



MCIS Language Solutions
Your Global Voice, 1988-2019

Presentation to Special Senate Committee on the Charitable and Non-Profit Sector

Addressing the Capacity for Innovation

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Chair, Members of the Senate, thank you for inviting me to present to you today.

I would like to start by thanking you for the opportunity to speak to you today about innovation in the sector from the perspective of not exclusively MCIS Language Solutions, but over 100 stakeholders we engaged and consulted with over the past two years to understand the pressing issues and conditions that are necessary for non-profit innovation to take place. The conversation you are creating here is of utmost importance and it serves the larger conversation about how to situate non profits, charities and social enterprises, to best address our most pressing social problems.

We are impressed with the sheer diversity of voices you have heard from and will provide input as a boots on the ground social enterprise that is constantly striving to mobilise the collective voice of the sector from our unique vantage point as a multilingual hub serving a wide range of organisations across the broader public sector.

MCIS Language Solutions is a non-profit that has evolved into a social enterprise with over 70 full time staff and engaging a roster of over 6,000 interpreters, translators and a range of language and training professionals. We provide interpreting and translation services to over 800 organisations in 300 languages and dialects. Less than 10% of our projected annual revenue of 12MM (2019-2020) is from grants.

We would like to use our experience to inform this Committee about the challenges that non-profits face building their capacity for innovation, and offer some recommendations.

Our focus will be on the following three topics:

- Conditions to support innovation, research and development
- CRA regulations and their impact on innovation
- Role of non-profit advocacy in public policy innovation



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Conditions to Support Innovation, Research and Development in the Non-profit Sector

Defining the Issue

The widely used Stanford Social Innovation Review definition of social innovation is “the process of inventing, securing support for, and implementing novel solutions to social needs and problems” (1). Social innovation can happen anywhere on the spectrum, from profit making to non profit entities.

The Oslo Manual specifically defines innovation, including non-profit, 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 non-profit organization, to help achieve their mission.”(2) This then refers also to some incremental change, therefore to implementation and not just invention. Defining innovation as incremental and not only disruptive change has implications for social policy and the resultant supports that non-profits receive. It suggests the need to also track work that non-profits do on a daily basis to grow incrementally with new and improved programming.

I will use the example of MCIS’ incremental growth here. In 2006, the Board formally resolved that MCIS would earn revenue by monetising its interpreting services, bidding on contracts put out by government and quasi government bodies. This would enable MCIS to scale up to serve a more diverse group of vulnerable non English/French speaking people than covered under its grants, create additional revenue streams which would minimise reliance on government grants and generate some surplus to invest in social impact initiatives which furthered MCIS’ vision of better linguistic access for all. However, this was not easy for a bootstrapped organisation which had to grow organically. How could we bid on contracts without building capacity and how could we build capacity without earning revenue? That was our conundrum. There were few resources we could access to help us scale up. The process of growth was slow and painstaking. We offered fee for service training programs to build our interpreter database and technology infrastructure. The situation is no different now for a number of organisations that have told us their greatest need is for “innovation” and the challenge is not knowing how to scale, diversify and grow less dependent on government funding. The 2017 Bridgespan and Rockefeller Foundation report on building capacity for innovation in non-profits found this to be true for the majority of US



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non-profits as well. 60% of 145 organisations surveyed believed they had not fulfilled that aspiration to innovate and were further not set up for it. (3)

Meanwhile, it took MCIS a decade to grow tenfold and become funding independent. There was a lot of trial and error. We started fee for service training programs to build interpreter capacity. We hired MBA summer interns from the Rotman School of Business to help us design our operations and obtained project funding to build our technology infrastructure. We did all this, while competing for business in a space which is predominated by for-profit companies.

Based on our own experience and consultations with our stakeholders, we know that in Ontario the lack of a dedicated “innovation” role as well as “innovation” space positioned within non-profit organizations is the greatest barrier to non-profit innovation. This role, stakeholders suggested, would help shape organizational culture, introduce design, system thinking and technology literacy, community outreach and evidence based storytelling.

