requirement without a problem with cash flow.
- Programmatically: by staff being able to work across SHF programs and not in silos, to more efficiently in share information to advance innovation.
- Fiscally: connecting investments to programs to developing assets, particularly the foundation owned buildings and Grizzly Creek Ranch facility.
- Strategically: presenting the innovations to other foundations as models and experiments to develop proof of concepts that aligned with the goals of the larger foundations.

Another aspect of resources in the Collins’ hedgehog concept highlights one of the most important assets in creating innovation at SHF. The funding provided by the
This case study of the SHF Innovations illustrates the Collins finding that change begins in smaller, less visible increments before greatness occurs in an organization’s outcomes. This case study finds that innovation begins with small changes. Two examples of initial small changes included the SHF leadership revising the business model for a summer camp facility owned and operated by the foundation in the Sierra Nevada Mountains. SHF contracted for a nonprofit to run the facility and to develop programs for $1.5 million in grant-making funding. The net effect was to establish the foundation’s mission of working with underserved youth. Another example is the establishment of a Nonprofit Innovation Center (NIC) in office space that included a building-owned and operated by SHF, the NIC facilitated smaller nonprofit start-ups, saving costs, and developing networks. Both of these initiatives began in 2009 and involved experimenting with new business models, innovating the way SHF connected with its partners, and working to advance the foundation’s mission.

In addition, innovations that developed from 2010 through the SHF Leadership Council’s work focused on a model that included discussions exploring the potential for collaboration. As new partners have scaled up, the cumulative impact seems large, but each small step is important. As these programs were built for impact, they come with the same degree of support and flexibility that larger institutions offer. Ideas that could be absorbed by larger communities, outside of the Sierra Health Foundation, and provided new opportunities for growth and development. The impact of these small starts did not enrich the SHF, rather, the innovative structure delivered the foundation’s mission.

The innovations of SHF challenged the community’s interest in helping others and providing resources, and advancing the mission. They came from a place of need for programs that had died from lack of funding. These programs were built for impact to serve the communities as well as to connect with new partners. The impact of these small starts did not enrich the SHF, rather, the innovative structure delivered the foundation’s mission.

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Foundation region. The new model of a 501(c)3 not limited by geography allowed SHF to partner with county governments outside the region on specific social challenges.

Another aspect of the flywheel effect was trying programs on a small scale with no long-term liabilities, with existing staffing, and making appropriate adjustments in real time with new programs. Learning from new initiatives was seen as a positive outcome in and of itself (Littlefield, 2014; Hewitt, 2013). Scaling up innovations developed from learning from past efforts to find a common purpose across the range of partners. The structure amplified resources, shared infrastructure, as well as knowledge and risk (Alvarado, 2013). The net impact was a significant investment in the future of the region, in addressing a vulnerable health care system, addressing an ineffective juvenile justice system, offering respite mental health care, providing dialogue on mental health, and improving health care access in the San Joaquin Valley.

CONCLUSIONS

In this chapter, the research has shown that innovation not only can emerge in times of significant economic constraints, but that the limits of funding and boundaries can become the catalyst for innovations that create new resources. The SHF findings share the results found by Jim Collins in his recent study of matched pairs of companies that thrived and failed in the same economic circumstance (Collins, 2011). The SHF case shows that the fiscal impact of the Great Recession of 2008 did not drive outcomes; that the decisions made in response to the environment determine the outcomes. Rather than causing retrenchment in services, the fiscal downturn became a catalyst for developing collaborations that expanded services in the SHF region, and in developing mechanisms that expanded the service region statewide.

The analytic leverage provided by the Collins framework finds a robust set of activities under each of the five key features to explain getting traction on nonprofit innovation at SHF. The Collins' analytical framework uncovers key aspects of both sides of the innovation equation of demand and supply.

On the demand side the forces align as follows: Economic downturn → the limits of boundaries of geography → reduced funding → significant health disparities → greater needs.

On the supply side the features align as follows: SHF commitment to mission → develop culture of innovation → new risk model → search for partners → new structure → new resources.

Along the lines of the connection between the demand side and supply side as driving innovation, another finding that emerges is the interconnectedness of the five features of the Collins' framework. Rather than being a linear checklist, these five features share supporting evidence. The difficulty in placing evidence from the SHF case in one of the five specific categories of Collins led to a discovery of leadership practices at SHF crossing the five Collins' features rather than each as a silo. These mechanisms are nested, supporting each other and needed for the entire enterprise.
An overall finding is the success of the fit of the Collins framework in explaining the decision-making driving innovations at the SHF. The framework helped explain how disciplined action can lead to nonprofit innovation. In offering advice drawn from the innovations at SHF, the Board Chairman, Jose Hermocillo (2014) suggested key features, including the importance of surveying the landscape, finding that for the SHF the geography offers opportunities for significant impact. Also essential is an entity with credibility, a track record, and leadership to make this happen quickly. And finally, creating a separate nonprofit organization to address the hesitancy of foundations giving to other foundations. The net effect of these findings is support for Chet Hewitt’s conclusion that these innovations can have more impact in communities where change is ripe to happen (Hewitt, 2013).

