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Nonprofit Innovation Measurement and Regional Nonprofit Systems

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Abstract: Nonprofit organizations are an important element of society. They provide services, and advocate for change, through their programs. But how do they create their programs? This thesis defines nonprofit innovation as the implementation of a new or significantly improved program, and suggests we borrow practices used to understand firm innovation, to understand nonprofit innovation. A Nonprofit Innovation Survey was created, based on the Community Innovation Survey and with reference to the Oslo Manual. A particular focus was placed on questions related to the systemic nature of innovation. The survey was sent to 120 charitable organizations in Canada. Of the 17 respondents, all had implemented a new or significantly improved program during the years 2012-2014 inclusive, and seven (41%) of those organizations had implemented a new program not previously offered by any organization. The responses suggested evidence that many linkages exist among organizations in the nonprofit sector and there is great potential for tacit learning. The concept of Regional Nonprofit System is proposed, and it is suggested that a nonprofit's ability to come up with solutions to meet the community's needs is not only dependent on the organization itself, but also on the local environment in which they're placed.

Key words: Regional Nonprofit System, Nonprofit Innovation, Regional Innovation System, Innovation Measurement, Community Development, knowledge creation, tacit knowledge, Third Sector Policy

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1. Introduction

1.1 Background

Two fields are moving toward each other and this thesis occupies some of the space between them. With climate change and pressure on the earth's resources, some innovation researchers are focusing on how new solutions to social challenges can be created. Similarly, there are a number of emerging nonprofit management programs and literature focusing on how nonprofits can be more innovative. However, the Sustainability Transitions research for example, is still assuming the consumer-producer relationship (found in the for-profit sector) and equating sustainability with profitability. The nonprofit innovation research is focusing on the nonprofit itself, the barriers they face, and what they can do themselves to be more innovative, almost shadowing the linear perspective from innovation research 20 years ago. At this same time there are emerging social entrepreneurs who fit neither the traditional for-profit business model nor the requirements of a nonprofit, and we are finding social innovations coming from both the nonprofit and for-profit sectors. As these two fields are merging, we ask ourselves why hasn't the nonprofit sector borrowed more from the innovation research, and why has the innovation research ignored nonprofit innovation? The answer is twofold.

Nonprofit practitioners are likely put off by many of the terms and language found in the innovation research. Nonprofit organizations are often working with vulnerable populations who are "left behind" when economic growth occurs. To them, economic growth could mean increased cost of living, less spaces and less affordable housing, gentrification of neighborhoods, or increased pollution and/or degradation of the environment. Similarly, nonprofit organizations don't share the desire to "compete globally" nor "increase market share", so it's not surprising they could have difficulty relating to innovation research, and therefore a lower inclination to borrow concepts.

Nonprofit innovation has probably been omitted from innovation research for the biggest reason that there hasn't existed data on nonprofit innovation. It was only recently that the activities of nonprofit organizations were added to the System of National Accounts, and they remain only an optional satellite account (United Nations, 2003). One way nonprofits are included in the systems of national accounts is to equate part of their market output to operating expenses, which is also included on the other side of the equation, so the Total Factor Productivity, as

available in business accounting, won't be created in the equation. Additionally, innovation researchers often use a ratio of Research and Development spending as a proxy for innovation, or they use the number of patents as a proxy for innovation. Neither set of data is available to represent nonprofit organizations. Since empirical innovation research was based on these data sources, it would seem natural to continue the focus on firm innovation with the evolvement of the innovation survey as a means for measuring innovation. Service innovation, however, has made its way into the Oslo Manual (OECD, 2005), and "The OECD is currently working on developing analytical and measurement frameworks to understand and foster public-sector innovation" OECD (2015). Perhaps with time nonprofit innovation will work its way it.

1.2 Aim and Objectives

Many advancements have been made in innovation research, especially with respect to the importance of knowledge and how it is transferred. This thesis borrows research on firm innovation, particularly on Regional Innovation Systems, and suggests we make the effort to study nonprofits in a similar way. The aim of this thesis is not to force nonprofit organizations to fit to business theories, rather to borrow the practices used to understand business innovation to better understand nonprofit innovation. This thesis will:

- Suggest a definition for nonprofit innovation and discuss how nonprofit innovation can be measured through an innovation survey
- Study nonprofit innovation from a regional innovation systems perspective and propose the term: Regional Nonprofit System

The ultimate objective of this thesis is to answer the following research question:

"How do nonprofit organizations come up with solutions to meet community needs?"

An investigation on the knowledge transfers than occur based on the nonprofit's geographical location will be made.

1.3 Research Purpose

A better understanding of nonprofit innovation and the extent to which a nonprofit's capacity to innovate is based on their surrounding system can have many implications, both direct and indirect. It can help create better policies both for nonprofit organizations and for social innovators. It could also lead to an improved understanding of innovation in general. Indirectly, it can lead us to a better, more sustainable world.

With a better understanding of how nonprofit organizations come up with solutions, governments and donors can better structure their policies and funding to support nonprofit innovation to address society's challenges. There have been many case examples where transferring or scaling successful nonprofit initiatives did not work. Perhaps by better understanding the situation (system) that led the nonprofit to come up with the initiative in the first place, instead of transferring or scaling, governments can create policies that make the environment conducive to nonprofits coming up with their own, community-specific, solutions. Nonprofit Organizations have been important actors in making progress towards the Millennium Development Goals (UNDP, 2010). As we roll towards the end of 2015 and enter the era of the Sustainable Development Goals (UN, 2015), it is more important than ever to provide nonprofit organizations with the capacity to address and find innovative solutions to a new set of complex challenges and goals.

As will be described in Section 2.1, there is a spectrum between mission driven (nonprofit) and profit driven organizations. This can include social enterprise and green business, including many of the organizations found in the Sustainable Transitions literature. The motives and determinants of nonprofit innovation can be combined with current [profit driven] innovation research to better account for organizations falling on this spectrum, which current innovation research may miss. Similarly, many of the proposed Sustainable Development Goals (UN, 2015), for example Goal 12: Ensure sustainable consumption and production patterns, have elements of growth and development beyond economic growth, and an understanding of mission-driven innovation can be an important piece in the post-2015 future.

There is also the potential that more research into nonprofit innovation can lead to a better understanding of for-profit innovation phenomena. Ideally there wouldn't be a distinction between nonprofit and for-profit innovation, it would all be

considered innovation. Similarly, regional innovation systems policy wouldn't only be focused on the economic success (competitiveness) but also the social and environmental success of regions. However, first we must build up an understanding of nonprofit innovation, which this thesis aims to contribute to.

1.4 Outline of thesis

This thesis proposes the theory of a "Regional Nonprofit System" approach to studying nonprofit innovation, and suggests more overlap between nonprofit research and innovation research. The following section is a literature review. It will discuss the measurement of innovation and Regional Innovation Systems theory. Juxtaposed through the literature review will be a discussion of nonprofit innovation, how we can measure nonprofit innovation, and how we can borrow from Regional Innovation System theory to create Regional Nonprofit System theory.

The third section describes the methodology used in this thesis, inclusive, to sample nonprofit organizations, to create an innovation survey to measure and better understand nonprofit innovation, and to analyses results.

17 organizations responded to the survey. The results are outlined in the fourth section. The prevalence and importance of tacit knowledge to nonprofit organizations emerged as a trend. The fifth section continues past the results to suggest other areas of research related to Regional Nonprofit Systems theory.

The final section provides a conclusion and summary to this thesis.

2. Literature Review

This thesis aims to answer the question: “How do nonprofits come up with solutions to meet community needs?”

Nonprofit solutions are in the form of programs (including campaigns, initiatives, projects, or other activity, to help achieve their mission). This thesis has characterized new programs implemented by nonprofit organizations as nonprofit innovations. Therefore, we are interested in knowing, how do nonprofits innovate?

Prevalent in the innovation literature is the concept of a Regional Innovation System. The Idea of Regional Innovation Systems is that part of a firm’s facility to innovate is based on the environment in which they’re placed, including the actors within geographical proximity to the firm. This thesis suggests that the same might be true of nonprofit organizations, and that a nonprofit’s ability to come up with new solutions isn’t based entirely on the nonprofit alone, but also their surrounding environment and the various actors within it. This could be called a Regional Nonprofit System.

This literature review firstly starts with a subsection explaining what it is meant by nonprofit. Three subsections follow, each related to innovation (first an explanation of what it is, secondly how innovation is measured, and thirdly the concept of regional innovation system). In each subsection of the literature review nonprofit and for-profit concepts are juxtaposed.

2.1 Nonprofit Versus For-profit Organizations

This thesis aims to look at innovation among organizations driven by social missions rather than profit, herein labeled as *nonprofit organization(s)*, *nonprofits*, or *NPO(s)* in the thesis. To explain “nonprofit” further, this subsection begins with a brief overview of the terms and language used to express nonprofit organizations. It then moves into a summary of distinguishing features between nonprofit and for-profit organizations. Finally a brief discussion of the range of organizations fitting between nonprofit and for-profit drive is given, followed by an explanation of what the author does not wish to include in this thesis, though relevant and valuable.

While “nonprofit” is not difficult to define conceptually, many other terms (some [arguably] synonymous and some [arguably] with varying degrees of difference) are used, sometimes interchangeably, to mean roughly the same thing. Terms can vary depending on the researcher or country context. Figure 1 lists some of the terms found in the literature. Lewis (2014) discusses the problematic separation between domestic (developed country) and international (developing country) third sector academia. Lewis (2014) notes that “not-for-profit” is more often used in the domestic third sector research while “nongovernmental organization” is often associated with international development research. This author agrees with Lewis (2014), that the separation is problematic, and wishes to imply *any* mission-driven organization when discussing nonprofits in this thesis.

