



Intentional Innovation

*How Getting More Systematic about Innovation Could
Improve Philanthropy and Increase Social Impact*

August 2008





**Intentional Innovation:
How Getting More Systematic about Innovation Could
Improve Philanthropy and Increase Social Impact**

**Prepared for the
W. K. Kellogg Foundation**

August 2008

By Gabriel Kasper, *Monitor Institute* and Stephanie Clohesy, *Clohesy Consulting*

TABLE OF CONTENTS

Foreword	4
Introduction – Three Short Stories about Systematic Innovation	6
A Framework for Thinking About Innovation in Philanthropy	11
Setting the Conditions	14
Problem or Opportunity Definition	15
Idea Generation	18
Piloting & Prototyping	22
Diffusion & Scaling	26
Culture for Innovation	29
Opportunities for Innovation in Philanthropy	34
Roles in the Innovation Process	57
Conclusion	65
Selected Resources	68

FOREWORD

By Sterling Speirn, Anne Mosle and Tom Reis, W.K. Kellogg Foundation

Innovation is about what's new and what's next. It's about that exciting leap forward into uncharted territory.

Innovation is also about what works... better. It's about that incremental step forward that makes old ideas new again and repurposes the familiar into the unexpected.

Innovation—whether small or incremental, large or disruptive—is about change. For most of us the idea of “innovation” is laced with positive and desirable assumptions about something that will be shinier, faster, cooler, better than whatever we have. For some, innovation also comes with questions about whether we really need so much that is “new”—and if the new things are so great, then how do we help everyone to get them?

The W.K. Kellogg Foundation, along with many of our sister foundations, has a long history of supporting social innovators around the world. But at a time when the roles of the sectors are shifting, new technologies are emerging by the minute, and the number of uncertainties is growing, there is a concern that foundations could become less relevant and less effective if we don't work even harder to examine old assumptions and refresh our approaches.

To help spark and sustain a conversation about innovation in the social sector, we partnered with two firms with deep expertise in these issues—the Monitor Institute and Clohesy Consulting. This report represents the findings of our work together, pulling into one place the best of current innovation theory and practice, and exploring how innovation could become a more consistent and reliable commodity for social good. We want to stress the ideas, methods, tools and “value statements” in this report were not created or developed by this foundation. We ourselves are early stage learners and users of these tools and concepts—not “the experts.” Indeed we hope you interpret this report as a learning dialogue versus a lecture. The report itself could perhaps be viewed as a “rapid prototype,” far from complete yet sufficient to create ongoing dialogue, and so we invite your engagement to improve and refine the content moving forward.

Having set that context, the innovation landscape—as we observed it at the start of this project—is characterized by several interrelated assumptions:

- **The social sector is rich in innovation.** Every day people all over the world meet their own needs and those of others, including scarcity and hardship, with ingenious new ideas and adaptations of materials and concepts to their particular purposes.
- **Too many social innovations seem episodic and isolated.** Often those innovations created out of immediate and urgent needs tend to stay in too small a sphere without appropriate resources to grow to scale.
- **A systematic commitment to innovation seems to yield greater benefits** to more people over time. With systematic innovation, needs and opportunities are carefully understood, the search for ideas is open, and the culture nurtures the development and scaling of innovations to yield a continuous pattern of innovation. The business sector and some areas of government have typically made the boldest commitments to systematic innovation; yet the social sector—on the front lines of so many of our planet's and our communities' most challenging situations—is only just beginning to explore more systematic approaches.
- **New technologies are changing the social sector.** Emerging technological tools give us new options for how we connect with others, share information, and do our work. Technology literally is changing how we think.

Working from these assumptions, we went out to learn more so that we could understand what drives and supports innovation. We also wanted to go beyond a merely descriptive report to one in which tools and methods could help us all to go from thinking about innovation to “doing” it more practically and productively.

In the process, our team read more than 30 books; scoured through hundreds of articles in business, academic, and social sector publications; interviewed a dozen major thought leaders; and reviewed a wide range of reports, blogs, and websites about innovators and innovation.

Along the way we have learned some things that we believe will change our own approach to innovation. For example, though we may continue to be hopeful about the next big, new, and magical leap, we will make room for the common sense and methodical thinking that actually make innovation systematic and sustainable. We are beginning to absorb the big headline from this project: *We can make innovation happen and can make it more useful by being deliberate and dedicated over time.* Using a framework, such as the one suggested in the report, can help bring to the innovation process the same kind of discipline that we have learned to use in strategic planning, business development, venture investment decisions, and more.

We can see that innovation is not just about creating new ideas; it is about finishing things we start, and about having the patience and commitment to help innovations go to scale, not just seeding the development of new things.

Within the proposed innovation framework, we have been fascinated to learn about the rapid multiplication of tools and methods for opening up the generation of ideas. From the excitement of open- and crowd-sourcing to more humble ideas like upgrading the way we brainstorm, we see a range of new options for refreshing our everyday work habits.

Our assumptions about needing to do the “right” thing “perfectly” have been challenged by digging into case studies about rapid prototyping and experimentation. In other words, can we learn to put forward a good-enough first model and let users and stakeholders help to adapt and refine the idea? At the same time our reality is that we work with big ideas and major social change and justice movements in which rapid prototyping can be a frustrating concept. So we are intrigued by the concept of “slow” prototyping that depends on more intuitive and viral self-organizing that empowers people and networks.

Our work on innovation also helped us learn about the various roles that are needed inside an organization to designate responsibility and/or accountability for exploring, doing, and sustaining innovation. It helped us see all aspects of our work, from program strategy to the accounting function, as opportunity spaces for generating innovation; and we found many examples to demonstrate innovation that is already underway across sectors.

Gabriel Kasper and Stephanie Clohesy (along with their respective teams at the Monitor Institute and Clohesy Consulting) were invaluable guides through this process, and they wrote this report, working in close collaboration with our colleague Karen Whalen and others at WKKF (see page 71 for full acknowledgements), to share what we learned more broadly within Kellogg and across the field.

As we said above, we are looking forward to the discussion (and debate) that the report will likely generate inside the Kellogg Foundation. And we would like to be in dialogue with others who are beginning their own explorations of innovation, as well as with those who are leading the field. If you have thoughts or would like to discuss the ideas in this report further, please feel free to contact us at: innovation@wkkf.org

Sterling Speirn, Anne Mosle and Tom Reis

INTRODUCTION

THREE SHORT STORIES ABOUT SYSTEMATIC INNOVATION

*“Innovation is often given complex definitions. We prefer the simple one:
‘new ideas that work.’”*

– Geoff Mulgan¹

Innovation is everywhere. From the advertisements on TV to the design of the iPod in your pocket to the social services delivered on the streets of Delhi, people and organizations are always creating new ideas, services, and products and adapting old ones to fit their changing circumstances. This is especially true in the social sector, where the old adage “necessity is the mother of invention” drives NGOs, social entrepreneurs, and others to creatively experiment with new solutions to pressing local problems and intractable global challenges.