However, both the role and the space require purposeful investment into resources and clear outcomes. With organizations such as the Ontario Nonprofit Network and Centre for Social Innovation already in place to demonstrate the “how”, it will be more about knowledge transfer rather than new development.

Here I wish to point out that a strong, competent and engaged staff team and board are key to growth and innovation. However, if organisations are unable to bring any value addition due to constraints imposed by their funding and their lack of resources to innovate, they are unable to attract and retain good staff and board members. We have spoken to several millennials who are disenchanted with the non-profit sector for this reason.

- ❖ **Recommendation: Define non- profit “innovation” as referring to both disruptive and incremental growth.**
- ❖ **Recommendation: All program funding that non- profits receive from all levels of government have a dedicated line for investment in R & D and innovation and a mandate to demonstrate improvement in program delivery year over year.**
- ❖ **Recommendation: Create dedicated government funding opportunities and easy to access Social Finance opportunities to help organisations scale up and become self sustaining.**



From Predictive to Emergent Strategy for Social Innovation

The traditional method for solving social problems has been problem identification, then finding a funding source, implementing a project and then replicating it for large scale intervention. While funders do stress formation of partnerships, these are usually forced and not effective. This process, which can mean financial, organisational and political risk for the non-profit, is rigid and has a narrow and siloed focus. “Complex problems and their solutions are influenced not just by grantees, but by the behavior of many different non-profit, for-profit, and governmental actors as each entity pursues its own strategy. No funder has the resources to compel all other participants to follow its preferred strategy. This is why strategy must be co-created and co-evolve among multiple organizations, rather than be shaped independently.” (4)

Henry Mintzberg of McGill coined the phrase “emergent strategy” (5) to capture the dynamic of an intended strategy bumping up against complex realities, triggering a further evolution in strategy.



The term “emergent” implies that an organization is learning what works in practice. In this model, all actors, including funders, are participants in the system they seek to change. The behavior of one organization affects all others; therefore strategies must be co-created and must



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co-evolve among multiple organizations rather than be developed separately. Here the risk is minimised, given it is spread among many, there is learning at every stage, there is greater flexibility to adapt and pursue several alternatives as pilots, before programs are created.

At the moment, funding from government granting bodies is not structured to accommodate this. Often organisations are pitted against each other and we operate in silos duplicating efforts which results in wasteful spending. This needs to change. With the help of a digital platform, all programs offered by the sector should be entered and mapped. This will determine who gets funded for what projects and what the gaps are. Data on outputs and outcomes, from all projects and programs, must be captured here, kept up to date and made available to the public. The data will then inform future projects to be pursued.

MCIS has tried to replicate the emergent model on a small scale. We have a dedicated Social Impact Manager who has leveraged our unique position as a multilingual hub to bring stakeholders together to co-design programs and co-create recommendations for public policy changes to address language access issues. We have run two hackathons on migration and language policy (6), respectively, and an unconference on the language sector. We track our data with a willingness to share. If governments engage in this process on a large scale it will be transformative for our sector and also bring about effective social change.

- ❖ **Recommendation: Funders at all levels of government create digital platforms that map all services that not for profits and charities offer and identify duplication and gaps.**
- ❖ **Recommendation: Funders at all levels of government use the Emergent Strategy for Social Innovation to guide their funding to address complex social problems.**



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CRA Regulations and Impact on Innovation

Based on our experience, non-profits need money and resources to innovate. Both disruptive and incremental change requires investment in technology and human resources. However, there is lack of clarity among non-profits on CRA's position on income earned by them. There are several qualifying criteria that non-profits must meet pursuant to paragraph 149(1)(l) of the Income Tax Act (Canada).

At MCIS, about 4 years ago, we reached a point when we began to earn surplus which we could invest in technology and processes that would help us scale. However, the Board grew concerned that our success earning revenue would be our downfall. We therefore sought a legal opinion and now ensure that every activity we engage in ties back to our vision and mission. Our strategic direction is charted under the pillars of Growth, Capacity and Advocacy and this helps us stay true to our vision and mission. However, it took us a long time to arrive at this. It would be very helpful if CRA had clearer guidelines which acknowledge the range of non-profits that exist, on the use of surplus that they earn. If they took some of the guesswork out, organisations would be more confident pursuing revenue generating activities which would help them innovate.