Nonprofit organization (NPO)
Not-for-profit organization
Voluntary sector organization
Tertiary sector organization
Third sector organization
Social sector organization
Charitable organization (Charity)
Civil society organization
Nongovernmental organization (NGO)
Community organization
Community Development organization

Figure 1: List of terms commonly used to represent mission-driven organization

Murray (2009) describes the main areas of difference of nonprofit organizations from public and private sector organizations as their:

- a) Organizational Mission and Values;*
- b) Organizational Goals and Strategic Priorities;*
- c) The Use of Volunteers; and*
- d) The Governance Practices of the Board of Directors.”*

He explains that staff and volunteers can be attracted to work for the “cause”, a motivation that isn’t as prevalent in the private sector. He also explains that unlike the private sector, for the majority of nonprofits, there is “no direct connection between income and output” (pp.4). Nonprofit organizations receive funding from government, foundations, private donations, and/or other sources, including sales of services or products. Usually the funders aren’t directly benefiting from the services, different from the consumer-producer relationship in business. Unlike business where shares can be bought and shareholders earn when their stocks go up or dividends paid out, all money received by a nonprofit goes in to making it run. When a nonprofit dissolves, its assets are divided into a local, similar nonprofit.

From a practical perspective, nonprofits are meeting the needs of the community. Communities are facing a variety of often interrelated, complex issues such as homelessness, food security, domestic violence, mental illness, child-wellbeing, to name a few. For a more theoretical perspective, Valetinov et al (2013) describe the service delivery and advocacy functions of nonprofits; the service delivery function provides some correction for the failing market system, meanwhile the advocacy function aims to change the system (institutional).

There is a growing public awareness, discussion, and academic literature around terms such as social enterprise or green business. In practice, the distinction between nonprofit and for-profit organization is not always black and white. Quarter et al. (2009) provide a large variety of examples of organizations fitting along this spectrum. The author of this thesis has attempted to show this spectrum, in figure 2. Some organizations described in Sustainability Transitions Literature may fit along this spectrum.

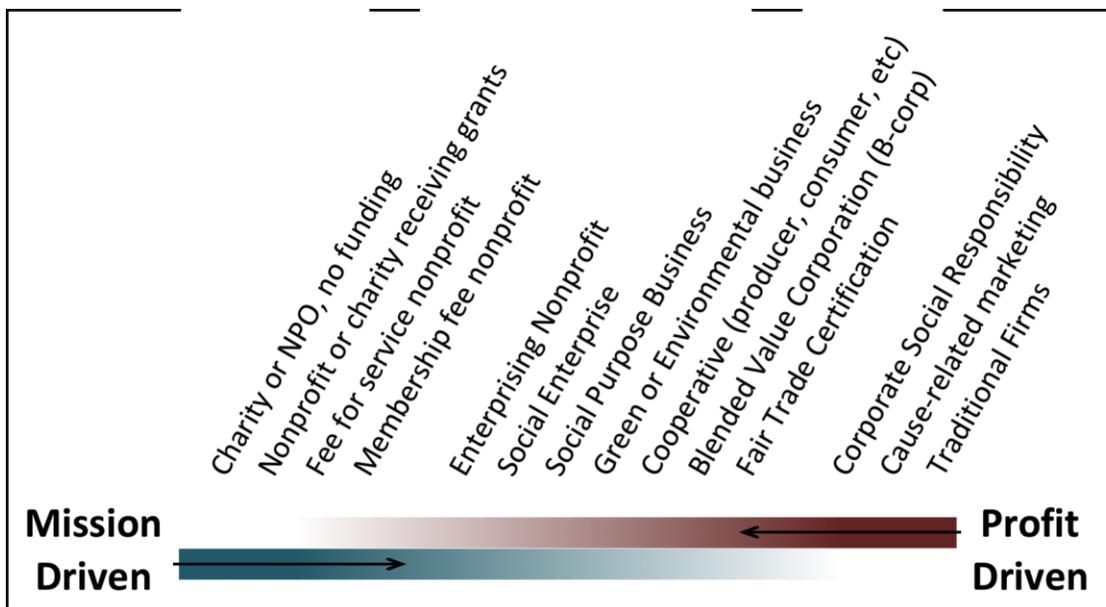


Figure 2 Spectrum between mission and profit driven organizations

There are several things to note with respect to figure 2. Firstly, each of the organizations within this spectrum could have their own range, for example one green business might be particularly more mission-driven while another may be more profit-driven, so the order isn't definite. Secondly, differing views and definitions may exist for many of these organizations, but a full investigation, if it is even possible, is outside the scope of this thesis.

The focus of this thesis is on nonprofit innovation, and this thesis is concerned with the innovation and innovation activities that occur within entirely mission-driven organizations. The author believes it is important to share figure 2 with readers to avoid confusion with social innovation. A further discussion on social innovation will appear in the following subsection, 2.2, but in summary, social innovation could appear in any organization along this spectrum, and is not restricted to nonprofit organizations. It is also beneficial to understand the spectrum between mission-driven and profit-driven, because it means that there too will be a spectrum on innovation, which can have impactful policy implications.

2.2 What Is Innovation?

Superficially we know what innovation is. The difficulty comes when we try to articulate our understanding. Research on innovation began about 50 years ago, with the subject really taking off since the mid 1990's (Fagerberg, 2006). During those years researchers have attempted to define and articulate innovation as well as understand its diffusion, its determinants, what makes some regions more successful than others, and how to stimulate innovation through management or, on a regional or national scale, through policies.

One of the difficulties in understanding innovation is its non-linearity and unpredictability. Some specific action doesn't necessarily lead to successful innovation. There is an interactive and iterative process that occurs (Lundvall, 1988). One way to describe how new innovations occur is to make the comparison to biological evolution – many small, incremental changes, over time, lead to something completely new and different. Schumpeter articulated innovation as combinations of existing resources (Fagerberg, 2006), mainly innovation is purely a combination of already existing “types of knowledge, capabilities, skills, and resources” (Fagerberg, 2006, pp.5). Occasionally a radical or pervasive innovation occurs. These are different to incremental innovations. Pervasive innovations, like electricity, or the microcomputer, enter everything we know. Radical or disruptive innovations are the noticeable, different innovations that create changes (Schumpeter, 1934).

In addition to incremental innovation, the Oslo manual has emphasized that a new innovation to a firm, while not necessarily new to a market is also a form of innovation (OECD, 2005).

Four types of innovation have been defined in the third, and most recent, edition of the Oslo Manual (OECD, 2005); product, process, organizational, and marketing innovations. “The Oslo Manual is the foremost international source of guidelines for the collection and use of data on innovation activities in industry” (OECD, 2015). OECD (2005) has suggested that service innovation be included as a product innovation, which helps keep consistency with earlier editions that were more focused on technological innovation. The third edition has emphasized innovation beyond technological. Though the Oslo manual was created with firm innovation in mind, if nonprofit organizations are innovating, can they, or how would they, fit into this framework? OECD (2012) is currently working on a framework for public sector innovations, which could also have implications to our understanding of nonprofit innovation.

So how can we define nonprofit innovation?

Recall from Valentinov et. al (2013), that nonprofits can have both a service function and an advocacy function. Dismissing nonprofit innovation as primarily service innovation is naïve and could lead to omission of important understandings. Also, without the profit-driven function, quantifying a nonprofit’s success can be difficult (Murray, 2009). For the same reason, it can also make categorizing their innovation difficult. Take for example a local anti-bullying campaign. Success could be measured in a reduced number of reported bullying cases in local schools. The implementation of the campaign could include a mix of finding new ways to collaborate with schools (organizational innovation) and new anti-bullying media (marketing innovation). However, it is both these components, together, that form the nonprofit’s product when they apply for funding (product innovation).

The difficulty in categorizing nonprofit innovation, and the difference between nonprofit and for-profit innovation, may relate to Jones’ (2002) theory on the economics of ideas. Ideas are nonrivalous and can be shared freely. Jones (2002) believe this restricts firms because it is only worth the cost of producing the ideas if they can profit from them. This could be an important distinction because nonprofits aren’t restricted by the profit motive. Many nonprofit innovations are purely ideas.

Despite the definition that nonprofits are working towards social missions, the author wishes to emphasis that social innovation and nonprofit innovation are not

the same. The term social innovation remains vague with different researchers using different definitions. Goldenberg et al., (2009) outline and provide many of these differing definitions. However, there are two distinguishing features that continue to show up in social innovation research that separate social innovation from nonprofit innovation. Firstly, social innovations can show up anywhere on the mission-driven/profit-driven spectrum of organizations (see figure 2) and are not excluded to only mission-drive nonprofits. Much of the literature on social innovation includes or assumes the earning of profits as part of the success of the social innovation, often equating profit earning to sustainability. Secondly, in much of the social innovation literature, it is implied that a radical innovation takes place. Nonprofit innovation, in this thesis, embraces the importance of incremental innovation just as incremental innovation has been embraced and highlighted by firm innovation researchers.

The final difficulty that one must be watchful of, nonprofit success is subjective and difficult to measure. Including “better” or “more successful” in the definition, to try to compensate for the lack of success measured by profits is not a good strategy.