So why is it more important than ever for philanthropy and the social sector to take a fresh look at innovation? It isn't just about chasing the latest fad, or about innovation for its own sake. It's about finding new ways to make a difference in the world.

The convergence of a number of dynamic forces—new and emerging technologies, new ways of connecting people and organizing work, and new ideas from around the world and across sectors—is creating exciting opportunities for breakthroughs in how public problems are solved. It is now possible to do old things in new ways, and to try completely new things that weren't possible before.

As these forces accelerate the pace of change in the social sector, there is also a very real danger that by just continuing to do philanthropy the way we do it today, our efforts will no longer match the emerging realities of tomorrow. There is a need to identify and pioneer innovations in practice that will fit the challenges and opportunities of the future.

But not enough funders have a clear sense of what innovation really means, or how to intentionally and consistently make it happen.

The inspirational flashes of creativity that we typically associate with innovation have led to many great advances in almost every aspect of our lives. But in practice, these flashes are unpredictable and often difficult for an organization to manage. Potentially great innovations are routinely squandered or lost because they don't fit, aren't noticed, can't scale, or are too overwhelming to absorb.

A growing body of literature and practice now suggests that innovation does not have to be such an uncontrollable force. Instead, it can be a rational management process with its own distinct set of processes, practices, and tools. In fact, research shows that this type of systematic innovation in an organization typically yields much more productive, scalable, and sustainable ideas over time.

¹ Geoff Mulgan, *Social Silicon Valleys: A Manifesto for Social Innovation*, Young Foundation (Spring 2006).

Systematic innovation requires well-managed and repeatable processes, to move an organization beyond a dependence on the lightning-strike of sporadic innovations and to create a more constant and dependable flow of new ideas. According to innovation expert Larry Keeley, “Innovation that works is a disciplined process.... The real frontier is to not think of it as a creative exercise, but to think about it as being disciplined in using the right methods.”

Governments and businesses—especially large corporations—have responded to these insights about systematic innovation by improving their research & development teams, using more collaborative design processes, open-sourcing to find innovation and innovators, and restructuring to offer greater incentives. There are a wide range of new methodologies and strategies that have been developed to help foster and promote innovation.

“Innovation that works is a disciplined process. The real frontier is to not think of it as a creative exercise, but to think about it as being disciplined in using the right methods.”

- Larry Keeley

Yet in the social sector, where creative thinking abounds and can often mean life or death solutions to critical problems, innovation remains largely episodic. Every day, individuals, social entrepreneurs, and organizations create ingenious solutions to some of the world’s thorniest problems, yet many of the innovations are never realized or scaled, and fail to achieve their transformative potential. Piecemeal funding, under-resourced organizations, trailing-edge technology, and structures that are set up for services and advocacy rather than for discovery and scaling are all fundamental elements of a social sector landscape that often limits the impact of breakthrough innovations.

Funders now have an opportunity to take another look at what is happening with innovation in the other sectors—not because philanthropy isn’t already innovative—but because there is good reason to believe that we can be even more innovative, and as a result, have a greater impact on the issues we care about most.

This opportunity is what prompted the W.K. Kellogg Foundation to launch an investigation, in partnership with the Monitor Institute and Clohesy Consulting, into innovation in philanthropy. What would it mean for philanthropy and the social sector to develop and manage innovation more systematically? How can you nurture and promote innovation in philanthropy? How can you get innovation to happen more reliably?

To get some answers, we start with three stories, going back to the year 1435!

1. The Medici Effect

Almost 600 years after the European Renaissance began, historians are still debating what caused this extraordinary period of creativity and innovation—a 300-year-long “rebirth” that changed the very course of human history. Some scholars credit the rediscovery of classical learning. Others see a complex mix of demographics, religion, and urbanization. One writer actually believes it was caused by the arrival of coffee beans from the Middle East—Europeans literally “woke up” from their medieval darkness.

Today, most researchers agree that the Renaissance began in the Italian city of Florence, which at the time had a post-plague population of less than 50,000. This raises an important question: What could transform a provincial city smaller than Dubuque, Iowa, into the global center of innovation?

Author Frans Johansson thinks he knows the answer: the Renaissance was sparked by a foundation... well, the closest thing to a foundation that existed in 14th century Europe. He explains this thesis in a fascinating book called *The Medici Effect: Breakthrough Insights at the Intersection of Ideas, Concepts, and Cultures*.

Starting about 1435, the ruling Medici family started supporting an amazing variety of worthy innovators from all over Europe—artists, painters, sculptors, scientists, inventors and philosophers—who came together from many different nations to debate, discuss and discover new ideas. Art historians estimate that more than one-third of Europe’s professional artists lived or worked in Florence at some time during this extraordinary period.

Renaissance innovations gradually made their way around the world, mixing and combining with other cultures in highly creative ways. Great artwork was just the beginning. Dozens of life-changing inventions were introduced during this time that eventually transformed the standard of living for millions of people, including clocks, indoor plumbing, the printing press, eyeglasses, surgical instruments and even such mundane inventions as wallpaper.

So what can we learn from the Medici in the 21st century? Johansson and other scholars cite several major lessons that are especially relevant in today’s philanthropic arena:

- **Collaborate.** Forget the normal boundaries and bring together talented people from a wide variety of fields and disciplines to work together and cross-fertilize. Look both inside and outside your existing organization for new types of innovation partnerships.
- **Create an active support system.** Develop a culture that supports, nurtures, and develops innovation in a systematic way. Creativity is only one part of the innovation picture. A disciplined yet flexible process is needed to launch new ideas and then scale them to the opportunity or problem at hand.
- **Change agents are needed.** Senior leadership support for innovation is important, of course. But an organization also needs specialists who can foster innovation throughout the organization, both on specific projects and in structural ways that impact daily operations.
- **Use new technology.** German scribes mocked the early printing presses as unreliable “contraptions” that would never replace hand-written books. Forward-looking organizations should identify and embrace new technologies that can increase the flow of input from external sources and simplify operational work such as the grantmaking process.

2. Googling Innovation

Fast-forward to today. Many of the same principles that intuitively guided the collective innovation of the Renaissance are now being deliberately and systematically applied within the world’s fastest growing companies. Among these businesses, the internet giant Google stands as one of the most innovative. From the corporation’s launch in the mid-1990s, Google’s founders, Sergey Brin and Larry Page, were trying to push their company to go beyond any existing online search. And Google as a company still aims to continuously innovate to find new ways to organize and present the information that its users say they need and want. New products like GoogleMaps, GoogleEarth, GoogleNews, gMail, and GoogleDocs continue to keep the company at the forefront of the field.