- ❖ **Recommendation: 149(1)(l) of the Income Tax Act (Canada) is based on a homogenized view of non-profits, which is not the reality. It needs to be more clear and specific addressing the range of organisations that exist in the sector regarding what is permissible and what is not to qualify as a non profit.**



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The Role of Non-profit Advocacy in Public Policy Innovation

Public policy advocacy, in particular, enables participation and civic engagement leading to participatory democracy. As Nick Mule and Gloria de Santis outlined in “The Shifting Terrain”(7), the negative rep around advocacy in non-profits over the past 15 years has damaged the relationships non-profits have with their communities as well as the government and weakened the self-confidence of the sector to proactively advance the issues that are at the core of their mission and vision.

However, each instance of non-profit service has an element of advocacy because by providing services we do engage with non-partisan work on behalf of the government. Second, due to direct access to our communities, the non-profit sector could be given a much larger role in shaping public policies and educating the public on how policies are shaped. For example, the Language Policy Hackathon we co-organized in Toronto a few weeks ago with a progressive student group, the Policy Innovation Initiative, demonstrated the benefit of strategically educating and inviting the members who had been previously excluded from service design. To resolve systemic issues those who experience the problem should be able to empower themselves and become part of the solution. Finally, inclusion ensures diversity and diversity, as many previous witnesses to this committee stated, is directly proportional to the ability to innovate.

Non-profit innovation, as Howard Tam from the Fresh Think (8) told us, might not be related to technology but to the ability to build and maintain relationships, openness and trust to open the doors to crowd sourcing the best solution for all. Many nonprofits innovative solutions are technology agnostic.

- ❖ **Recommendation: All levels of government create deliberate opportunities for non-profits to manage and lead public policy creation (the Ontario Trillium Foundation’s Transform Grant is based on this idea)**



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Conclusion

We strongly believe that there are capacity and innovation activities in the sector already underway, but they have to be deliberately incentivized.

The best way to support non-profits, charities and social enterprises to create innovation in the sector is to have clear definitions as well as a commitment to innovation that translates into removing financial barriers e.g. having dedicated “innovation” staff, budget for research and development and budget for collaboration among multiple stakeholders, including academia and the private sector.

Innovation in non-profits requires all governments to leverage technology, in the form of digital platforms that centralize data and create greater transparency of the work being done by the sector and its impact on communities.

I thank you for the opportunity to contribute to this important discussion on Canada’s non-profits and charities and we look forward to your report and recommendations.



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Appendices

Appendix I: Online Stakeholder Consultations

February 18th - 21st, 2019; [public draft](#)

| 1. We believe that non-profit innovation should be embedded within the organization and that NPOs should be given resources to develop and nurture their own culture of innovation. | | | |
|--|--|---------------------------------|--|
| WHAT - ORGANIZATIONAL (CULTURE OF) INNOVATION | HOW | WHO NEEDS TO SUPPORT | COMMENTS |
| Dedicated position (role): innovation manager or coordinator | Permanent position in all NPOs over certain budget not related to individual programs to ensure continuity of effort | Government | Combined skills in education/facilitation, change management, coaching, technology and other. Important to be embedded inside the organization to help customize the level of change; <i>a [funded] position for organizational innovation is not necessarily the way to go for most NGOs.</i> |
| Dedicated place for innovation | Innovation hub ("department"), | Internal | |
| Collaboration with other NPOs and cross-sector consultations not related to grants | Part of the annual plan | Academia - partnership develop. | Relationship with Academia to involve students continuously with opportunities for experiential learning about and with the social sector. |
| Education - design and system thinking, theory of change, social impact | Mandatory part of the onboarding for staff and board members | Government grants | |
| Create opportunities for tacit learning partnering with experts, engaging consultants | Budget lines for these purposes | Grants and internal | For innovation to happen there has to be learning, partnering, engaging with consultants and experts in the field. |



