

STANFORD

SOCIAL INNOVATION

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The problem with assuming that companies can do well while also doing good is that markets don't really work that way. Big companies are rewarded for maximizing profits, not necessarily social benefits. *by Deborah Doane*



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Beware the Lone Genius

Innovation depends on social networks, not solo brains

In the open-minded work environment of the Liberty Hill Foundation a Los Angeles County social justice organization, even workaday staff meetings are imaginative. Ideas often pop and fly “like popcorn,” says Torie Osborn, the organization’s executive director. Osborn attributes the group’s ability to perceive new challenges and reframe old ones to the organization’s long-standing traditions of camaraderie and communication. What she calls “management 1.0” instead of by bureaucracy, lets information flow freely across departments and hierarchies.

Recent research shows that comfortable and open social climates like Liberty Hill’s may be the key to radical innovation. “Innovation in organizations is fundamentally a collaborative effort,” says Mohan Subramaniam of Boston College’s Carroll School of Management. He and Mark A. Youndt of Skidmore College have found that smart employees alone don’t promote positive change but smart employees who work well together do. Indeed, they show that lone geniuses can actually put the kibosh on creative growth.

Intellectual capital, or the knowledge resources of an organization, is known to be linked to an organization’s ability to innovate. Subramaniam and Youndt take a closer look at the intellectual capital-innovation relationship in their June 2005 *Academy of Management Journal* article. They first broke intellectual capital down into three components: human capital (bright individuals), organizational capital (institutional knowledge), and social capital (interconnections among individuals). They then specified two kinds of innovation: incremental innovations, which improve upon old ideas (like building a better typewriter); and radical innovations, which make the old ideas obsolete (like inventing a laptop computer).

Armed with these more nuanced definitions, the researchers then asked top-ranking executives of public, medium-to-large, single business unit companies to evaluate their companies’ human, organizational, and social capital. Three years later, they returned to these companies to measure the two kinds of innovation by surveying heads of marketing and of research and development.

What the researchers learned surprised them. Sure, organizational capital is good for building a better typewriter. And there’s nothing better for radical transformations than good brains in social harmony.

But they also found that genius alone can backfire. “Just investing in high human capital without social capital is actually counterproductive,” says Subramaniam. Radical innovation requires not just having big new ideas, but also implementing them. It may be that good friends are more likely to give wacky new ideas a try than are lukewarm colleagues, suggest the authors.

Meanwhile, social capital mattered more than the researchers thought it would, increasing both radical and incremental innovation. Being socially connected allows people to weave together disparate strands of specialized knowledge - and sometimes to make unconventional, breakthrough connections.

Subramaniam recommends training employees to talk to each other. Both a fluid flow of information and communication that isn’t straightjacketed in established processes mean a better chance of creating something new. Osborn agrees: “With a couple of exceptions, every innovative idea we’ve had at Liberty Hill has come from group discussions by people across different parts of the organization, in a culture of collaboration that is very strong.”

—Jessica Ruvinsky