In his book, *The Innovation Acid Test: Growth through Design and Differentiation*, Andrew Jones details a number of the cultural and strategic principles behind Google’s exceptional ability to consistently develop innovative solutions:

- **Get everyone involved.** Google expects everyone in the company to innovate, even administrative and finance staff. The source of the innovation matters less than the innovation itself.

- **Promote creative time.** Employees are given “20 percent time” to pursue “pet” projects, unrelated to their core work, that they find interesting. Half of the new launches at Google emerged from this sanctioned time for innovation.
- **Encourage volume, speed, and iteration.** Google pilots products early and often, in small beta tests. This allows people to test out ideas with others, and to iterate and refine the ideas, before launching them more broadly.
- **Embrace failure.** Google staff are encouraged not to worry if an “experiment in innovation” fails. There is often something that can be learned or salvaged from any attempt.

3. Lessons from the Lab

Systematic innovation is now stretching beyond the walls of big corporations and into the social sector. One of the most visible embodiments of this trend is in the emergence of new social innovation “laboratories.” The *lab* terminology has grown increasingly popular for describing systematic innovation processes because it signals a willingness to experiment and learn, and conveys the promise of potential breakthroughs. Labs—and their accompanying systematic processes to look for new ideas—are becoming widespread in business, academia, government, and the social sector. MIT runs a Community Innovation Lab and a Poverty Lab; a group of scholars and companies run the Management Innovation Lab (MLab); Radio Shack’s Innovation Lab invites collaboration from anyone who wants to help invent products; and the Mayo Clinic Innovation Lab is transforming doctor-patient visits. The experiences of these labs—and hundreds more that are emerging on campuses, in communities and companies, and particularly those operating in the social sector—can tell us a great deal about what it means to create spaces in which people are constantly and openly searching for innovation.

The Civic Innovation Lab, for example, was created by the Cleveland Foundation in 2003 to boost economic development in Greater Cleveland and to recognize and mentor social entrepreneurship. For many, the idea that one of our older cities could be teeming with clever new ideas for the economy and the society seems unlikely. And yet the Civic Innovation Lab has systematically searched for, found, funded, and nurtured more than 30 innovators and innovations that are changing the economy and the social behavior of Cleveland. Most of the innovators are young and diverse, and they have the profiles of people who typically exit older and transitioning cities. But instead of leaving, these innovators have been identified and attracted through the use of an inspirational message about the future, financial incentives, and a promise to develop their business skills and civic leadership. They are not only staying in Cleveland; they are redeveloping it through a network of innovations strategically identified for their business and civic potential.

A different sort of laboratory, *HopeLab*, was created by Pam Omidyar (wife of eBay co-founder, Pierre) as a way of combining rigorous research with innovative solutions to improve the health and quality of life of young people with chronic illnesses. HopeLab began pursuing its mission by developing a video game that motivates young cancer patients to comply with the requirements of treatment. The resulting product, Re-Mission, plays like a commercial video game built for fun, but also has proven health benefits. Positive results of HopeLab’s randomized controlled trial of the game reveal that Re-Mission improves treatment adherence in patients who play, and these findings have been a major contribution to the growing

“Innovation is about courageous experimentation—testing new approaches, tapping into unconventional sources for insight and inspiration. It’s why I founded HopeLab. Experiments often fail, which is part of the process. When successful, they can lead to game-changing discoveries.”

- Pam Omidyar

evidence-base for the emerging field of "serious games." So-called "serious games are now becoming a recognizable part of the gaming landscape. HopeLab also created Ruckus Nation, an international, online idea competition to get kids moving and prevent harmful sedentary behavior. The competition stimulated new thinking about how to motivate physical activity in kids, generating new product ideas from 37 countries. Innovators *as young as 6 years old* and as old as 82 submitted entries, and winners were announced in March 2008.

These types of labs are teaching us a great deal about social innovation by reaching beyond traditional organizational boundaries:

- **Open up the innovation process.** Rather than choosing a select set of "fellows" or finding innovators through a regular grantmaking process, the Civic Innovation Lab and HopeLab attempt to open up the innovation process to attract talent and ideas from people everywhere, across geographies and sectors. Prize money and aspirational social visions help attract applicants and creativity.
- **Provide a full range of support for innovators.** Social innovators often need more than just capital. The Civic Innovation Lab surrounds its innovators with a wide range of supports, including mentorship, information and advice, connections and networks, and public visibility.
- **Tap the creativity of "lead users."** HopeLab intentionally engages young people—its target constituency—in the development of ideas. This type of "lead-user innovation" encourages individual consumers and end users to modify existing products and services or to create entirely new ones that meet their specific needs.

Translating Stories into Resources for Innovation

This report draws lessons from these types of systematic innovators in order to translate best practice from business and government, internalize academic ideas and theories, lift up some of the gems of social sector innovation, and suggest how philanthropic institutions can both become more innovative themselves and play a critical role in transferring systematic innovation practice to the social sector.

The report offers four new resources to help philanthropic organizations deepen their understanding of innovation and find ways to capitalize on the strategic advantages of systematic innovation:

- A composite **framework for innovation** that builds a basic model for what it means to "do" innovation. The framework introduces the fundamental elements of successful innovation processes and explores the classic reflection/action pattern of "think, do, improve, and diffuse."
- A schema for understanding the different **opportunity spaces** where philanthropic institutions can innovate, along with a collection of examples of the innovations and experiments in philanthropic practice that are going on across the country and around the world.
- A set of archetypes for the different **innovation roles** that can help an organization beyond random or episodic innovation in order to cultivate innovation.
- A series of helpful **resources and links** to help readers explore specific areas of innovation theory and practice that interest them in greater detail.

A FRAMEWORK FOR THINKING ABOUT INNOVATION IN PHILANTHROPY

“Innovation simply isn’t as unpredictable as many people think. There isn’t a cookbook yet, but we’re getting there.”
- Clayton Christensen²

In many people’s minds, innovation is a mysterious force—a serendipitous phenomenon that occurs in the brains of an elite class of brilliant, creative geniuses. The problem with this way of thinking is that such miraculous breakthroughs are by nature uncertain and irregular, making them incompatible with the normal flow of an organization.