This subsection will now conclude with a definition on nonprofit innovation, we’ve outlined, based on the nature of nonprofits and with recommendations from the Oslo manual, that it should include:

- from a strictly mission-driven organization
- service and advocacy functions of nonprofits
- incremental changes (OECD, 2005)
- “implementation not just invention (OECD, 2005)
- new to market versus new to firm, and significant improvement (OECD, 2005)

“Nonprofit innovation is the implementation of a new or significantly program, where a program is a program, project, campaign, initiative, service, event, or other activity, which could be offered by a nonprofit organization to help achieve their mission”

2.3 The Measurement of Innovation

In this section, traditional measures of innovation will be reviewed, and their relevance to the nonprofit sector will be criticized, or in the case of the innovation

survey, compared. This section will begin with a brief outline discussing the difficulty of measurement of success in the nonprofit sector before even getting in to innovation.

In the private sector success can be measured in profits. The more a firm sells, the more they are able to produce, allowing them to sell more, and expand further. Success is much more difficult to measure with nonprofit organizations and rarely are nonprofit funders directly benefiting from nonprofit outputs, the way consumers are incentivized to purchase in the private sector. Take the anti-bullying campaign used as an example in the previous subsection; the bullied children are receiving the most benefit from the program, the schools or the bullies themselves are the target audience for the campaign, and the funders are covering the costs. Sometimes funders require certain outputs be met or measured. Some nonprofits come up with their own measures of success. Many societal issues are complex, multi-dimensional and difficult to quantify.

Innovation, like nonprofit success, is also difficult to measure, and proxies are often used in place. The following five methods are currently used to measure (or proxy) innovation: patents, R&D spending, growth accounting, bibliometrics, and innovation surveys.

The number of patents is frequently used as a proxy for innovation. It is advantageous because there exist long historical record of patents and detail-rich data is easy to obtain. It also is possible to do regional analyses based on where the patents were filed. The disadvantage is that invention does not equate innovation. Many patents never make it to the market. Additionally, some firms are reluctant to patent and would rather keep secrecy. This is especially true of process innovations. Some industries are more prone to patenting than others (Hall & Rosenberg, 2010).

Sometimes the ratio of spending on R&D to some output such as firm or industry revenues, or GDP, is used. This method is largely advantageous to compare innovation across different industries and countries. It is also easy to calculate. Using R&D spending as a proxy for innovation is problematic because it assumes the linear path of innovation, which is not the case. Increased R&D spending does not equate increased innovation (Hall & Rosenberg, 2010).

Growth accounting is a way of measuring the change of inputs and change of outputs and contributing the unexplainable difference as “total factor Productivity”,

basically the improvement in efficiency is attributed to an unexplainable “black box” of technology (Hall & Rosenberg, 2010)

The Literature Based Innovation Output (LBIO) method (bibliometrics) of innovation measurement requires scanning scientific journals for product notifications and tallying results. It is advantageous because it provides data on actual innovations that are brought to the market and doesn't leave out small firms. It is disadvantageous because it is time consuming and firms need to be contacted anyway to avoid misrepresentations of foreign versus domestic products. The number of journals scanned can also affect results. It is an object (innovation) based versus a subject (firm) based method for calculating innovation.

Innovation surveys are the most time consuming and costly to execute, yet provides the more accurate measurement for innovation by asking firms directly if they have innovated. This method is able to capture innovations that other methods miss. The Community Innovation Survey is the most widely used survey for this method and some variation, based on the Oslo manual, has been sent out to firms across Europe (and several other OECD countries) at regular intervals since 1992 (Eurostat, 2015). Cost and time to get reliable results is the biggest disadvantage. The exclusion of small firms is also a disadvantage. Another advantage include its ability to gather additional data on innovation related activities.

So, how can we measure nonprofit innovation? Patents and R&D spending don't exist in the nonprofit sector the way they exist in the private sector. Similarly, every new program offered by a nonprofit organization isn't sent to a journal publication, though some of the more interesting examples get published as case studies. The only method it leaves us with is the innovation survey.

2.4 Regional Innovation Systems

It is not only the individual firm, and internal factors, which establish a firm's propensity to innovate, the system with which the firm is located and external factors contribute to its innovativeness. Governments recognize this and nearly all advanced economies have some sort of policy to promote regional innovation or cluster building (Cooke & Memedovic, 2003). In this subsection, the theories and concepts behind Regional Innovation Systems (RIS) will be discussed, with an emphasis on policy implications. Current literature related to nonprofits and RIS

theory will then be evaluated, and finally the author will propose the idea of Regional Nonprofit Systems as a topic for further study and policy focus.

Questions still remain surrounding why clusters form, what the benefits are to being in a cluster, and how can clusters be stimulated through government policies. Clusters, or agglomerations, are groups of successful, related firms, in the forefront of their specialty, located within close geographical proximity to one another. Together with other entities in their geographical proximity, such as other businesses, organizations, and universities, and the local institutional structure, including local culture, societal norms, and political and legal systems, they form Regional Innovation Systems. The idea is that the actors and institutions of the regional system lead to firms being more innovative, and the region as a whole more prosperous. The German region of Baden-Württemberg is often cited as an example of a successful Regional Innovation System (Cooke, 2001).

One of the principle concepts of Regional Innovation System is the idea knowledge creation. Knowledge comes in two forms, tacit and codified (Asheim & Gertler, 2006). Tacit knowledge is the knowledge that emerges from informal conversations, face-to-face interactions, collective-learning, general know-how; it's knowledge that can't be codified. Codified knowledge can be articulated, written down, bought, or sold. Tacit knowledge happens when two engineers from separate companies play on the same recreational frisbee team, when a graphic designer has contracts with several local firms, or the mobility of employees from one firm to another. It can also occur at trade shows, conferences, and other networking events.

Asheim et al. (2011) and asheim & Gertler (2006), explain that different types of industry clusters require mixes of tacit and codified knowledge. They distinguish between three different types of knowledge bases, the ideal for the cluster dependent on the cluster's needs and institutional structure. Analytic knowledge bases have a high codified knowledge component, and are important in science-heavy clusters. Synthetic knowledge bases, where the tacit knowledge component is more important, emphasize the knowledge creation on shop floors, and through interactions with customers. Incremental innovations are more like to occur in synthetic and disruptive innovations in analytic knowledge bases. Thirdly (Asheim et al., 2011), add symbolic knowledge base to form the trio. This is the knowledge base necessary for creativity and art to flourish (such as branding and marketing) and is the most space-specific of the three knowledge bases.

Bathelt, Malmerg, & Maskell (2004) expand on the idea of tacit knowledge, and refer to a local component of tacit knowledge as “local buzz”. They explain that successful clusters, in addition to local buzz, also have healthy “global pipelines” of knowledge, deliberate knowledge channels with organizations outside of the region. Again, it is the combination of different knowledge that leads to innovation. Trippel et al. (2009) break the knowledge down into four quadrants: static versus dynamic, and informal versus formal.

To create successful Regional Innovation Systems you need to account for more than knowledge transfer. Neffke et al. (2011) break down three flavours of agglomeration externalities: MARS, Jacob’s, and Urbanization, and explain how different ages of industries have different needs. MARS externalities include the benefits of having suppliers and large labour pool when you have related firms close to each other, Jacob’s externalities account for the benefits of having variety in the region for more creative ideas, and urbanizations externalities are the benefits of living in a urban centre with good infrastructure of lots to do.

In addition to different needs in terms of types of knowledge and externalities, different regions can benefit from different levels of government involvement. (Ch.11, 2006, (Asheim, 1998, and also: Cooke, 1998, Asheim and Isaksen, 2002)) describe three configurations: Territorially embedded regional innovation system, Regionally networked innovation system, and Regionalized National Innovation System. Territorially embedded regional innovation systems are basically on their own. Regionally networked innovation systems have regional actors like chambers of commerce or science parks to connect business, and Regionalized national Innovation systems are quite influenced by national policy and intervention.

Canada has taken an approach, through their Innovation Systems Research Network. (Holbrokk & Wolf, 2005) which recognizes that needs of each region are varied and one formula can’t be applied across the country. The network provides region specific study still with cohesion.

There are three situations that appear in the literature when nonprofit is combined with Regional Innovation System; 1) Nonprofits are seen as a “black box” of actors to enable firm innovation, 2) Terms from innovation studies are used but with a different meaning or a concept is only partially applied, or 3) A parallel concept is

explained but in different language. These situations will be described in more detail below.

Nonprofits are often included as actors contributing to firm innovation but often the idea doesn't expand further. Dalziel (2007) is an exception. While she continued to specify nonprofits as actors in firm innovation (labeling them innovation-related nonprofits), she expanded on their role. In this case she used science, technology, or business mandated nonprofits. These included research centres, medical foundations, and professional societies, to name a few. She proposed that due to their social mandates they are more likely to be perceived as institutional enablers or institutional balancers. There was no inclusion of nonprofits beyond those mentioned.

Terms from innovation studies are sometimes applied to the nonprofit world but given a different meaning in the process. The UN's Cluster Approach to humanitarian assistance (OCHA, 2015) is one such example. Unlike the industry clusters we know, where firms experience friendly rivalry or the spin-off occurs in dissent of the parent organization, UN Humanitarian clusters are all about coordination. A cluster coordinator is appointed and shared strategies are implemented by all organizations in that cluster (nonprofits working in the same strategic area).

Vinokur-Kaplan & McBeath (2014) conducted the first survey, to their knowledge, of post-occupancy tenant satisfaction in nonprofit co-location centres; buildings that house multiple nonprofit organizations under one roof. In their paper they talk of the benefits of co-locating centres: "These centers are generally developed to lower tenants' costs, to enhance their organizational development, efficiency, and effectiveness, and when relevant, to better coordinate services for clients" (pp.78). These centres seem akin to science parks or business hubs, yet in their paper there is no mention of the knowledge spillover and new ideas that could be generated through the tacit knowledge generated in these buildings, one of the major advantages cited for science parks and business incubators.

