



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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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

INNOVATING PHILANTHROPY

By Kathleen Kelly Janus

As former Carnegie Corporation president John Gardner once said, “Wealth is not new. Neither is charity. But the idea of using private wealth imaginatively, constructively and systematically to attack the fundamental problems of mankind is new.”

In the 20th century, titans of American industry—including Andrew Carnegie, Henry Ford, and John D. Rockefeller—helped professionalize philanthropy, pioneering the creative use of wealth to solve social problems. Today, a new set of leaders is helping the field tackle social and environmental problems while pushing the limits of innovation, often leveraging the very types of approaches that led to their financial success in the first place. At the recent *Stanford Center on Philanthropy and Civil Society Philanthropy Innovation Summit*, many of these leaders revealed how they’re using powerful technology, inventing new financial models to better leverage capital, and rigorously focusing on getting proven results to maximize their impact.

Once considered charity, philanthropy has been redefined as experimentation capital for the public sector. Stanford professor and scholar of philanthropy Rob Reich, who writes about the role of philanthropy in democratic societies, highlighted that one of the most important roles of philanthropic capital is funding “extra-governmental democratic experimentalism.” And yet Reich and other critics of modern philanthropy argue that the unchecked power by some of the wealthiest members of our society requires scrutiny. Foundations that exist in perpetuity are “unaccountable except to a hand-picked assemblage of trustees,” he writes, questioning whether such institutions are compatible with democracy.

Philanthropies have been taking the lead in piloting risky, unproven approaches to tackling many of the most difficult social problems. Take the example of the \$100 million education fund launched by Netflix founder Reed Hastings, which has supported the development of a range of innovative approaches to improving education, such as the *Knowledge is Power Program* (KIPP), a national network of charter schools. KIPP has rigorously assessed efforts such as ways to better integrate technology into classrooms, and is now sharing lessons learned with the public education sector.

Microsoft co-founder Paul Allen founded the Allen Institute for Brain Science to take a “high-throughput” approach to cell science research, funding a large volume of experiments that incorporate cutting-edge technologies like laboratory robots.

And as an approach to solve the decline in jobs due to technology and ultimately eradicate wide-scale intractable poverty, eBay Founder Pierre Omidyar and Facebook co-founder Dustin Moskovitz and his wife Cari Tuna have both funded *Give Directly*. The nonprofit is piloting a Universal Basic Income project in Kenya that will provide 26,000 people with a modest income for 12 years and evaluate the outcomes.

Many organizations are using sophisticated new data analytics tools. Palantir, a leading player in the booming field of “big data,” has made its massive data gathering and computing power available to nonprofits, such as *Mercy Corps*, which is using analytics to anticipate large-scale refugee crises, allowing the organization to better prepare for distribution of relief supplies

like food and water. Analytics are also being applied to much more rigorous evaluation of program effectiveness. *GiveWell*, for example, conducts in-depth data-based research in order to determine the social good generated with each dollar spent on programs, publishing that information on its website to help donors make better decisions about where to allocate their funds.

The use of data by nonprofits to strengthen democracy and promote civic action has flourished, creating a vigorous “digital civil society,” as it’s been dubbed by the *Stanford Center on Philanthropy and Civil Society*, which is championing the direction of philanthropic funds to data security for advocacy organizations, to protect their clients and staff.

Creative new forms of philanthropic financing are being developed, leveraging the power of market-based business models to address social problems. The *Bill & Melinda Gates Foundation* has made equity investments in the pharmaceutical industry on a for-profit basis, which develops drugs they then distribute through nonprofit organizations, in order to both advance the development of medications and improve their distribution to the poor. And the *Omidyar Network*, founded by Pam and Pierre Omidyar, which describes itself as a philanthropic investment firm, has furthered the cause of impact investing—the investment of funds for the dual purposes of furthering the social good and earning financial return. Omidyar developed a model for diversifying investments across a spectrum, from successful commercial ventures to “subcommercial” ones, which are having significant social impact but are not yet profitable to the giving of grants, which it calls its

“returns continuum framework.” Like Omidyar, Emerson Collective, founded by Laurene Powell Jobs, has applied a portfolio management philosophy to its financing of organizations, diversifying its contributions across an array of nonprofits, social enterprises, and fellowship programs.

Venture philanthropy—applying a venture capital funding model to the nonprofit sector—is another new way that business models are being used to support social entrepreneurs. The Draper Richards Kaplan Foundation, founded by venture capitalists William

Draper and Robin Richards Donohoe and later joined by former Goldman Sachs Vice Chairman Robert Kaplan, has pioneered the application of the venture funding model to philanthropy. The Foundation provides early-stage financing to organizations, rigorously selecting them based on their growth potential and impact, and as venture firms do, also takes an active role in guiding the future of the organizations, mentoring their leaders and taking seat on their boards.

Another frontier in philanthropy is the redirection of efforts making up for deficiencies and inequities in economic

and social systems. As Ford Foundation President Darren Walker wrote in his 2015 annual letter, “*Toward a new gospel of wealth*,” Ford is refocusing its efforts to address failures of the market system and “foster a stronger safety net and a level playing field.” Arguing that other philanthropic organizations broadly adopt this mission, he quotes Martin Luther King, Jr., who said “philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary.”

Other organizations are addressing the philanthropic sector’s own glaring inequities. Faced with the reality that approximately 95 percent of the \$60 billion awarded each year by US foundations goes to White-led organizations, Leah Hunt Hendrix founded *Solidaire*, a group of philanthropists that supports grassroots organizations run by leaders from within under-resourced communities, with a particular focus on women and leaders of color.

With more than \$373 billion in annual giving, or 2 percent of the US GDP, going to nonprofits, perhaps no mission is as urgent for the philanthropic sector as finding better ways to allocate those funds to optimize impact. The good news is that the sector has never been more innovative. The new pioneers of philanthropy are spearheading not only stronger leadership across the sector, but an explosion of interest among the up-and-coming generation of leaders in working hard to make the world a more just place.

*Kathleen Kelly Janus is the author of *Social Startup Success*.*

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