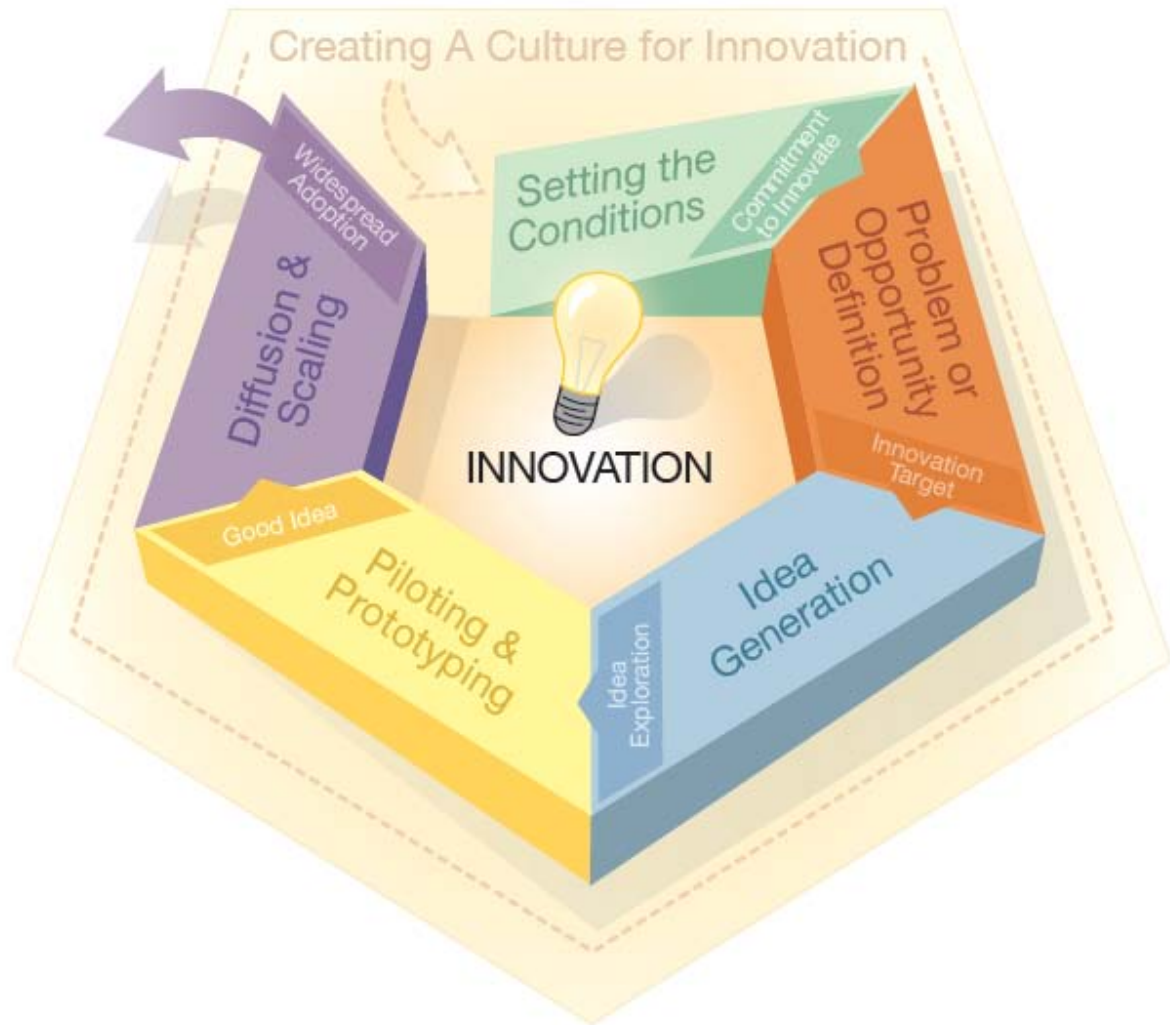
But literature and practice on innovation over the last decade reveals that it is, in fact, possible for an organization to be more systematic about innovation. We are discovering that what was once thought to be an art is actually more of a science, and the general outline of what it takes to successfully manage innovation is beginning to come into focus. Following intentional, repeatable, processes can allow an organization to more effectively develop, test, implement, and share new ideas.

To clarify these methods, innovation specialists have developed a number of valuable models and typologies that help elucidate successful innovation processes. We have pieced these various schemas together into an integrated framework to help structure thinking about the larger concept of innovation in philanthropy.

This composite conceptual framework for innovation includes five main stages that are held within a “culture” of innovation, depicted graphically in the diagram on the following page:

- *Setting the conditions* required to support innovation
- *Identifying the problem or opportunity* about which you want to innovate
- *Generating ideas* to solve the problem or capture the opportunity
- *Experimenting and piloting* those ideas to test how well they work in practice
- *Sharing the innovations* with a broader set of stakeholders

² *Economist* Special Report on Innovation, “A Dark Art No More,” October 11, 2007.



Although many of the elements of the framework will feel familiar—activities that are relatively commonplace in organizational planning and design—our research suggests that there is much to be gained by putting them together and being intentional about applying such a disciplined framework to help nurture innovation within an organization.

The simplicity of the framework (and the broad use of the term “innovation” more generally) also belies the complex set of ideas and methods that lie beneath each step in the innovation process. In the pages that follow, we look more deeply into each element of the framework—to identify many of the key ideas, choices, and stakeholders involved, and to provide an overview of the new tools and methodologies that are now available.

Although it is possible to enter the framework at any point—and certain stages may be skipped or used out of order in some cases—the most effective systematic innovation efforts usually begin by intentionally **setting the conditions and culture for success**. Leaders of successful innovation communicate that their organizations are committed to supporting innovation, beginning with building a culture that genuinely supports experimentation and risk-taking. The **creation of a culture that is supportive of continuous innovation** within the organization underlies all other elements of the innovation process.

An enabling culture helps an organization begin to **define the problems or opportunities** for innovation. Where is innovation needed? What are the key problems that need to be solved? What new opportunities are emerging? The problem and opportunity definition stage of the process is about clarifying the target of your innovation work, whether the focus is on the products and services you create, the processes you use to create them, or even the entire business model for your work. At this point, you can also be thinking about the degree of change you are hoping to create. Are you trying to produce incremental improvements, or to entirely retool things with a radical innovation? Your choice and intentions will ultimately influence the methods and tools you choose to use.