Thirdly, the concepts of Regional Innovation Systems are approached from nonprofit research without reference to RIS theory. Quarter et al. (2009) defines Community Economic Development as the intersection of the social, public, and private sectors. Paul Born is a leader in Community Development. He focuses from the grassroots level, and Born (2008) has written about the importance to getting

the right people together, and the synergies that occur when again there is the intersection of different actors. There are many parallels to his work and the idea of regional system. He calls on engaging government and business by nonprofits and advocates for system change. Yet this work is parallel to RIS literature rather than combined.

This thesis would like to explore if some of the theories behind regional innovation systems are applicable to nonprofits and proposes the concept of Regional Nonprofit System. Regional Nonprofit Systems would be akin to Regional Innovation Systems, but instead of the focus on firms, the focus would be on nonprofit organizations. Rather than the aim of economic success, the aim would be social or environmental success of the region. Though there exists the spectrum between mission-driven and profit-driven organizations, the evolution of mission-driven innovations has been vastly overlooked, and we must understand it better to fully merge mission and profit driven innovation systems.

There are many questions that surround Regional Nonprofit Systems and those will be the focus of the results and discussion section of this thesis. How are ideas created among nonprofits. What is the importance of tacit and codified knowledge. Who are the actors and what interactions are occurring.

3. Methodology

A Nonprofit Innovation Survey was created and sent to 120 nonprofit organizations in Canada. Several different databases: geography (and administrative data), charity registry, and charity compensation, were used to select organizations. This section chronicle the methodology used to sample those nonprofit organizations and will outline the Nonprofit Innovation Survey, including how survey questions were created based on the Community Innovation Survey 2012 and the Oslo Manual (OECD, 2005). Sampling is broken done into two subsections – organization characteristics and geography. Statistics Canada’s Survey of Innovation and Business Strategy will also be discussed. Canada was chosen because of the author’s familiarity with Canada’s social sector.

3.1 Sampling – Organization Characteristics

There are an estimated 161,000 nonprofit and charitable organizations in Canada (Murray, 2009) in addition to the numerous amount of small, informal, unregistered and unaccounted for [mission-driven organizations] (Murray, 2009). Approximately 86,000 of those are registered charities (Canada Revenue Agency, 2014). The largest difference between charitable and nonprofit organizations is that charitable organizations are able to issue donation receipts. Donors can then claim the donation on their income tax. Nonprofit organizations “operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit [They] cannot operate exclusively for charitable purposes” (Canada Revenue Agency, 2015). Charities must devote their resources to charitable activities (Canada Revenue Agency, 2011). Nonprofits can choose to incorporate or remain unincorporated. The can incorporate federally or provincially. The decision to register as a charity or not, or to incorporate as a nonprofit or not, is up to the organization and how best their activities fit.

The Canadian government makes information on registered charities publically available. For this reason, it was chosen to survey charities as a proxy for nonprofit organizations. The database of all 86,000 2014 registered charities was downloaded from the CRA website and merged with the 2012 charity compensation data from the open government website (not available as a database on the CRA website, but provided by the CRA). From the list the following charities were removed:

- Removed charities with Designations: A, B, or null (to eliminate public and private foundations who give substantial amounts of their funds to other charities)
- Remove charities with Category codes: 10, 20, 30-49, and 60-62 (which mainly eliminated hospitals, colleges and universities, churches and other places of worship)
- Remove Total compensation = 0 (an organization large enough to have at least one paid employee, regardless of how short or part time they worked could be surveyed)
- Removed charities with total compensation totaling over 40,000,000 (which mostly removed school boards and large community health centres)

This reduced the sample size to about 1/5th. A full list of the Designation and Category codes is given in Appendix A. Religious charities make up close to 40% of register charities.

Charitable organizations are a good proxy for nonprofit organization for this thesis since they are mission-driven. One of the difficulties organizations may face in Canada is that they must choose to register either and nonprofit for for-profit. This means that some organizations on the spectrum between mission and profit driven must make a difficult decision whether to face the restrictions of being a nonprofit or face the competition as being a for-profit. It is possible find social enterprises both as registered charities and as registered businesses.

3.2 Sampling – Geographic Characteristics

It was chosen to use Census Metropolitan Areas (CMAs) as the geographic unit. For statistical purposes, Canada has been divided a number of ways. Appendix B shows the hierarchy of the geographic units for which Canada's national statistics office disseminates data. CMAs are the most populous, densest areas of Canada. They have populations of at least 100,000 and are centered around at least one urban core of at least 50,000 inhabitants. Adjacent municipalities with heavy commuter flows are also included in the CMA boundaries (Statistics Canada, 2010).

There are currently 33 CMAs in Canada. CMAs were narrowed down by population size. It was chosen to survey medium sized CMAs, between 300,000-800,000 inhabitants, of which there were 11 with 6 in Ontario. It was chosen to survey two

CMAs in Ontario, one near Toronto, Canada's largest city, with many nearby cities, and one at a distance from Toronto, in case there are knowledge spillovers and other agglomeration externalities from Toronto to towns in close proximity (~under 1-2hrs drive to many), Additionally to choose two CMAs in two other provinces. For this thesis there would only be an English survey, which would exclude French speaking CMAs at the moment. In the end, Winnipeg (Man.), Hamilton (Ont.), Victoria (B.C.), and Windsor (Ont.) were chosen, and a small summary of some other their characteristics can be seen in the table below:

CMA	Population (thousands)	Median total income	Notes
Hamilton, ON	765.2	82,290	High proportion of foreign born population, manufacturing following by health as biggest employers
Windsor, ON	333.9	73,440	Manufacturing is biggest industry, high proportion of foreign born population,
Winnipeg, MB	782.6	77,770	Capital of MB, 10% Aboriginal identity, very diversified economy, high crime rate
Victoria, BC	358.7	84,500	Capital of BC, strong high technology industry, large retiree population,

Figure 3 Characteristics of census Metropolitan Areas surveyed (data from Statistics Canada, 2014)

Matching the charities listing database to CMA's was difficult without the Postal Code Conversion File (PCCF) available from Canada Post, but the price of the PCCF was out of range for this thesis. Instead Forward Sortation Areas (FSA) were used. FSAs are the first three digits of a six digit Canadian postal code. Using geographical software, two lists were made, FSAs contained within the four CMA boundaries, and FSAs intersecting the four CMA boundaries. The first list gave the first three digits of all postal codes that are inside our CMA boundaries, and the second list gave the first three digits of the postal codes that might be within the CMA boundary depending on the second three digits. We reduced our list of charities to include only the ones with a postal code on the second list of FSAs we created.

Our samples was taken from the first list. The second list was used to provide an additional picture to the quantity of nonprofit organizations in each region. A random number generator was used and the charities for each CMA were sorted based on the random number, and only the top 35 were kept for each region. 30 were to be sent the survey from each region (120 organizations total), but it wasn't certain their contact details would be available online or there was the chance they

would no longer be in existence. The extra five provided a buffer for each region and was used in all four cases.

3.3 Contacting Organizations

Once the 120 organizations were selected, an internet search engine was used to find the website of each organization, and from there a name and contact details could be found. The first choice was to get the name and email of the Executive Director. Since some questions required knowledge on strategic direction, partnerships, and past programs, the Executive Director would be best positioned to answer or to know whom in the organization they could forward the survey to. Some organizations didn't have websites, but contact details could be found various places online, such as funding websites, or news articles.

The first request was sent to each contact person individually. The time to send each email individually was minimal compared with the time it took to find contact details. It was hoped that the more personal approach of including the name and organization within the email would increase the response rate (Bryman, 2012). A second request was sent several weeks later, unchanged from the first request. A final request was sent another few weeks later, with all emails in the bcc field. The final request provided more information about the project and gave organizations the alternatives to not include their contact details (if they were worried about anonymity) or the alternative to only answer the two required questions (if they were worried about time). The final request also gave a date that the survey would close. All of these efforts were done in hopes of increasing the response rate. In all cases, emails were sent from the author's university student email address.

3.4 Nonprofit Innovation Survey Design

It was chosen to send out an online survey (questionnaire) for cost and convenience, compared with postal surveys, and to do a survey (as apposed to interviews or other method) to replicate the innovation surveys given to firms. After exploring several different online survey tools, createsurvey.com was chosen for its ability to adjust the appearance (width) of matrix questions, and their tablex question option (compresses similar questions into one (used for Q12 in our survey)), in hopes that these aesthetic, and survey shortening features, would increase response rate

(Bryman, 2012). This subsection describes the design of our survey and how our survey compares to the Community Innovation Survey 2012.

The Community Innovation Survey (CIS) has been used across Europe in regular intervals for over 20 years, and is based on the Oslo Manual. The most recent published, CIS 2012, was the bases for the Nonprofit Innovation Survey created for this thesis. Several things were kept in mind when creating our Nonprofit Innovation Survey:

- Stay as close as possible to the CIS
- Use language and questions appropriate for nonprofit organizations in Canada
- Try to make the survey short and simple, to improve response rate
- Recall the research question “how do nonprofits come up with solutions to meet community needs?” from a regional systems perspective, and keep in mind the relevance to policy implications.