Limitations of the findings

There are several limits to the generalizability of the findings that call for additional research. First, and foremost, is the inherent limit of any one case study. However, the development of the Collins framework from additional cases mitigates this limitation. Also, additional research is needed to test the Collins framework across a wider set of innovations in nonprofits. A second limitation in the findings is the potential impact of the Great Recession of 2008, and if there would have been this drive for innovation at the SHF in the absence of the economic downturn. The past trajectory of Chet Hewitt’s work as an innovator and change agent, coupled with his abiding commitment to addressing health disparities suggests even in the absence of the downturn, the SHF would have been developing new approaches to long-standing health needs.

The next two limits relate internally. A third limitation is that this case study researches innovation in an existing nonprofit foundation that may have fundamentally different features and drivers for innovations than a start-up nonprofit. The new models of partnership and the creation of the new 501(c)3 Center for Health Program Management, with a new location in the San Joaquin does suggest a relationship of this case to innovation in start up nonprofits, but the resources already in place as an established foundation clearly distinguish this case study from start-ups. This difference suggests that future research on innovations in nonprofits might usefully distinguish between existing nonprofits and start-ups. A final limitation is the question of Board and CEO leadership at the SHF as a unique confluence of skill sets and experience. The use of the Collins’ framework that draws on features found in other leadership successes suggests that this limit can be readily tested across a wider set of leadership cases.

Additional Implications

The case is generalizable to public administrators, as well as to directors of nonprofits and foundation staff, by offering a model of innovation that starts with new structures and new partners. The case starts with the leadership of a foundation as the catalyst for innovation. There is no evidence in this case to suggest that only a foundation can
serve as this catalyst. Rather, the Collins framework applied to this case offers a model for public administrators in public agencies to generate innovations in working with foundations and service nonprofits. The findings suggest that innovation can run in both directions between public agencies and nonprofits if guided by the main goals of SHF leadership: mission, new resources, and improved outcomes.

The case findings provide practical steps to use foundation funding and expertise to support collaboration with public agencies, to assess needs, and to develop grant proposals for federal agencies. The outcome of the innovations in this case included attracting federal dollars for more in-depth assessment work, as well as to fund public agency working groups in the region to assess and change service delivery to meet the needs. The model is replicable for other foundations in other urban regions to work with public administrators on health access questions, and might be explored in addressing other types of regional needs, such as in social services and transportation.

The strong set of leadership skills of Chet Hewitt allowed him to innovate and test these innovations. However, to replicate the approach would not necessarily take the same set of unique experiences and career trajectory. Also, an important aspect of Chet Hewitt's background is the value of his public administration experience in understanding how to develop partners, to meet critical health, social service, and children protective services needs, as well as to navigate and negotiate within intergovernmental relations. The Sierra Health Foundation case highlights the types of skills public administrators bring to addressing inter-sectorial and intergovernmental, regional challenges.

Perhaps the most important finding of the case study expressed by Chet Hewitt (2013) is that: “The most powerful tool in philanthropy is not the size of the institutions endowment corpus, rather it is the power of their ideas and their commitment to seek out powerful ideas.” The successful innovations in this case study of partnerships and collaborations with public agencies and community-based nonprofits suggest that for public agencies, as well as for foundations, the most powerful tool is the search for ideas. A commitment to finding new ideas creates innovations with societal impact.

**KEY POINTS**

- Innovation can emerge in times of significant economic constraints, and the limits of funding can become the catalyst for innovations that create new resources.
- Leadership credibility and a proven record of success facilitate innovation.
- Successful innovations in this case study suggest that a powerful tool is the search for ideas.
- The economic environment does not have to drive outcomes; rather the leadership decisions made in response to the environment drive the outcomes.
- The Jim Collins Good to Great framework explains a set of activities that facilitate getting traction on innovation in the nonprofit sector.
- Leaders can develop innovations to address the seemingly intractable social determinants of health with benefits across a wide range of communities.
Appendix

TIMELINE OF EVENTS

2008
Sierra Health Foundation Board of Directors begin discussions on how best to respond to the economic downturn.

August 2008
*The Responsive Grants Program* launches with $1.2 million to support projects designed to improve health and quality of life.

March 2009
*The Nonprofit Innovation Center* facility opens as "a new concept in multi-tenant nonprofit collaboration" and a source of additional revenue.

Fall 2010
The President and CEO with the Board of Directors explore development of a funding partner model.

2011
*Sacramento Regional Health Care Partnership* is launched in response to the Affordable Care Act, as an opportunity to reform the Sacramento region's health care system with a broad range of partners and leaders.

March 2012
The Board of Directors approves creation of separate 501(c)3 intermediary service agency.

May 2012
The Sierra Health Foundation *Center for Health Program Management* launches as a public benefit corporation to "...bring people, ideas, and infrastructure together to create a collective impact that reduces health disparities and improves community health for underserved populations in California."

