

Chapter 3

Thriving Within the Turbulence: A Complexity Theorizing Approach to Social Innovation by Nonprofit Organizations

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ABSTRACT

This chapter embraces complexity theory as a basis for theorizing social innovation in nonprofit organizations (NPOs) operating in the Australian disability sector, which is currently grappling with the implementation of a disruptive policy reform leading to a paradigm shift in the funding of disability support services, the National Disability Insurance Scheme (NDIS). To cope and thrive within a new NDIS-fueled marketplace, disability NPOs need to pursue socially innovative agendas. Through a review of cross-disciplinary literatures on social innovation and the use of a complexity theorizing approach that integrates multiple theories (i.e. institutional theory, resource dependence theory, and user innovation theory), this chapter proposes a holistic complexity-based framework that can potentially: explain how disability NPOs develop social innovations operating at the edge of chaos, help improve the ability of research to tackle societal and managerial problems, and hence strengthen management scholarship.

INTRODUCTION

Social innovation is a highly complex, interdisciplinary phenomenon characterized for its chaotic dynamics (Taylor, Torugsa, & Arundel, 2018) and its propensity to cross-cut the boundaries of the private, public, and nonprofit sectors (Caulier-Grice, Davies, Patrick, & Norman, 2012; Nicholls & Murdock, 2012). Within the fields of management and organizational studies, the concept of social innovation has gained immense popularity amongst scholars following its relatively recent emergence in the literature

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(Phillips, Lee, Ghobadian, O'Regan, & James, 2014). Although most commonly defined as “a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (Phills, Deiglmeier, & Miller, 2008, p. 39), social innovation is largely recognized for its underdeveloped and contested conceptualizations (Ayob, Teasdale, & Fagan, 2016; Howaldt & Schwarz, 2017), which renders it a pre-theoretical research field.

The aim of this chapter is to explore this perplexing problem-domain by adopting a ‘complexity lens’ to holistically interpret the intertwined forces propelling social innovation within organizational contexts. The authors consider the role and impacts of social innovation as it unfolds in nonprofit organizations (NPOs) operating in a national sector grappling with rapid states of change. Specifically, this chapter outlines a review of germane cross-disciplinary literatures to uncover new theoretical perspectives of the dynamic social processes behind this phenomenon.

The authors use NPOs operating in the Australian disability sector as an illustrative example of how organizations are able to adroitly manage high-stakes and often turbulent change processes within multi-stakeholder environments. With disruptive changes occurring in the wake of a new social policy reform, the National Disability Insurance Scheme (NDIS) (Connellan, 2014), Australian disability NPOs are discarding outworn ways of operating as they attempt to fulfil a critical new imperative to develop socially innovative solutions. In this environment, the social innovations stemming from disability NPOs are multifaceted and are designed to improve service quality, increase organizational responsiveness to client-driven demands, and enhance efficiencies for greater competitiveness and viability (Connellan, 2014; Green & Mears, 2014).

Yet despite the intensifying pursuit of social innovation by managers in these organizational contexts, the current theoretical models found in the scholarly literature fail to adequately explain the dynamism and complexity of this phenomenon (Lettice & Parekh, 2010; Westley & Antadze, 2010). For instance, it is by no means clear how disability NPOs can purposefully foster socially innovative behaviors as they operate in tumultuous external environments, and nor is apparent how the inherent sources of complexity embedded within these contexts may also impact upon their efforts to develop social innovations (Chalmers & Balan-Vnuk, 2012).

To better deal with social innovation’s nonlinearity and uncertainty and to develop logical steps on the road to theory advancement, this chapter puts forward a complementary theoretical approach that blends several theories, i.e. what is known as ‘complexity theory’ (Burnes, 2005). This approach rests on the premise that the complexity of social innovation cannot be explained by an isolated theory on its own, and that linear hypotheses need to be replaced by dynamic trajectories within and across ensembles of systems (Byrne, 2005). In order to explain the multiplicity and interactivity of factors across nested scales of reality, the authors take a broad-angled view of the disability NPO operating environment. This view includes the activities of regulatory entities (i.e. governments), sector-wide networks comprising organizational alliances and/or competitors, and communities of individual consumers, including people with disabilities. This web of connectivity forms the systemic field under study.

The framework put forward in this chapter incorporates the following theories most relevant to the social innovation phenomenon within the context of disability NPOs: 1) the regulatory forces underlying social innovation development are expounded through a discussion of institutional theory (Kraft & Furlong, 2013); 2) resource dependence theory is linked to the effects of resource-scarcity, competition, and collaborative opportunities in this sector (Pfeffer & Salancik, 2003); and, 3) the impetus to instigate consumer-led design processes is explained through user innovation theory (von Hippel, 1986; 2005).

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