Though the Oslo Manual is meant to provide a framework measuring innovation in the business enterprise sector alone, and the CIS follows this, many of the theories on knowledge transfers and the importance of linkages could be valuable in the nonprofit sector, and should be studied. The Oslo Manual (OECD, 2005), acknowledges “Innovation is also important for the public sector. However, less is known about innovation processes in non-market-oriented sectors. Much work remains to be done to study innovation and develop a framework for the collection of innovation data in the public sector.” (p.28). With the lack of study of innovation in the nonprofit sector, the Oslo Manual is a good place to start for our survey.

3.4.1 Outline of the Nonprofit Innovation Survey

This subsection describes the Nonprofit Innovation Survey, page by page, created for this thesis. Linkages were kept as a theme throughout the survey. From the Oslo Manual (OECD, 2005):

“Systems approaches to innovation shift the focus of policy towards an emphasis on the interplay of institutions and the interactive processes at work... ..This theoretical perspective influences the choice of questions to include in an innovation survey, and the need, for example, of extensive coverage of linkages and knowledge sources.” (pp.15)

The complete Nonprofit Innovation Survey, as it appeared online, is available in Appendix C.

Page 1

This page simply asks for contact details of the organization and the person who filled out the survey. Including the Charity Registration number makes it possible, and fairly easy, to merge survey data with additional publically available data and databases.

Page 2

This page mainly tries to find out: did the organization innovate during the years 2012-2014 inclusive, and who was involved in the development of those innovations. Since nonprofit organizations don't have patent data or R&D data, like firms, they don't have the same proxies as measurements of innovation. Q9 on our survey is one of the only ways to measure innovation in the nonprofit sector. Unfortunately it would require the survey to be mandatory to gain an accurate measurement since organizations not implementing new programs might be less willing to complete the survey.

Q10 allows organizations to estimate the level of involvement (from entirety to not at all) of various actors. The author hypothesizes that more actors might be formally involved in the development of nonprofit innovations since nonprofits shouldn't have the same competitive drive that a profit driven market would create, and could be more inclined to cooperate. Similarly, some nonprofits could be implanting government programs or programs created by a parent association. From the Oslo manual (OECD, 2005):

"258. Also related to linkages are questions on the developer of the innovations. These questions establish whether innovations are mainly developed by enterprises themselves or in co-operation with other enterprises or public research institutions, or if innovations are mainly developed outside the enterprise." (pp.77)

Page 3

The focus of this page (Q12) is on tacit knowledge and partnerships. It asks for the frequency of interactions (face-to-face, separately from non-face-to-face), and if formal partnerships existed, with various types of actors that could exist in an innovation system.

Page 4

Q13 allows for an exploration of the existence of codified knowledge and monetary value of knowledge among nonprofit organizations. It asks if they have purchased research or secondary data. This question also asked if they have spent money to have the organization, staff, or volunteers certified. While not explained in the Oslo manual, having a certification could be a way of demonstrating to others that you possess a certain type of knowledge that could be useful. If an organization has spent money on certification it could also demonstrate their value in possessing that knowledge.

The Oslo manual (OECD, 2005) describes memberships to associations and participation in conferences as open information sources (with the possibility for tacit knowledge transfer). Q13 also asks if organizations purchased either of these. We are unable to tell the degree of importance organizations place on the benefits of knowledge received versus other benefits to this purchase, but surely the knowledge or networking possibilities must be one reason to purchase.

Finally Q13 also asks about the purchase of outside consultants. One of agglomeration externalities is the idea that a lawyer or graphic designer may specialize in the sector, making services more convenient and tailored, and again more opportunity for tacit knowledge transfer.

The focus of Q14 is on internal innovation activities, and asking if the organization took any action themselves to stimulate new ideas or creativity within their organization.

Page 5

One of the aims of Q16 is to try and gauge the attitudes and levels of cooperation or competition that may exist within a nonprofit innovation system. The author's knowledge of research in this area is limited, and this would be an important area for further investigation in the study of nonprofit systems. Q16 is also a platform to ask questions that weren't asked before, or to repeat questions in different wording. It uses a Likert scale and asks organizations how much they agree with each of the 11 statements. Online they are shown in a random order (createsurvey.com feature) in case reading one before another prompts a different response (Bryman, 2012).

Page 6

Finally Q17 asked for the motivation the organization had to innovate. Westley et al. (2014) describe how sometimes when an organization works with a societal issue for a time they get to understand its complexity, and become institutional entrepreneurs; they then restructure their mission to, rather than relieve the issue, to change the system that creates the social issue. Q17 asks respondents if they are motivated to solve observable or complex/system issues. Also as an option is innovate to continue (i.e. increase funding or operate more resourcefully or efficiently).

Q18 allowed for qualitative answers where respondents were asked to describe a non-profit driven program in their region they found innovative. This question was included to provide examples of nonprofit innovation.

There were only three required questions (required to submit the survey) on our survey. They were – Q4: postal code, Q9: Did your organization [innovate]?, and Q17: Were you motivated to innovate? The full survey as it appeared online can be found in Appendix C.

3.4.2 Summary of difference from the CIS2012

The following is a list detailing how the Nonprofit Innovation Survey diverged from the CIS2012. Question numbers from the CIS2012 appear in bold.

Question 1.1 wasn't asked directly, but organizations were given the option "The governing body or your chapter or affiliation, a parent association, or other organization working at this level" as an actor throughout our survey

Question 1.2 about mergers and the establishment of new subsidiaries was removed.

Question 1.3 asking about the geographical markets with which the firm was operating was somewhat asked as part of the Likert scale question on page 5 which asked how much the organization agreed with "Our organization is implementing larger (provincial, international, etc.) programs."

Questions 2.1, 3.1, 8.1, and 9.1, were all reduced into the first question on page two of our survey. The idea of nonprofit program innovation encompassing product, process, service, marketing, and organizational innovation, and how they are more difficult to distinguish, is explained at the end of section 2.2 of this thesis.

Questions 2.2, 3.2, These questions are expanded on our survey to ask for the level of involvement of each of various actors.

Question 2.3, 2.4, 3.3, These questions are also compressed into the first question of page 2 (with **Q2.1**, etc.), and is distinguished by the nonprofit offering a program new to *their* organization versus a program new to *any* organization.

Section 4, on ongoing or abandoned innovation activities, was removed. It could be a relevant question for nonprofits but not necessary for our research question, and more important to keep our survey short in this case.

Section 5 and 6 appear as pages 3 and 4 on our survey. Though very different language and formatting is used in our survey, in both cases the surveys attempts to gage the cooperating partners, external and internal knowledge sources, and purchases of codified knowledge. Page 3 and 4 also took inspiration from the section of creativity and skills in the CIS 2010 survey (section 11 in CIS2010).

Sections 7, 10, and 12 were removed from our survey.

Section 11 somewhat appears in the Likert scale of page 5 and in the first question of the final page, of our survey, though fairly unrecognizable in both cases.

3.5 Interpreting results

With 17 responses it was not possible to do a proper econometric analysis. Even when categories were collapsed (for example strongly and somewhat agree) to form the smallest matrix, it was still 2x3, which would require at least 29 responses to preform the chi-squared statistic, recommended for ordinal-nominal variable comparison. (Bryman & Gramer, 2011) recommend that no less than 20% of expected values fall below 5. Comparing regional differences was not possible though observations could be made.

Though bivariate (and multivariate) analysis was not possible at the statistically significant level, the author made use of contingency tables to compare responses and look for trends with the limited data. Results were presented through descriptive methods, such as frequency charts, tables, and qualitative responses.

4. Results

This section will discuss the results from the Nonprofit Innovation Survey, as they relate to the literature on Regional Innovation Systems. Following a discussion of the response rate and limitations of the research (section 4.1), topics based on survey results will include: The existence of innovation in the nonprofit sector (4.2); Who developed the innovations and the extent of partnerships (4.3); The case for tacit knowledge and actors in the Regional Nonprofit System (4.4); Competition or co-operation, and how might a nonprofit system differ from a for-profit system (4.5); and a discussion on Codified knowledge and value or purchase of knowledge opportunities, also, can different knowledge bases exist in different regional nonprofit systems (4.6). Finally, this section will finish with a summary of results and highlight of the concept of Regional Nonprofit System.

4.1 Limitations of the Research

There are about 86,000 registered charities in Canada, and at least again that number of nonprofit organizations without charitable status (Murray, 2009). The survey sampled 120 organizations, and only 17 responded for a response rate of 14.2%. According to (Bryman, 2012) this is unacceptably low. Since the survey was voluntary, there is a very large risk of bias. It is very likely that the organizations who are innovating, or those interested in innovation in their sector, would have been more likely to respond (if not the only respondents).

Another risk of bias could have been that organizations more open to cooperation and sharing of

information would be more likely to respond, which could paint a skewed picture of the number and variety of interactions with others that showed up in results.

However, a 14.2% response rate could be taken as positive when the following factors are considered:

No. of Responses per region, (N=30 per region)

Region	No. of responses	Expressed wish not to participate
Hamilton	5	-
Windsor	3	2
Winnipeg	5	-
Victoria	4	-
Total	17 (14.2%)	2 (1.7%)

Figure 4: Number of Survey Responses per region

- There was no incentive for the organizations to participate, other than to be represented in the study
- The questions could be interpreted (unintentional) as sensitive issues. Some concerns surrounding the use of information and the credibility were expressed through email. There was little more that could be done around this, neither in questions asked nor information provided.
- The survey was time consuming, with the average response time at 24 minutes
- 12 organizations responded to the open-ended question asking for a description of an innovative, non-profit driven, program they had witnessed in their region. Their answers painted a rich picture of the strength and variety of nonprofit initiatives through Canada.
- In almost all cases it was the executive director who responded to the survey, adding integrity, reliability, and importance of the research.