2. We believe that NPO sector generates abundant amounts of valuable resources, social data, and that the data should be open by default, inform the sector whether the current design of service is responsive to the end users' needs and behaviours, and to facilitate transparency and innovation. We also believe that NPOs need dedicated position of data analyst and chief technology officer to proactively take advantage of the most appropriate technology choice.

| WHAT - RESOURCES INNOVATION | HOW | WHO NEEDS TO SUPPORT | COMMENTS |
|---|--|----------------------|---|
| No barriers to data sharing amongst non-profits | Policy - All PSA and NPOs data open by default (freely used/modified, shared) | Federal government | - Public data to be placed in "trust" as publicly managed good - 8 Principles of Open Government Data |
| Data sharing to be timely, processable, trusted and permanent | Policy | Federal government | - As the above - <i>Open data is also an Ontario government and City of Toronto initiative</i> |
| Dedicated position: data analyst | Funding - minimum of 1 data analyst per \$750K - 1M worth of program; ongoing training for the staff | Funders | Funders to agree on standardized reporting with open data principles in mind across the sector; funders to request visualization (story telling) with other reporting; accountable to report back on usability. All shareable data to be released to the public within 30 days. |
| Improving data collection capacity | Policy - NPOs to facilitate design of data collection created with public input. | Federal government | Funding - all relevant government officials/ funders to have proficiency about open data principles. |
| Dedicated position: Non-profit Chief Technologist Officer (CTO) | Funding for CTOs "on demand" | Funders | To avoid implementing technology reactively a culture of "appropriate choice" needs to be nurtured. |

3. We believe that the NPOs have a dual role of providing service as advocacy and promoting diversity. Research shows that capacity to innovate is directly proportional to diversity. Alternatively, service as advocacy positions NPOs as deliberate agents of democratic society that actively promotes principles of inclusion, tolerance and human rights on behalf of government.

| WHAT - PRODUCT (SERVICES) INNOVATION | HOW | WHO NEEDS TO SUPPORT | COMMENTS |
|--------------------------------------|-----|----------------------|----------|
|--------------------------------------|-----|----------------------|----------|



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| Service as advocacy | Policy - remove barriers to non-profit advocacy | Government | <ul style="list-style-type: none"> - Actively working on changing negative attitude toward nonprofits engaging with advocacy - Better definition of what constitutes advocacy (fairly unsettled and controversial) to be able to do their own "advocacy" - however they define it and however it makes the most sense for that organization and how they operate. |
| Service as advocacy - external perception | Increase capacity for media liaison and public relations | Nonprofits + media outlets | <ul style="list-style-type: none"> - Actively working on changing the perception of non-profit and support evidence-based journalism |
| Service as Diversity | Program funding for stakeholders to (re)design service | Funders/ government | |
| Board Diversity | Policy and 3rd party agencies to help sourcing and onboarding | Internal, Municipal, Provincial | Enabling unconventional pathways for "End User to Board Member Cycle", % commitment to diverse board) |

4. We believe that NGOs must be incentivized to be encouraged to remove barriers to innovation and idea implementation and to transform into project or matrix based organizational structures. Internal incentives also need to be in place to award individuals within the NGOs who actively embrace learning, flexibility and proactive collaboration with private and public sector.

| WHAT - PROCESS INNOVATION | HOW | WHO NEEDS TO SUPPORT | COMMENTS |
|---|--|--------------------------|--|
| Removing barriers to idea generation and implementation | Policy and place - dedicated | Internal | Is Your NPO Built for Sustained Innovation |
| Incentivize idea IMPLEMENTATION | Policy, time, money | Internal | |
| Project or matrix based org structure | Policy - Change organizational structure | Internal | Loose team, agility - could be transferred to organizational culture category but the most important function of it is to enable idea pathways which why we left it here |
| Job rotation | | Internal - HR | |
| Social value in its "modernizing purchasing" goals | Policy – Social procurement | All levels of government | |