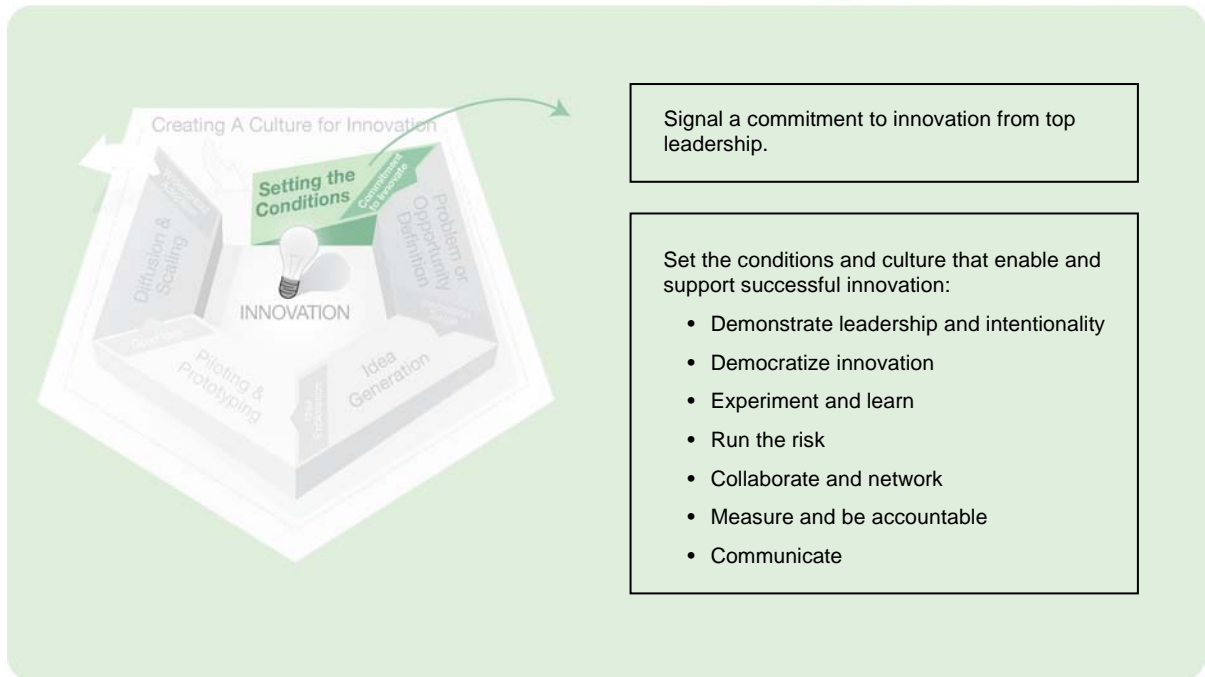
Once you have selected the target space for innovation, you can begin the process of **generating new ideas** for addressing the problem or opportunity. Rather than diving directly into an unstructured creative process, it is helpful to begin generating ideas with a set of questions about who should be involved: Who are the right stakeholders to come up with new ideas? Do you open the process broadly or invite a smaller set of experts? Do you keep the process internal to your organization or do you invite people from outside? Identifying the desirable or needed stakeholders allows you to then determine what approach makes the most sense for developing new ideas. Which tools and methodologies, of the wide range that are now available, would work best with the stakeholders you have selected? The ideas you generate in this stage become the raw materials for the rest of the innovation process.

After you have developed a number of ideas, you can identify the most promising options and begin the iterative process of **piloting and prototyping** to take the ideas into reality. New tools for rapid prototyping now allow us to quickly obtain and integrate feedback to improve ideas early in their development (before it becomes too costly to change them), while slow prototyping approaches allow us to test and improve more complex, long-term social change strategies over time.

Once an idea has been vetted through repeated testing, the next step is to **diffuse and scale** the innovation, as appropriate, to others who might benefit from adopting it. Just because a new idea is an improvement over existing ones doesn't ensure that it will be spread to all who need it. Fortunately, a great deal of research is beginning to clarify the different strategies available to help share, grow, and replicate ideas.

In many ways the innovation framework is just a version of the familiar action-learning cycle. *What is new is the fast pacing and expansive reach that are now possible through new technologies and deliberate innovation processes.* New social technologies like wikis and blogs now allow us to engage and connect with more people, regardless of geographic distance; to access a greater diversity of perspectives and expertise; and to facilitate accelerated learning and on-demand access to information—all while reducing the costs of coordination. These new “Web 2.0” tools are allowing us to rethink how we develop, test, and share ideas, with the potential to do them in bigger, better, faster, and cheaper ways than ever before. As the social technologies become commonplace, they in turn are driving the development and use of a wide range of new methodologies and tools that can facilitate systematic innovation processes.

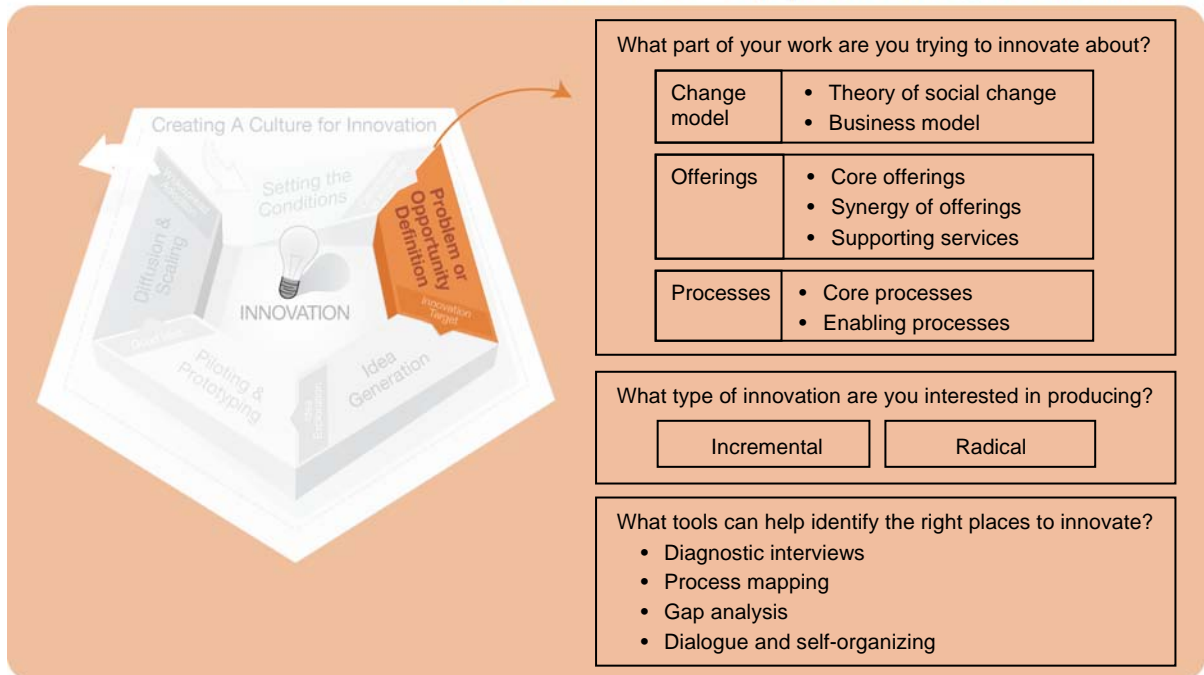
Setting the Conditions



Most experts warn that isolated, unsupported efforts at innovation typically fail, at least in part because people don't prepare their organization properly for working in new ways. As an innovation process is set to begin, it is critical for top organizational leaders to signal the commitment to innovate, and to issue challenges that help align innovation efforts with company goals. It is also important for the leadership to set the conditions for success within the organization by developing an enabling culture that, in turn, supports and rewards innovation, adds required resources and capabilities, aligns incentives, and modifies processes to promote innovation. This preparatory stage is key to successfully systematizing innovation within an organization over the long-term, and provides the foundation for all of the steps in the innovation process that follow. (More information about the key characteristics of innovative organizations and their cultures is included at the end of this Framework section.)

