



Stanford PACS
Center on Philanthropy
and Civil Society

REFLECTIONS ON PHILANTHROPY

FROM THE 2017 PHILANTHROPY INNOVATION SUMMIT

ABOUT STANFORD PACS

Stanford PACS is a research center for students, scholars, leaders, and practitioners to explore and share ideas that create social change. Its primary participants are Stanford faculty, visiting scholars, postdoctoral fellows, graduate and undergraduate students, and philanthropists, nonprofit, and foundation practitioners.

Stanford PACS has relationships with five schools at Stanford University (Humanities & Sciences, Engineering, Education, Business, and Law) and more than 15 departments, and we leverage the intellectual assets of a diverse, world-class faculty across the university. This provides a unique platform to create knowledge and share it with the nonprofit and for-profit communities in Silicon Valley and globally.

Stanford PACS offers postdoctoral fellowships, PhD fellowships, and financial support for undergraduates completing honors thesis work. Additionally, Stanford PACS sponsors regular public speaker programs and symposia and philanthropy salons that include speakers who are well-known public intellectuals, philanthropists, and academic, foundation, and nonprofit leaders.

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ABOUT STANFORD SOCIAL INNOVATION REVIEW

Stanford Social Innovation Review (SSIR), published by Stanford PACS, informs, energizes, and motivates social change leaders from around the world and from all sectors of society —nonprofits, foundations, businesses, academia and government. Through an array of channels—daily online content, a quarterly print publication, monthly webinars, thematic conferences, podcasts, asynchronous learning assets, and more—*SSIR* bridges research, theory, and practice, and addresses a wide range of social issues (including economic development, human rights, public health, and education) and solutions (like impact investing, social entrepreneurship, and nonprofit business models). *SSIR*'s award-winning content is created for and by current and future social change leaders.

It is *SSIR*'s mission to advance, educate, and inspire the field of social innovation.

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EXECUTIVE SUMMARY

Every two years, the Stanford Center on Philanthropy and Civil Society hosts a Philanthropy Innovation Summit. At this day-long event, peer philanthropists, Stanford faculty, scholars, and leaders share their inspiration and expertise, authentic stories of successes and struggles, and results-oriented approaches to social change.

At this international convening, individual and family philanthropists connect in order to brainstorm with one another, leverage Stanford PACS research to catalyze effective philanthropy, and take away actionable ideas, best practices, new strategies, and new networks with which to amplify one's impact as a philanthropist.

This collection of articles, written by individuals at the Philanthropy Innovation Summit, expresses key themes, learnings, and questions that emerged throughout the day. By sharing these reflections, we hope philanthropists and social change leaders around the world will be better informed and even more motivated to leverage strategic philanthropy in tackling society's most pressing challenges.

Videos and additional materials from the Philanthropy Innovation Summit are available at: pacscenter.stanford.edu/summit2017learning

FROM INNOVATION TO IMPACT:

LESSONS ON HOW PHILANTHROPY CAN SUPPORT PROBLEM-SOLVING

By Kathleen Kelly Janus

Innovation in social entrepreneurship is critical to solving the world's most pressing social problems, such as rising inequality and persistent poverty.

The good news is that in recent years, the sector has seen an explosion of innovation, with rigorous methods like *human-centered design* leading to more testing of pilot projects, the development of solutions that are more responsive to the needs of beneficiaries, and the implementation of better methods of measuring actual impact. Yet as Johanna Mair and Christian Seelos point out in their comprehensive review of nonprofit innovation practices, many mistakes are being made. Too many organizations are devoting too much of their scarce time and money to flawed ideas, aren't abandoning approaches quickly enough that fail to produce results, or, on the flip side, aren't allowing enough time to test for results and then modify programs to improve them.

Philanthropists can play a critical role in fostering more effective innovation. But many donors are reluctant to play an active part in funding innovation, in part because they consider themselves ill-equipped to evaluate the risks involved and whether they are worth taking. The donors also aren't confident that they can identify which organizations are best prepared to manage the process successfully. Additionally, many funders categorize innovation as an overhead expense rather than a program expense, and their policy is not to fund overhead. As a result, donors often default to funding programs that have already proven their impact, leaving minimal financial support for critical research and development.

So how can philanthropists do more to support innovation? Here are some

key lessons I have uncovered in my conversations with leading experts in the field:

- 1. Focus on the problem as opposed to the solution.** As I found in my research on early-stage nonprofits for my forthcoming book *Social Startup Success*, the best innovators fall in love with solving the problem, not with a particular solution they're testing. According to Jim Bildner of Draper Richards Kaplan, a funder of early-stage social entrepreneurs, donors must focus on funding organizations that take this kind of "problem-centric" approach as opposed to tying their funding to specific solutions. For example, Seelos and Mair highlight the way that Gram Vikas, a social enterprise that brings water and sanitation to rural Indian communities, set forth the reducing of gender and caste inequality as the problem it wanted to solve. The organization tried various tangential approaches, such as developing a biogas to improve electricity access, and rigorously assessed which were actually solving that problem, discovering that the most effective way it could advance the mission was to pursue other efforts that matched its mission.
- 2. Don't give up too soon.** In the venture capital world, investors often double down when companies don't make profits as quickly as they'd hoped. By contrast, philanthropies often withdraw funding too early when a nonprofit isn't showing results. A few organizations that achieved rapid-fire success, such as Kiva.org, the microfinance crowdfunding platform, have led to something of a mythology about

how quickly results should be seen. Kiva benefited from an exceptional publicity opportunity—the founders appeared on *The Oprah Winfrey Show*, which generated \$11 million in donations in a single day. Most innovative solutions require decades to develop, with multiple failures along the way that help organizations hone their approaches. Funders should provide "patient capital" in the form of multiyear, unrestricted grants that allow organizations flexibility in developing their approaches.