With these points considered, the results from this survey can be considered a “good starting point” towards nonprofit innovation and nonprofit systems research. What follows is an interpretation of the results (bearing in mind the 14.2% response rate) along with suggestions and examples of themes that could be investigated further, as well as arguments for the implementation of Nonprofit Innovation Surveys on larger scales. Throughout these results ‘respondent’ refers to the organization as a whole and not the individual person who filled out the survey. For a comparison, Responding to “The Survey of Innovation and business Strategy”, implemented by statistics Canada and sent to firms, was mandatory, and returned a response rate of 59.9% (Statistics Canada, 2014). They sampled 7,818 enterprises from a target population of 67,807.

4.2 Nonprofit Innovation Exists

Similar to the CIS, the survey asked organizations a yes or no question to find out if they innovated. The full Nonprofit Innovation Survey, as it appeared online, is available in Appendix C. Recall that this thesis has defined a nonprofit innovation as:

“The implementation of a new, or significantly improved, program, where a ‘program’ refers to any type of program, project, campaign, initiative, service, event, or other activity, which could be offered by a nonprofit organization, to help achieve their mission.”

Of the 17 respondents, during the years 2012-2014 inclusive, all indicated that they had implemented a new program not previously offered by their organization and/or significantly improved one of their existing programs. This means all respondents innovated. They were involved in (at least incremental) nonprofit innovation by our definition. Additionally, seven of the 17 organizations (41%) implemented a new program, not previously offered by any organization. They were offering something completely new.

From our limited number of observations, no trends emerged as to whether size (revenue), age (year established), category code, or geographic region, correlated to the implementation of an entirely new program.

Most organizations agreed that they were constantly striving to be unique and many of them believed the programs they offer were unique to the region. (see figure 5)

Statement	Agree	Disagree
The programs we offer are unique to our region	82%	12%
Our organization is constantly striving to be unique, innovative, and progressive	88%	0%

Figure 5: Responses to Question 16a

4.3 Who developed the innovation

Less than one third of organizations responded to being entirely responsible for the

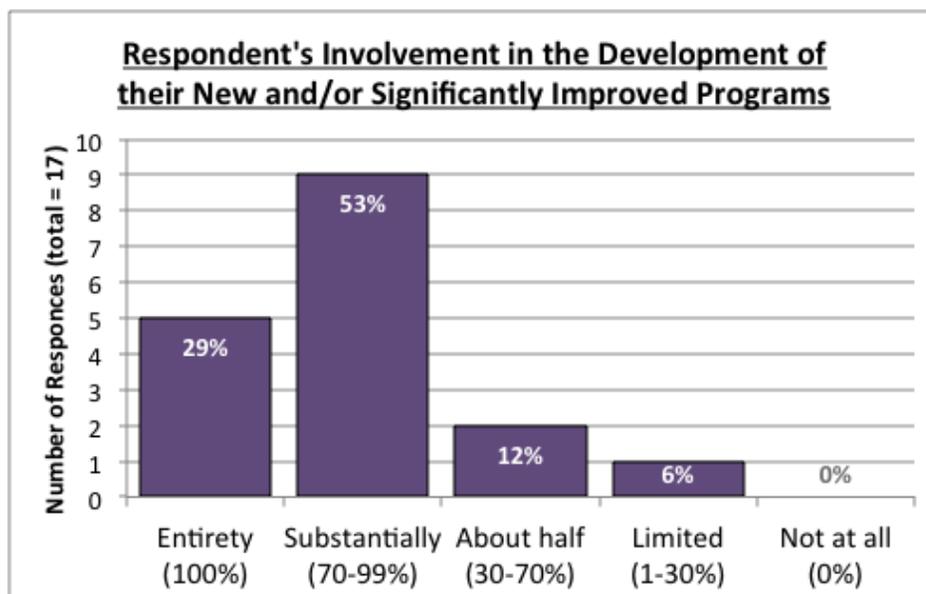


Figure 6 :Responses to question 11

development of the new (or significantly improved) programs they implemented, visible in figure 6.

Organizations were also asked which actors were involved in the development of new programs. Interestingly, four out of five organizations who indicated an institution was involved in the development of their new or significantly improved programs were located in Hamilton. Similarly, four out of six organizations who indicated the involvement of a for-profit business were also located in Hamilton. Other actors involved in the development of the nonprofit innovations included other nonprofit organizations, government, and in three cases, “the governing body of the chapter or affiliation, a parent association, or other organization working at this level”. In one case, a research group (entered in the “other” option) was indicated as the primary developer.

In a few cases, the type of actor involved in the development of the innovation was not specified as being in a formal partnership with the organization. Similarly, in several cases a formal partnership existed without the same type of actor being involved in the development of the innovation. This could demonstrate that partnerships differ from joint development. An example of a partnership without joint development could be, for example, two organizations offering differing programs targeted at the same population. They could form a partnership to ensure the target population is aware of the services the other nonprofit is providing. Joint development without partnership is a strong case for the knowledge transfer that occurs during informal interactions. It could have been the organizations shared enough informal interactions with a particular actor to attribute that actor’s involvement in the development of their innovation.

4.4 Tacit knowledge and actors in the System

On the survey there was an open-ended question that allowed organizations to specify “other” methods used to stimulate new ideas or increase creativity among staff. One response exemplified the concept of tacit knowledge:

“story-telling regularly; send to training and report back; create atmosphere & process for continuous reflection and improvement”

The Oslo Manual’s specifies that

“Organisational learning depends on practices and routines, patterns of interaction both within and outside the firm, and the ability to mobilise individual tacit knowledge and promote interaction.” (OECD, 2005, 87).

It is clear that this organization values, and has found a way, to mobilize tacit knowledge.

Quoting the Oslo Manual again,

“tacit knowledge that is held in the minds of people, or for information that is held in the “routines” of organisations. Direct interaction with the people with tacit knowledge or with access to routines is required in order to gain access to these types of knowledge” (OECD, 2005, 92)

All organizations either strongly or somewhat disagreed to the statement “We have little interaction with other nonprofit organizations in our region”. Figure 7 maps the percent of organizations who responded to having face-to-face interactions more than monthly with each of the actors in the figure. The area of the circle represents the percent of responses out of total responses (there were a few blank).

Percent of organizations that responded to having face-to-face interactions more than monthly with each of the following actors

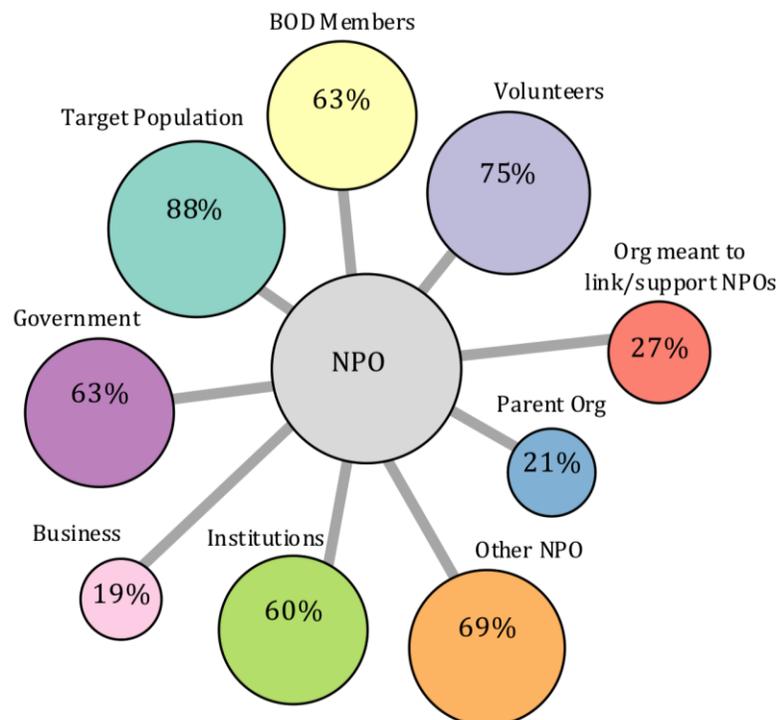


Figure 7: Response to question 12

Another strong indicator of the prevalence of tacit knowledge, and/or the respondent's value of it; all organizations either purchased memberships to associations or other organizations or purchased the participation in conferences, workshops, external trainings, or similar. Nearly all organizations purchased both. If they didn't purchase both, they obtained or received the other without purchase. The Oslo Manual describes these as open sources of knowledge (OECD, 2005), which can give access to tacit knowledge.

It is possible that tacit knowledge is more prevalent in the nonprofit sector than in the private sector. This could be due both to the nature of their existence and to the nature of their innovation. As to the nature of their existence, nonprofit organizations are required to have a voluntary board of directors, and much of their work is also carried out by volunteers (Murray, 2009). All of these people have careers and lives outside of the nonprofit and are bringing a variety of skills and knowledge to the organization. Additionally, many nonprofits are very service-oriented, frequently encountering the populations they wish to serve. As to the nature of their innovation, nonprofit innovation is heavily based on ideas. One organization specified they stimulate new ideas and creativity by "***allowing ideas to flourish***". Jones (2002) explained that ideas will only get created if the private benefit to the inventor is great enough. However, this only hold for profit-driven organizations. The poses the question, are nonprofit organizations more willing to share information and cooperate with others?

4.5 Competition and/or Cooperation for Innovation

Competition is the assumption in the private sector, but does it help drive nonprofit organizations? Is there a type of informal rivalry between nonprofit organizations wanting to be better than those in their region?