When the Stupski Foundation, for example, began a deliberate innovation process to rethink their organizational strategy, they used an organization-wide design charrette process to signal a more democratic and open approach to doing their work. According to Stupski Foundation CEO Alexa Cortes Culwell, the effort was an important initial step in transforming the culture of the organization. Since then, the foundation has worked to build a culture of innovation that permeates every aspect of their operations, from their programmatic work (where they are helping to spur innovation in large school districts) to the open physical layout of their offices. They have also begun to reinforce the new cultural norms through their performance management systems, by including staff contributions to cultural attributes like inventiveness, collaboration, and pursuit of world class (rather than just local or sector specific) ideas into the review process.

Problem or Opportunity Definition



Innovation doesn't happen in a vacuum. People innovate in response to new challenges or new opportunities that emerge. Systematic innovation processes also typically begin with the identification of a dilemma that needs to be solved or a new opening for improvement. Changing the status quo requires proactive management, and the recognition of a problem or opportunity provides an incentive to try to do things differently, and serves as the driver for directing an innovation process.

Domains for innovation

A framework adapted from the work of Doblin Inc. provides the basis for thinking about the various domains where innovation can occur within an organization. While most work on innovation focuses on the development of new products and services, this is just one domain where innovation is possible. Innovation can also be focused on work processes and new ways of getting things done, or on altogether new business models and theories of change. It is primarily a question of where in the value chain you are interested in innovating. Key potential domains for innovation include:³

- Theory of change for the issue.** Changing the approach that you believe will bring about change on the issue of concern. Innovation in this space focuses on developing new ideas about what will it take to solve the problem you are hoping to address. In its work to improve the after-school opportunities available to Boston-area youth, for example, the Barr Foundation has developed a detailed theory of systemic change that focuses on building sector capacity and resilience by “weaving” stronger networks, connections, and relationships within and across different types of after-school service providers.
- Business model, or theory of action, for the organization.** Changing your organization's role within the larger theory of change for the issue. At its core, innovation of this sort is about changing your business model and the way your organization creates value. Dell, for example, revolutionized the personal computer business model by collecting money before consumer's computers were assembled—creating a net positive working capital for seven to

³ Adapted from Doblin, *The Ten Types of Innovation*, <http://www.doblin.com/IdeasIndexFlashFS.htm>.

eight days. In the social sector, the Henry J. Kaiser Family Foundation recognized in the early 1990s that adding another \$30 to \$40 million a year in conventional grants to the vast healthcare system would not create the impact the foundation hoped to achieve. So it reorganized as an operating foundation and focused on conducting research and disseminating information on major health policy issues facing the nation as a way to influence and leverage much larger pools of government resources.

- **Core Offerings.** Changing your core products or services. Within foundations, grants are generally considered to be the core offering. But some foundations, like the Taproot Foundation, eschew grants to provide other critical services for the field. Rather than giving grants, the Taproot Foundation provides tools to help match the skills and talents of business professionals with nonprofits in need of marketing, human resources, and information technology consulting services.
- **Synergy of Offerings.** Changing the way you link or “bundle” offerings to create greater value. Microsoft, for instance, links a variety of its products, such as Word, PowerPoint, and Excel, into a more valuable “Office” bundle. In the social sector, the community development corporations around the US use a bundled model for providing low-income families with a comprehensive suite of services—including housing, job training, placement services, and child care—that augment one another to help people on the pathway to self-sufficiency and prosperity.
- **Supporting Services.** Changing the way in which you provide a service beyond or around your core offerings. For example, Singapore Airlines differentiated itself from other carriers offering international flights by providing attentive and over-the-top customer service before, during, and after flights. In philanthropy, the David and Lucile Packard Foundation began in the late 1980s to provide small “management assistance” grants (later renamed “organizational effectiveness” grants) that supplemented its traditional program grants by building the capacity of recipient organizations to deliver on their programmatic goals.
- **Core processes.** Changing the way you create and deliver your offerings. Wal-Mart, for instance, continues to grow through innovations in core processes like inventory management, volume pricing contracts, and systems that allow for greater customer responsiveness. In philanthropy, the Global Greengrants Fund has adapted the grantmaking process to allow it to make very small grants to grassroots environmental groups working around the world. The Fund has developed an alternative to traditional due diligence processes that uses a network of regional and global advisory boards to assess potential grantees and make grantmaking decisions.
- **Enabling processes.** Changing the way you support your core processes and staff. Starbucks is able to deliver a unique and profitable experience for customers because it offers its workers higher-than-average compensation and benefits, which leads to greater worker retention, dedication, and skill development. In the social sector, Ashoka has changed the way in which it defines and searches for employees by using an adaptation of the search process it uses for its Ashoka Fellows, which emphasizes innovative skills and points of view about problem-solving.

Understanding these domains and clarifying where you are looking for innovation are critical to managing expectations for an innovation effort. When the Kellogg Foundation launched an initiative in 2007 to focus on youth aged zero through eight, for example, it experimented with a new approach that used cross-functional teams, brainstorming sessions, external feedback, and gallery walks to develop ideas for the initiative strategy. Following the design process however, many people outside the effort misread the innovation that had occurred. While these observers were looking for innovations in the substantive approach and theory of change for the initiative, the real innovation was in the core process they used to design the strategy.

Almost as important as the question about where to innovate is the related query about who gets to decide. Should the foundation board be responsible for deciding where innovation is needed? The senior leadership of the organization? The program staff? Grantees? Or the community itself? This is particularly important to consider for a foundation, which must often balance the difficult power dynamics between board, staff, recipients, and community interests. Each different stakeholder will have a unique perspective on the needs and opportunities for innovation.

Types of Innovation

Once you know what you are innovating about, there is a choice about what intensity or type of innovation you are trying to create: incremental or radical. It is a question of intent, rather than outcome; incremental innovation processes can sometimes create radical, disruptive change to the status quo, and processes for radical innovation may end up producing only small, incremental differences. But the initial intent of innovation—incremental or radical—significantly influences the set of processes, tools, and methodologies that are chosen. Many organizations try to find an appropriate balance that allows them to experiment with a large number of smaller, incremental innovations, while focusing their resources on just a few larger, more radical ideas.