June 2012
The *Center for Health Program Management* is awarded a contract by the County of Sacramento to administer the Respite Partnership Collaborative.

December 2012
The Board of Directors approves expansion of the *Center for Health Program Management* into the San Joaquin Valley.

November 2013
The *Center for Health Program Management* opens an office in City of Merced, in San Joaquin Valley.
REFERENCES

Contents

List of Tables and Figures xi
Acknowledgments xiii

Part I  The State and Study of Public and Nonprofit Sector Innovations

1. Introduction to Innovations in the Public and Nonprofit Sectors 3
   Patria de Lancer Julnes and Ed Gibson

   Patria de Lancer Julnes

Part II  Case Studies of Innovations in the Public Sector

   Francesca Manes Rossi, Alessandra Allini, and Francesco Dainelli

4. Innovating from the Center in a Decentralized Agency: Electronic Filing in the Federal Judiciary 56
   Ed Gibson

5. Open Innovation in the Public Sector: The Case of Open 311 74
   Sukumar Ganapati and Gina Scutelniciu

6. Barriers to Data Sharing for Inclusive Knowledge Management: Why WatershedStat in the City of Baltimore Failed 91
   Seema D. Iyer

7. Making Milan a Smart City: An Emerging Strategy of Innovation in Governance 110
   Dario Cavenago, Benedetta Trivellato, and Mila Gascò-Hernández
8. Innovations in Planning and Funding Infrastructure Renewal: The London Experiment  
   *Mark Pisano*  
   129

9. Improving Citizen Satisfaction with Local Government Using 311 Systems: The Case of San Francisco, California  
   *Benjamin Y. Clark and Maria Shurik*  
   147

**Part III  Case Studies of Innovations in the Nonprofit Sector**

10. Chelsea’s CONNECT: Building Economic Resiliency through Multiservice Cross-Sector Collaborations  
    *Janet Bogustaw, Martha Cronin, and Marissa Guananja*  
    167

11. Leadership Developing Partnerships to Address the Social Determinants of Health  
    *Richard F. Callahan*  
    187

12. Exploring the Linkages between Collaboration and Innovation Using Faith-Based Partnerships in the Child Welfare System  
    *Michael Howell-Moroney*  
    205

13. Intermediaries of Innovation in Community Colleges: Coaching in Achieving the Dream  
    *Susan T. Gooden, Kasey J. Martin, and Lindsey L. Evans*  
    224

**Part IV  The Future of Innovation—An Integrative Approach**

14. Refining Our Understanding of the Process of Innovation in Public and Nonprofit Organizations: Lessons Learned and Future Directions for Research  
    *Patricia de Lancer Julnes, Ed Gibson, and Soyoung Park*  
    245

About the Editors and Contributors  
   261

Index  
   266
Innovation in the Public and Nonprofit Sectors
A PUBLIC SOLUTIONS HANDBOOK

“De Lancer Julnes and Gibson have assembled a collection that provides a much needed antidote to the view that it is only the private sector that innovates. From municipal planning and technological innovations, through coaching in community colleges and measuring culture value in museums, to collaborative governance arrangements, this collection showcases the wealth of innovation occurring in the public and not-for-profit sectors. It is a must read for anyone interested in this topic.”

Jenny M Lewis, University of Melbourne, Australia

“Public managers are expected to be innovative and “do more with less,” but actual innovation cannot be reduced to a checklist. Innovation in the Public and Nonprofit Sectors is rich in current, practical demonstrations that inspire and provide lessons in how to be innovative. It is ideal as a text for professionals in training as well as practitioners.”

Alan Lyles, University of Baltimore, USA

“An excellent compendium of cases from the nonprofit and public sectors that moves us well beyond traditional approaches to innovation. These cases and their analyses point us toward the next generation of research and practice and afford us a much more nuanced understanding of innovation in all of its complexity.”

Nancy Roberts, Naval Postgraduate School, USA

In the organizational context, the word “innovation” is often associated with private sector organizations, frequently perceived as more agile, adaptable, and able to withstand change than government agencies and nonprofit organizations. Through a diverse collection of international case studies, this book broadens the discussion of innovation to include public and nonprofit organizations, demonstrating the hurdles these organizations face, and examining the technological advances and managerial ingenuity innovators use to achieve their goals within and beyond the boundaries of the innovating organization. The chapters shed light on key issues including:

• how to conceptualize innovation;
• how organizations decide between competing good ideas;
• how to implement innovation;
• how to contend with challenges to innovation;
• how to judge success in innovation.

This book provides current and future public managers with the understanding and skills required to manage change and innovation, and is essential reading for all those studying public management, public administration, and public policy.

About the Editors

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Each volume in the Public Solutions Handbook series supplies comprehensive, current, theory-to-practice information on a specific field and is an essential resource for anyone seeking to master that field. Series Editor Marc Holzer is Dean of the School of Public Affairs and Administration, and Board of Governors Professor of Public Affairs and Administration at Rutgers University’s Newark Campus, as well as a fellow of the National Academy of Public Administration and the World Academy of Productivity Science.