Statement	Agree	Disagree
We are competing with other nonprofit organizations in our region for human resources (board members, staff, and/or volunteers)	59%	18%
We are competing with other nonprofit organizations in our region for financial resources	82%	6%
Our organization enjoys and seeks recognition for our work (formal: awards, newspaper write-up; or informal: praise from community members, etc)	47%	24%

Figure 8: responses to question 16b

Are nonprofit organizations being innovative to compete for limited grant money? In this case could we apply more of the profit-driven theories to nonprofit organizations? Perhaps nonprofits have a competitive nature because they want to be the best at what they do. There isn't enough information, in or from this survey, to determine if nonprofits are driven to compete with each other or not. This could be a very interesting area to investigate further. Perhaps attitudes vary by geographical location; if some nonprofits are secretive does it make others around them secretive? similarly could there be a culture of sharing and cooperation.

4.6 Codified knowledge

While nonprofit organizations might not be associated with codified knowledge, the survey results showed that five organizations purchased some sort of codified knowledge, either reports, journals, research, and/or secondary data. Eight other organizations obtained the same type of codified knowledge without purchase. Asheim et al. (2011) described three different knowledge bases – analytic, synthetic, and symbiotic – which compose different needs of codified or tacit knowledge. Finding the requirements of nonprofit organizations would be practical for policy and funding. It could be different nonprofits require different knowledge bases, or cultures of knowledge bases get created among regions.

4.7 Summary

There are three strong indications that tacit knowledge is prevalent among, and important to, nonprofit organizations. These included:

- Some organizations attributed part of their innovation development to an actor they are not involved in a formal partnership with
- All organizations purchased some form of opportunity for tacit learning and/or networking, such as participation in conferences, workshops, or memberships to associations
- Answers such as “story telling” and “allowing ideas to flourish” as ways of stimulating creativity and new ideas among staff show the organizations’ process for harnessing tacit knowledge.

The survey results also indicated many opportunities for tacit knowledge transfer through the frequent and varied interactions that nonprofit organizations experience.

The importance of tacit knowledge for nonprofit innovation combined with the shared cultural and local issues faced at the regional level support the concept of Regional Nonprofit Systems. The idea of a Regional Nonprofit System is that a nonprofit’s ability to come up with solutions to meet the community’s needs is not only dependent on the organization itself, but also on the other nonprofits and actors within geographical proximity, and the environment in which they’re placed.

5. Discussion

There are a multitude of directions to further develop the concept and understanding of Regional Nonprofit Systems. Three will be presented in this section. The first is to look for evidence of clustering of nonprofit organizations, the second is to improve the survey to better understand the presence of global (or national) “pipelines”, and the third is to compare Regional Innovation Systems with their respective Regional Nonprofit System.

When innovation researchers want to study Regional Innovation Systems, one of the first things they can do is look for evidence of industrial clustering or co-location of firms. Many questions arise with respect to nonprofit clustering. Could we measure the ratio of nonprofits in a region to the population? Instead should we look to see if the number of organizations working with a particular population (for example youth, immigrant, senior) is proportional to the population of that group. If a research institute, with a particular interest in a societal issue, for example homelessness, exists in a region, are there more nonprofit organizations working with people experiencing homelessness. Related to clustering, and investigation could be made regarding the idea of “spin-off” and if they are present in Regional Nonprofit Systems. The UN’s Cluster Approach to disaster response could be compared.

The innovation survey in this thesis failed to gather data on the existence of global or national pipelines, nor was there reference in this thesis to National Innovation Systems, two concepts that could be very important in the study of nonprofit innovation. How do national policies towards the third sector affect nonprofits in general, and how are nonprofits working on similar issues communicating across the country.

Thirdly, once more research has been done on the existence and strength of regional nonprofit systems, a relationship between a region’s innovation system and nonprofit system could be compared. Does a strong innovation system indicate a strong nonprofit system in that region? What are the common factors, and is it similar for all regions. Some features that make up a strong RIS, such as university programs, infrastructure, recreational activities, quality of life, can carry over to the Regional Nonprofit System. These ideas could be investigated further.

6. Conclusion

This thesis began with an introduction of the two merging fields, nonprofit research and innovation research. It discussed reasons for the gap between the two fields, mainly that nonprofit practitioners don't feel innovation literature related to firms and economic growth is relevant to them, and that innovation researchers have ignore nonprofit innovation due to a lack of data. The relevance was then discussed, and implications for studying nonprofit innovation the way firm innovation is studied were presented. By understanding nonprofit innovation not only can policies be created to facilitate nonprofits to find better solutions to societal problems, our understanding of, and policies towards, social innovation and organizations falling anywhere along the spectrum between mission and profit driven, can also be improved. In addition, the study of nonprofit innovation could also aid in the understanding of innovation in general.

What followed was a literature review focused on defining nonprofit organizations as solely mission-driven, presenting the current understanding of innovation with several methods used to measure innovation, and finally the theory behind Regional Innovation Systems with a particular focus on knowledge transfer. In this section current research of innovation was combined with our knowledge of the nonprofit sector to present a definition of nonprofit innovation, to suggest a method that could be used to measure nonprofit innovation and improve our understanding of nonprofit innovation, and finally, to present a proposal for the existence and study of Regional Nonprofit Systems.

An innovation survey, in the form of an online questionnaire, was sent to 30 charitable organizations in each of four Census Metropolitan Areas in Canada. The innovation survey was based on the Community Innovation Survey 2012 and on recommendations from the Oslo Manual. Survey results were analyzed through frequency and contingency tables. There weren't enough responses to produce statistically significant multi-variant analysis, for example to find variations between regions, however some trends did emerge.

The prevalence and importance of tacit knowledge for nonprofit innovation prevailed throughout the responses. Nonprofit organizations have processes for harnessing tacit knowledge, they purchase access to tacit knowledge and networks through the participation in conference or workshops, or through memberships to associations or other nonprofits. They share frequent face-to-face interactions with

their target populations, board members, volunteers, government, and have plenty of interaction with other nonprofit organizations in the region.

Because of the prevalence and importance of tacit knowledge in the involvement of nonprofit innovation, it is possible that, like firms in Regional Innovation Systems, a nonprofit's ability to come up with solutions to meet community needs is depended on their environment and the knowledge transfers from other nonprofits and actors within geographical proximity. This could have significant policy implications in the way nonprofits are funded or the way governments address societal issues.

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Appendix A: Charity designation and category code

Canada Revenue Agency Charities Directorate

CATEGORY CODES

Welfare

01	Organizations Providing Care Other than Treatment
02	Disaster Funds
03	(Welfare) Charitable Corporations
05	(Welfare) Charitable Trusts
09	Welfare Organizations (not else classified)

Health

10	Hospitals
11	Services Other Than Hospitals
13	(Health) Charitable Corporations
15	(Health) Charitable Trusts
19	Health Organizations, (not else classified)

Education

20	Teaching Institutions or Institutions of Learning
21	Support of Schools and Education
22	Cultural Activities and Promotion of the Arts
23	(Education) Charitable Corporations
25	(Education) Charitable Trusts
29	Education Organizations, (not else classified)

Religion - Churches and Other Places of Worship

30	Anglican Parishes
31	Baptist Congregations
32	Lutheran Congregations
33	Baha' is Religious Groups
34	Mennonite Congregations
35	Buddhist Religious Groups
36	Pentecostal Assemblies (Pentecostal Assemblies) of Canada only
37	Presbyterian Congregations
38	Roman Catholic Parishes and Chapels
39	Other Denominations' Congregations or Parishes, (not else classified)
40	Salvation Army Temples
41	Seventh Day Adventist Congregations
42	Synagogues
43	(Religion) Charitable Organizations
44	United Church Congregations
45	(Religion) Charitable Trusts
46	Convents and Monasteries
47	Missionary Organizations and Propagation of Gospel
48	Hindu Religions Groups
49	Religious Organizations, (not else classified)
60	Islamic Religious Groups
61	Jehovah' Witnesses Congregations
62	Sikh Religious Groups

Canada Revenue Agency
Charities Directorate

DESIGNATION CODES

Designation A – Public Foundation

A registered charity is a “public foundation” if:

- a) It is constituted and operated exclusively for charitable purposes;
- b) It is a corporation or a trust; and
- c) It gives more than 50% of its income annually to qualified donees, usually other registered charities.

A “public foundation” must also meet conditions (b) and (c) for charitable organizations, i.e., people at arm’s length to each other must form a majority of its board of directors/trustees and its funding must come from various sources. The essential difference between a “charitable organization” and a “public foundation” is that charitable organizations focus on carrying out charitable activities, while public foundations focus on raising funds to support operating charities.

Designation B – Private Foundation

A registered charity is a “private foundation” if:

- a) It is constituted and operated exclusively for charitable purposes;
- b) It is a corporation or trust; and
- c) It is not a “charitable organization” or a “public foundation”.