- **Incremental Innovation** is change that happens by improving upon existing products, models, and processes. Incremental innovation focuses on improving current ways of doing things through rapid learning cycles, feedback, assessment, adaptation, and revision. Gillette, for example, began by making razors with one blade in the early 1900s, then introduced razors with two blades, then three, and now Gillette razors have as many as five blades. Auto manufacturers typically make slight modifications to existing car models every couple of years without making major changes to the vehicles. In the social sector, organizations like Teach for America and City Year are constantly tweaking and improving their curriculums and processes for training and preparing staff to work effectively in local communities.
- **Radical Innovation** is discontinuous change that alters structures, systems, and processes; creates new markets; and/or captures new audiences. Radical innovation typically describes new ideas that eventually overturn the existing dominant product or status quo approach. Examples of this type of innovation range from the invention of the transistor in the 1940s, which replaced the bulky, fragile vacuum tubes that had been used to amplify and switch signals and became the foundation of modern electronics, to Muhammad Yunus and the Grameen Bank's development of a radical new model for investing in poor communities through micro-lending in the 1970s and 80s.

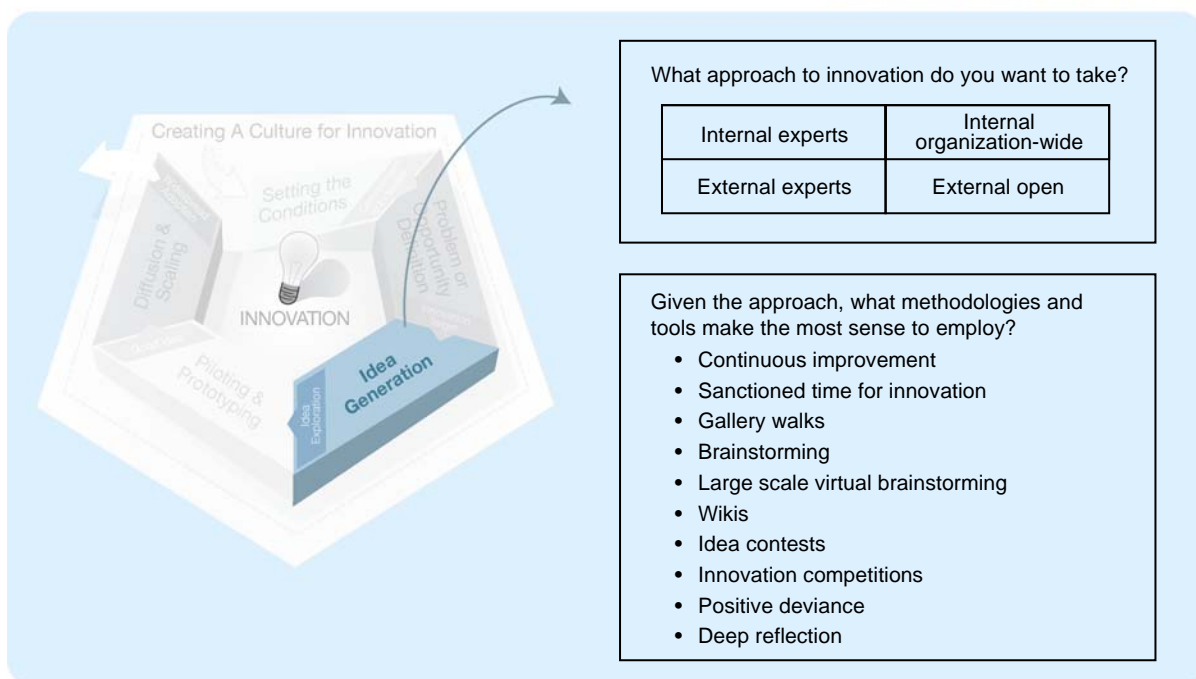
Methodologies and Tools

There are many approaches to help an organization identify problems or key opportunities for innovation, most of which are based on traditional participatory research and observation methods. New technologies and an increasing belief in the wisdom of crowds have opened up methodologies and tools to include more dialogue and the “democratized” sharing and voicing of ideas and preferences. Some examples include:

- **Diagnostic interviews.** Diagnostic interviews are internal conversations with key staff, experts, and other stakeholders who can supply relevant information to help you understand how an organization works and to identify areas of innovation. These interviewees help you “get the pulse” of the organization and are also good conduits of insight into some of the less tangible and defined aspects of the organization, such as culture. The interviews provide important information about problems with the current systems and new opportunities that may be emerging.
- **Process mapping.** Process mapping is a structured approach to documenting the flow of activity within an organization. Mapping helps to define exactly what an organization does, who the responsible actors are, and what decisions need to be made. Process maps allow an organization to better understand the components of the workflow and to identify places where the process is inhibited, places where the process is working well, and places where the process might be accelerated or improved.

- **Gap analysis.** Gap analysis is an assessment tool that allows you to compare the outcomes of your current processes with expectations or explicit benchmarks for performance. The difference between the benchmark and the actual outcomes of a current process indicates how well the process is working and how far you have to go to improve it. Discrepancies between actual and expected performance indicate areas where innovation may be necessary.
- **Dialogue and Self-Organizing.** Tools like the World Café, Vision Quest, Open Source Meetings, and more are all idea-process examples that entrust those with direct knowledge and experience with an issue, idea, or problem to engage together to bring wisdom, insight, problem definition and ideas to the surface where new solutions can be articulated. Based on “crowd wisdom” these methodologies all provide a “flat” and open process for diverse people to interact, to exchange ideas and to emerge with new ideas for solutions to their stated problem or opportunity. These open processes work best when facilitated and are scalable to handle hundreds of people working face to face.

Idea Generation



Once there is a sense of “where” and at what intensity to innovate, the next question is to ask what approach you want to take. This is the part of innovation that is most familiar to people, but it is also a part that experts emphasize as well worth being more intentional about. Too often, organizations fall back on limited, habitual behaviors when it comes to coming up with new ideas. Research suggests that it is helpful to slow down at this stage in the innovation process to consider a few things: How open a process do you want to develop and nurture new ideas? Who are the right stakeholders to bring together to develop innovative new practices? Will ideas come from inside the organization or outside? Will they come from just a select set of experts, or a broader pool of stakeholders?