- 3. Embrace failure as the route to success.** Most nonprofits are in a constant race to raise their next round of funding, and the emphasis by funders on showing results incentivizes them to focus on touting their successes rather than sharing about their failures. This leads to less risk taking and therefore less innovation. As Christian Seelos says, "Most new ideas are bad ones." By acknowledging that failure is inevitable along the way to finding a good solution, and reframing failure as a learning process, funders can play a crucial role in creating a safe space for nonprofits to take more risks and to reveal vital information about which of their programs are working and which aren't. That allows for better development of programs. One funder I talked with, *New Profit*, has a great approach to this, asking every nonprofit that walks in the door to tell them about a program that's not working, starting the relationship off with a spirit of openness and collaboration.

4. Acknowledge who is getting shut out of support for innovation.

The data on funding reveals a significant racial and gender bias in grants to early-stage organizations. This is seriously limiting the ability of the sector to tap the talents of social entrepreneurs who can bring valuable experience and fresh insights and perspectives to problem solving. Funders who want to address this injustice can help level the playing field by (a) purposefully identifying leaders from a diversity of racial, gender, and socioeconomic backgrounds to support; (b) opening up their networks to introduce underrepresented leaders to other funders; and (c) helping with capacity building by coaching these leaders, perhaps even taking a seat on their board, as Draper Richards Kaplan does with all of the organizations they fund.

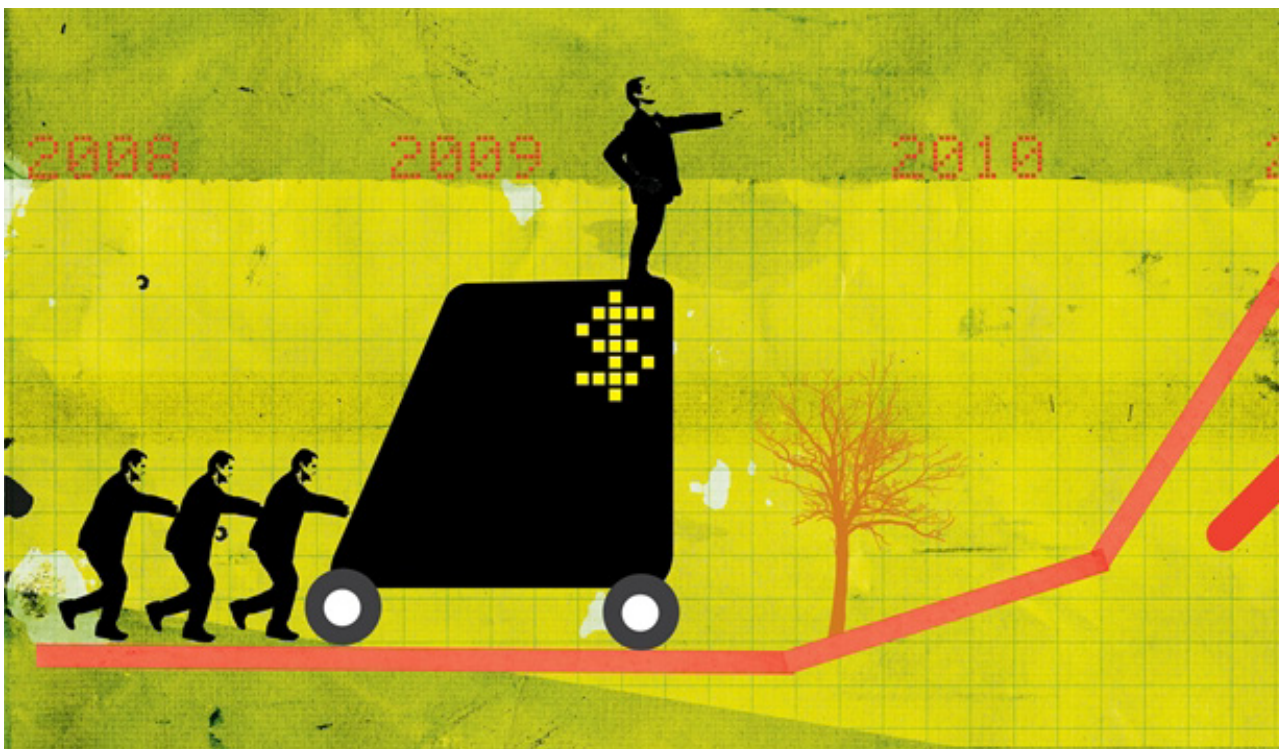
We are living in exciting times for social innovation. The sector is booming, with university programs rapidly expanding, more and more organizations making better use of tools for testing ideas and measuring impact, and growing public awareness of the vital role that social entrepreneurs play in innovating bold solutions. By more vigorously funding innovation, philanthropy can provide jet fuel to accelerate the problem solving. The severity of the massive social problems that people all around the planet are facing makes doing so an urgent mission.

Kathleen Kelly Janus is the author of [Social Startup Success](#).

Johanna Mair and Christian Seelos, whose work is referenced in this article, are the directors of the [Global Innovation for Impact Lab at Stanford PACS \(GIIL\)](#). GIIL develops and shares knowledge on social

innovation and organizational strategies that is portable across geographies, sectors and issue domains. Through research partnerships with foundations, government and multilateral agencies, organizations in the social and private sector, and academic institutions, the Lab develops diagnostic tools and publishes its research findings both in scholarly journals as well as in practice-oriented outlets such as [PACS Stanford Social Innovation Review \(SSIR\)](#). Tools and publications are shared through this website, and at in-person workshops, salons, and public events.

Learn more at:
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