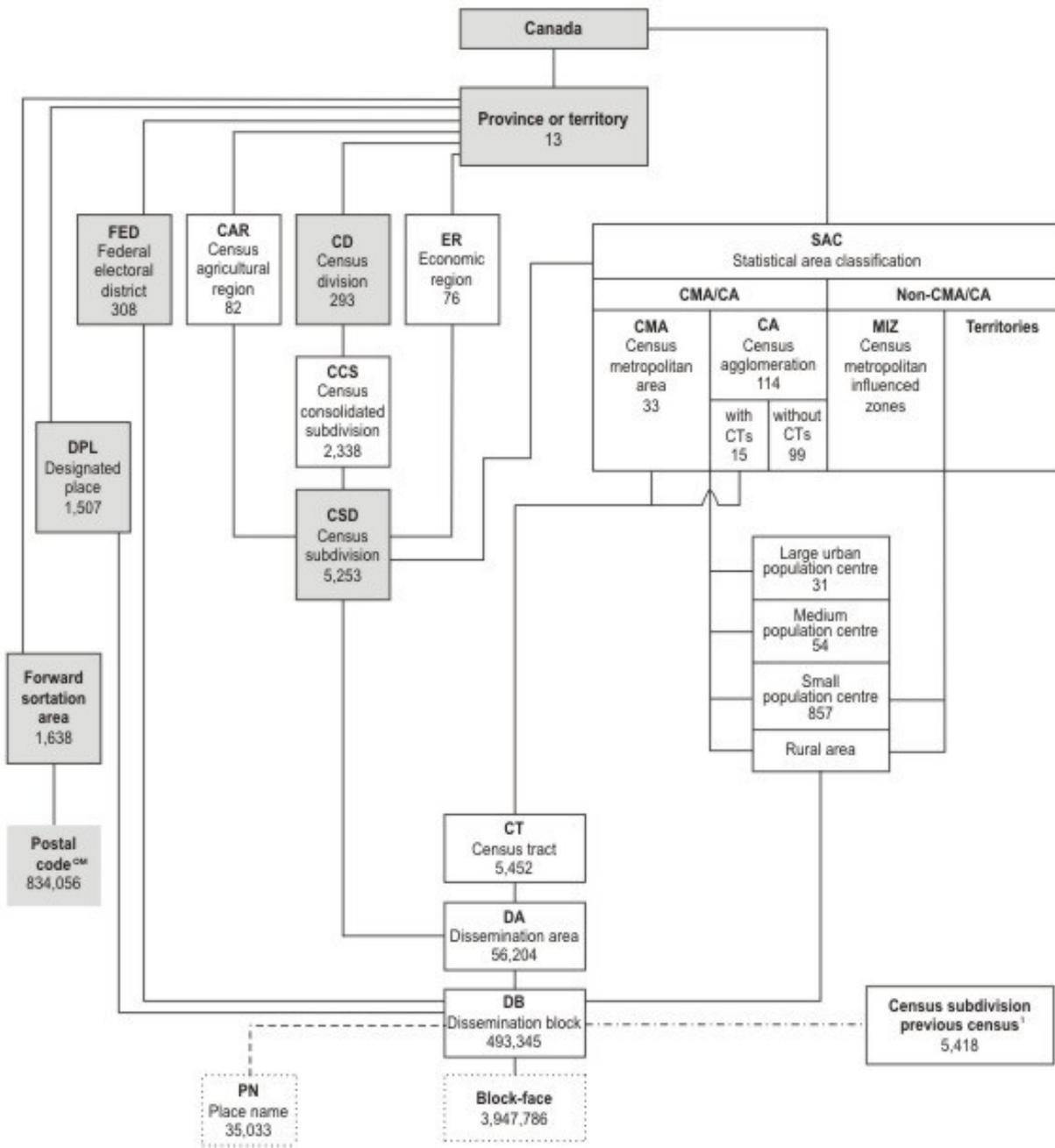
An entity is designated as a “private foundation” rather than a “charitable organization” or a “public foundation” because of the extent to which those who fund or control it are not operating at arm’s length.

Designation C – Charitable Organization

A registered charity is designated as a “charitable organization” if:

- a) It devotes its resources mainly to charitable activities carried on by itself;
- b) More than 50% of its directors/trustees deal with each other and with each of the other directors/trustees at arm’s length; and
- c) Not more than 50% of the funds that the charity has received have come from one person or organization, or from a group of people or organizations that do not deal with each other at arm’s length. However, some organizations are excepted, so that large gifts from them do not affect the charity’s designation. The excepted organizations are:
 - The federal government,
 - A provincial government,
 - A municipality,
 - Another registered charity that is not a “private foundation”, or
 - A club, society, or association that the Income Tax Act treats as a non-profit organization.

Appendix B: Geographic Units (Statistics Canada)



1. A best fit linkage is created between the previous census CSDs and the current census dissemination blocks to facilitate historical data retrieval.

- Administrative area
- Statistical area
- Polygon
- Representative point
- Best fit linkage
- Linkage using point-in-polygon process

Appendix C: Nonprofit Innovation Survey

Online survey made with createsurvey.com

Page 1

[Online survey powered by CreateSurvey](#)

Nonprofit Innovation Survey 2015

This survey collects information on your organization's innovation and innovation activities during the three years 2012 to 2014 inclusive.

Organization Details

1. Organization name
2. Charity registration number
3. Address (#, street, city/town, province)
4. * Postal Code (A#A#A#)

Person we should contact if there are any queries regarding this form

5. Name
6. Position
7. Email
8. Phone number

0%

Nonprofit Innovation Survey 2015

In this survey **"Program"** refers to any type of **program, project, campaign, initiative, service, event, or other activity**, which could be offered by a nonprofit organization, to help achieve their mission.

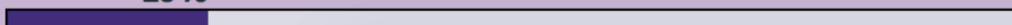
9. During the three years, 2012 to 2014, did your organization:

	Yes	No
* Implement a new program, not previously offered by your organization?	<input type="radio"/>	<input type="radio"/>
* Implement a new program, not previously offered by any organization?	<input type="radio"/>	<input type="radio"/>
* Significantly improve one of its existing programs?	<input type="radio"/>	<input type="radio"/>

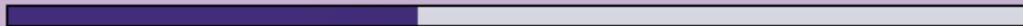
10. With respect to all new or significantly improved programs implemented by your organization during the years 2012 to 2014, how were they developed?

	Entirety (100%)	Substantially (70-99%)	About half (30- 70%)	Limited (1- 30%)	Not at all (0%)
Your organization by itself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The governing body of your chapter or affiliation, a parent association, or other organization working at this level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other nonprofit organization(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An institution, such as a hospital, jail, school, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A for-profit business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Government (local, provincial, national)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20%



an institution such as a jail, hospital, school, university	<input type="radio"/>	<input type="checkbox"/>					
For-profit business(es)	<input type="radio"/>	<input type="checkbox"/>					
Government (any level)	<input type="radio"/>	<input type="checkbox"/>					

[Submit Later](#)[Back](#)[Next](#)**40%**

Nonprofit Innovation Survey 2015

13. During the three years, 2012 to 2014, did your organization purchase or obtain the following?

	Purchased	Obtained/received without purchasing	none
Memberships (to associations, other organizations, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reports, journals and/or research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Secondary data (for example from statscan, another nonprofit, or other source)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services of outside consultants (such as lawyers, business strategists, or graphic designers)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Participation in conferences, workshops, external trainings, or similar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Certifications of staff, volunteers, or the organization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. During the three years, 2012 to 2014, did your organization use any of the following methods to stimulate new ideas or creativity among staff? If yes, was the method successful in producing new ideas or increasing creativity?

	Successful	Not successful	Don't know if successful	Method not used
Brainstorming sessions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job rotation of staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentive for staff (recognition, pizza, vacation, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Combined staff and board member activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Engagement of volunteers in the creative process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Engagement of clients in the creative process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Community or stakeholder focus groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consultation with other nonprofits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consultation with other nonprofits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consultation with government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

60%


Nonprofit Innovation Survey 2015

*In this survey “Program” refers to any type of **program, project, campaign, initiative, service, event, or other activity**, which could be offered by a nonprofit organization, to help achieve their mission.*

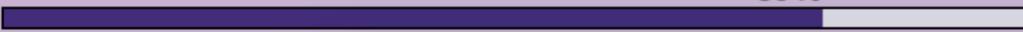
16. Please indicate how much your organization agrees or disagrees with each of the following statements:

	Strongly Agree	Somewhat Agree	Neutral	Somewhat Disagree	Strongly Disagree
We are competing with other nonprofit organizations in our region for human resources (board members, staff, and/or volunteers)	<input type="radio"/>				
We are competing with other nonprofit organizations in our region for financial resources	<input type="radio"/>				
We face barriers to sharing knowledge and expertise with others in the region	<input type="radio"/>				
Organizations with similar missions to ours exist within our region	<input type="radio"/>				
The programs we offer are unique to our region	<input type="radio"/>				
Our organization is implementing larger (provincial, international, etc) programs	<input type="radio"/>				
We could provide a detailed summary of all nonprofit organizations operating in our region and the types of programs they are offering	<input type="radio"/>				
Our organization is constantly striving to be unique, innovative, and progressive	<input type="radio"/>				
We have little interaction with other nonprofit organizations in our region	<input type="radio"/>				

Our organization enjoys and seeks recognition for our work (formal: awards, newspaper write-up; or informal: praise from community members, etc)	<input type="radio"/>				
We have solutions to meet community needs, but lack the resources to implement them	<input type="radio"/>				

[Submit Later](#) [Back](#) [Next](#)

80%



Nonprofit Innovation Survey 2015

*In this survey "Program" refers to any type of **program, project, campaign, initiative, service, event, or other activity**, which could be offered by a nonprofit organization, to help achieve their mission.*

17. *Please indicate your organization's primary motivation to innovate during the years 2012 to 2014:

- Innovate to solve observable community needs
- Innovate to continue (for example, innovate to increase funding or to operate more resourcefully or efficiently)
- Innovate to solve complex or systemic problems
- No motivation to innovate
- Other motivation, please specify:

18. If possible, describe one or more innovative, non-profit driven, program(s) you have witnessed in your region during the years 2012 to 2014. It could be program offered by your organization, another organization, or a program offered jointly by more than one organization.

100%