

Drucker on Innovation in the Social Sector

“Innovation is *change that creates a new dimension of performance*. All nonprofit organizations must be governed by performance, not merely good intentions... In the social sector, as in business and government, performance is the ultimate test of an organization. Every nonprofit organization exists for the sake of performance in changing people and society... In the years ahead, America’s nonprofits will become even more important. As government retrenches, Americans will look increasingly to the nonprofits to tackle the problems of a fast-changing society. These challenges will demand innovation.”

— Peter F. Drucker, *remarks on the Peter F. Drucker Award for Nonprofit Innovation*

Drucker’s Five Principles of Innovation

From Innovation and Entrepreneurship by Peter F. Drucker

1. “Purposeful, systematic innovation begins with the analysis of the opportunities. It begins with thinking through...the sources of innovative opportunities.”
2. “Innovation is both conceptual and perceptual... Successful innovators...look at figures, and they look at people. They work out analytically what the innovation has to be to satisfy an opportunity. And then they go out and look at the customers, the users, to see what their expectations, their values, their needs are.”
3. “An innovation, to be effective, has to be simple and focused. It should do only one thing, otherwise, it confuses. All effective innovations are breathtakingly simple. Indeed, the greatest praise an innovation can receive is for people to say: ‘This is obvious. Why didn’t I think of it?’”
4. “Effective innovations start small... They try to do one specific thing.”
5. “A successful innovation aims at leadership [within a given market or industry]... If an innovation does not aim at leadership from the beginning, it is unlikely to be innovative enough, and therefore unlikely to be capable of establishing itself.

Drucker’s Seven Opportunities for Innovation

From Innovation and Entrepreneurship by Peter F. Drucker

1. “The unexpected—the unexpected success, the unexpected failure, the unexpected outside event”
2. “The incongruity—between reality as it actually is and reality as it is assumed or as it ‘ought to be’”
3. “Innovation based on process need”—perfecting a process that already exists, replacing a link that is weak, or supplying a link that’s missing
4. “Changes in industry structure or market structure that catch everyone unawares”
5. “Demographics”—changes in a population’s size, age, composition, educational level, employment status, or income
6. “Changes in perception”—when the customer goes from seeing the glass as half empty to seeing it as half full
7. “New knowledge”—and not just technical or scientific breakthroughs, but the innovative use of this knowledge to create a new product or service