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| Innovation with outsiders (a diversity of views from diverse stakeholders) | | | |
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| WHAT ELSE IS MISSING | WHO ELSE IS MISSING | WHAT IS CRUCIAL TO IMPROVE | WHAT ARE THE CRITICAL PATHWAYS |
|---|---|---|---|
| The Tax and fundraising laws are too harsh on not-for-profits - limited ability to raise funding | People like you are missing to lead the change. There needs to be more people. | Dedicated funding to be specifically allocated for innovation related activities from funding organizations. | Not for Profit Funding reform , Philanthropy reform. |
| Affordable public spaces for public events like the hackathon. | Progressive Minded Volunteers are missing | Donors' willing to take risks. | Corporate social responsibility - corporate people to volunteer. |
| Organizational motivation and capacity to innovate | Progressive Minded Donors are missing | CRA'sa attitudes - stop threatening not-for-profits with CRA audits | Subsidize access to public spaces for not for profits. build affordable office spaces for not for profits? |
| Training and education on the roles of the various kinds of professionals needed in innovation, why they are needed, and how to recruit and manage such teams | Facilitated connections with vetted technologists, designers, researchers, product managers, etc who are vested in the success of the NFP sector and FOR-PROFITS! we need to acknowledge that innovation comes from all fields! | Promotion of flexibility and new ideas about METRICS - ie what is success and how to measure it. It may require longer time frames- while recognizing the obligations of public funding and the importance of good, responsible governance. It may also be non-linear: needing the "freedom to fail"- learn from mistakes, regroup and improve. | Give recognition to the NFP orgs for being the experts in the social and human challenges they want to solve. Professionals in the field of innovation have a knack to question everything as part of their work. It is a tricky balance of respecting where everyone is coming from, in order to work constructively and collaboratively together. Otherwise, we fall back into the siloed behaviour of sticking within the NFP for talent, but missing out on what other sectors can bring to the table. |



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| <p>Government grants that are fewer and less onerous requirements, such as when they say that funds cannot be used for salaries, when they are one time only or cannot be in conjunction with another similar grant. Often grant periods are very short and/or reporting requirements very onerous, which can prevent smaller organizations from applying since they lack the admin resources to follow up.</p> | <p>Govt to acknowledge (and promote) the link between innovation/ entrepreneurship and newcomers, youth, marginally employed and low income- those traditionally excluded from the mainstream economy.</p> | | <p>Take an action-research approach: form a number of digital innovations team “on demand” to work with NFP organizations address specific problems. Observe and document the process and outcomes. Revise the format of the digital team and services offered to work with another group of NFP. Iterate this through at least 2-3 cycle, with the added objective of making such service affordable and meaningful (probably using the on-demand model!)</p> |
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Appendix II: In Person Stakeholder Consultations

Centre for Social Innovation, February 22, 2019 (Organizers: WelcomeHomeTO and MCIS Language Solutions)

| TOPICS | ISSUES and SOLUTIONS |
|--|---|
| <p>I. Funding non-profit innovation (NPIInn)</p> | <ul style="list-style-type: none"> ● No budget for community engagement - how do you know what you want to solve without asking community what kind of solution they need ● More flexibility/ less rigidity about the outcomes; more co-creation ● Community <i>innovation</i> needs to be embedded in funding the projects ● Grassroot type of innovation is already happening in many NPOs but there is no money to sustain it or scale |
| <p>II. Where to start</p> | <ul style="list-style-type: none"> ● Problem solving WITH community is even more relevant to NPOs than to FPs because NPOs solve <i>real</i> life problems, more essential and more expensive for society; also NPOs need more time and resources to be able to experiment with innovation |



| | |
|--|---|
| | <ul style="list-style-type: none"> • How do we find the tools/ how do I create structural solutions for community benefits? |
| III. Regulatory challenges - ability to generate revenue | <ul style="list-style-type: none"> • Innovation is often considered as profitable, and to create profitable you need the best people in the sector. In that sense NPOs must generate <i>and retain</i> some of the income generated from their activities first to be able to staff and attract the talent. • Project based grants do not stimulate the innovation (20 % overheads or no staff time allocation definitely does not help with motivating NPOs to grow) • Funders needs to start thinking about the cost of not investing into developing social capital; to introduce the SROI in addition to ROI |
| IV. Federal Strategy for NPOInn | <ul style="list-style-type: none"> • The way NPOs are looked at is too homogeneous - interest-based clusters would work better (some attempts made the ONN e.g. movement toward public benefit non-profits, hybrids – but this is not sufficient) • If the goals of increasing innovation is to compete globally and attract right people, skills and partnerships for innovative eco-systems and create respective “super clusters” - NPOs need a super-cluster or a national incubator too (gap) responsible for budgeting, allocating fund, nurturing a national incubator of projects and creating opportunities for extra support, loans, and digital platforms • Digital platform in particular would be useful to NPOs a one stop shop that is accessible (funding, opportunities, people, regulations) - similar to the Funding Portal model |
| V. How to mobilize NPOs on the issue of NPOInn | <ul style="list-style-type: none"> • Currently lacking internal knowledge and motivation • Currently lacking system thinking perspective - organizations are learning how to e.g. design thinking as they progress... individual innovating pilots do happen but results are not always monitored to see the collective impact of small incremental changes happening elsewhere • Grants for collective impact (OTF) are not in place any longer • NPO competition and silo operating still prevents collaboration |
| VI. What would qualify as NPOInn | <ul style="list-style-type: none"> • Confusion about innovation exists in the for profit sector too • Research shows that criteria include: 1. creativity/ creative thinking mindset, 2. confidence (design is only one of the ways used to develop that) and 3. the culture and that enables the risk and failure • In NPOs, innovation should be both incremental (inclusive of what is happening now) and disruptive. Both should be tracked and measured. • The language of innovation is not clear - the 1st step would be to agree on SHARED LANGUAGE/ VOCABULARY - in terms of the scope and terminology |
| VII . Incentives | <ul style="list-style-type: none"> • The incentives are (research shows), increased retention, engagement, more ideas, leading to better ideas, leading to more innovation • Building leaner organizations |



| | |
|--|---|
| <p>VIII. How to fund NPOInn?</p> | <ul style="list-style-type: none"> • Funders must understand the component that involves risk, failure and time. The thinking around this MUST change. • Funders and NPOs must investigate assumptions about what NPOs can and cannot do and measure - challenge assumptions with research! • 5-10% funding above the grant level to be allocated for purposeful redesign of services or other innovation, otherwise the service remains fixed, rigid, based on the terms of contract that cannot be changed • Replicate the for profit experiments e.g. NextCanada - selecting NPOs projects and individuals that Gov will invest into • Replicate GoFundMe for NPOs - open smaller projects online, collect public votes, and invest e.g. 20 best projects with measurable outcomes and long term outcomes; a # of community projects could be decided upon this way • More funds for longitudinal studies and metrics around capturing incremental change |
| <p>IX. Governance and Leadership related to NPOInn</p> | <ul style="list-style-type: none"> • Board education around how to support innovation is missing - challenge around attracting Millennials to Boards and even more challenges anticipated in the future when they will inherit the current system that is lacking the speed and agility already • Utilize academia based integrated work opportunities - students placed in non profit to lead innovation and organizational change, data sharing and influence breaking the silo • Stimulate faster turnaround of the boards (% of the board to change within X years but balance this with retaining institutional memory) to eradicate apathy and complacency |
| <p>X. Projects and quick wins</p> | <ul style="list-style-type: none"> • NP Innovation Digital Platform: All problems listed with all solutions currently provided (mapping gaps, who is doing what to avoid duplication, see how many NPOs are on one particular issue); new non profit to be “approved”/decided upon based on this map; ensures transparency) • All reporting to funders to be data-vized, and released back to the public within 30 days • Revive the idea of Collective Impact grants • Bring back into the public eye the efforts around Open Data Directory - the commitment is not currently demonstrated, no info about where we are provincially • Find ways to connect NPOs to have a collective voice (unionize?) • Create a national equivalent of ONN to support innovation • Create opps for NPOs to have consultations continuously • Find a parliamentary committee responsible for NPOInno and liaise • Survey of EDs across Canada on capacity for innovation (<i>easy win</i>) - Rockefeller Study |