A framework developed by the scenario planning firm, Global Business Network, has identified four primary approaches to obtaining new ideas: using an internal group of experts, fostering widespread innovation across the organization, connecting with key pockets of expertise outside the organization,

and opening up the innovation process to anyone who might be able to contribute.⁴ Within each of these approaches, there are a wide range of models and tools that can be used:

- ***Using an internal group of experts.*** Using a select group of experts and visionaries inside the organization to provide new ideas and innovations is one of the most common approaches to nurturing innovation. Places like Apple and IDEO have developed excellent models and tools for small group brainstorming, prototyping, real-world observational analysis, multi-disciplinary teams, and focused R&D investment. Foundations frequently develop these sorts of expert teams when developing new strategies and initiatives.
- ***Fostering organization-wide innovation.*** Other organizations look for ways to leverage ideas internally and to foster innovation throughout the whole organization. This includes simple tools like suggestion boxes or idea contests, as well as more extensive models, such organization-wide virtual brainstorming (like IBM's InnovationJam), positive deviance strategies (like the Pittsburgh Veterans Administration Healthcare System's approach to identifying the characteristics of successful strategies used across the VA hospitals for fighting the spread of bacteria), or sanctioned employee time designated for innovation (like Google uses, with 20 percent of employee time devoted to new experiments).
- ***Connecting with external pockets of innovation.*** Looking beyond the organization's walls, many groups foster innovation by linking with external expertise or competencies that can provide innovation to the organization. Models used in this approach include alliances and partnerships, acquisitions, IP licensing, expert mash-ups (where multiple developers build off of a common platform), expert-based open source efforts, and fully outsourced R&D functions. The web-based company InnoCentive, for example, is now working with the Rockefeller Foundation to provide select nonprofits and others interested in addressing the needs of poor communities with access to a global network of more than 125,000 scientists, inventors, and entrepreneurs interested in developing creative solutions.
- ***Opening up the innovation process to the public.*** More recently, with growing interest in tapping the "wisdom of crowds," organizations are reaching out to the broader public for contributions that can drive innovation. Approaches like test-market feedback and lead-user analyses allow organizations to learn about how products and services are used on the ground, while tools like innovation competitions, wikis, and other online collaboration technologies now allow organizations to solicit outside expertise, creativity, and user-created innovation in ways that were never possible before. The Case Foundation's Make It Your Own Awards, for instance, uses an open, nationwide online application process to solicit ideas from individuals and small local nonprofits for improving their communities.

The idea of this stage of the innovation process is to develop as many new ideas as possible. But research suggests that breakthroughs most frequently occur when an organization focuses on a relatively small number of innovative initiatives. Once you have generated a wide range of ideas to consider, then vet the options to identify the most promising ideas for prototyping and testing. Some ideas will naturally drop away as impractical or unrealistic; others will capture people's energy and attention. The challenge is setting an appropriate bar for making decisions and moving ahead with an idea. Sometimes selection criteria can be too stringent, and worthwhile initiatives can be ended prematurely. Other times criteria can be too loose, allowing less promising options to move ahead in the process. Once a full array of potential ideas has been culled to a smaller set, it is helpful to ask about each idea: "What conditions would need to be true for this idea to be successful?" This question can help you to quickly consider how well each idea fits the specifics of the problem or opportunity at hand, or to identify the additional research required to give you the information you need to move ahead with an idea.

⁴ Adapted from Global Business Network, *Models of Open Innovation: Four Pathways*.

It is important to recognize that the idea generation stage, while a distinct stage on its own, is also repeated throughout the innovation process. Not only does idea generation help you create and surface new innovations to develop, it also is a critical element of all the other stages in the process, from developing ways of prototyping selected ideas to conceiving of effective approaches for spreading and replicating a proven innovation.

Methodologies and Tools

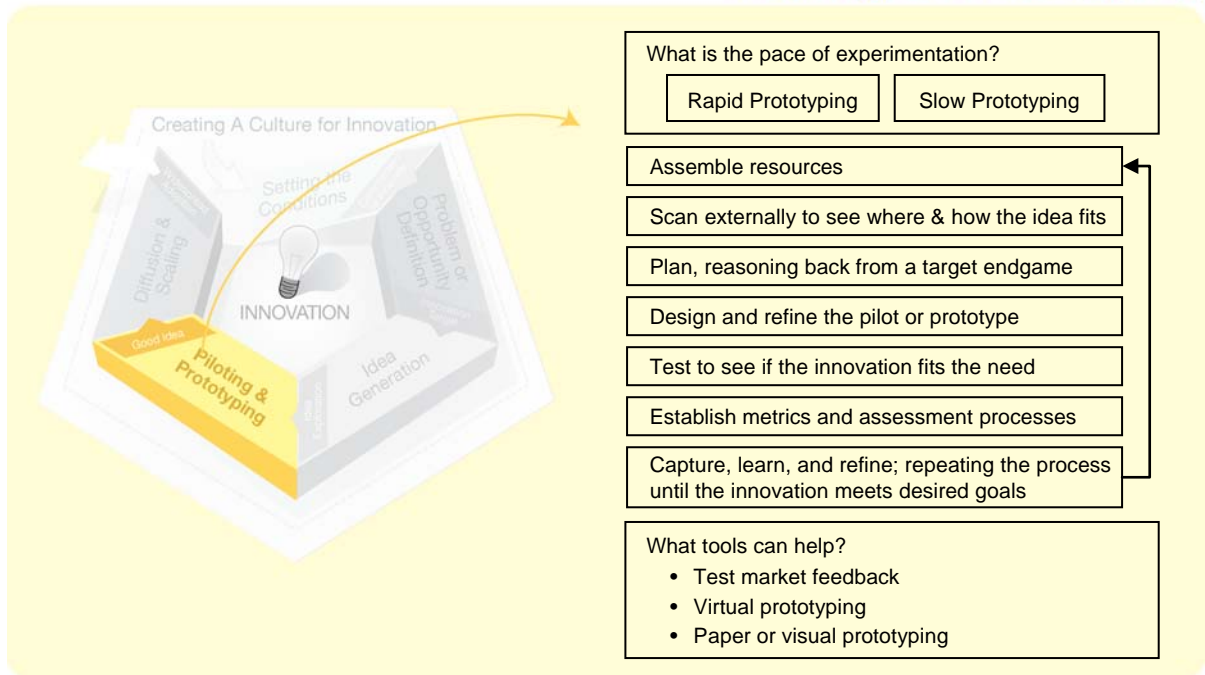
The tools and methodologies for idea generation that are available to an organization will depend on the type of innovation you are interested in (incremental or radical) and the approach you choose to take. But some of the methodologies and tools that are available include:

- **Continuous improvement (“Kaizen”).** One of the keys to innovation is implementing systems that continually look for and execute incremental improvements on the current order of things. At its heart, continuous improvement (sometimes also called “Kaizen,” after its extensive use at Toyota, where staff performed experiments on their work using the scientific method to eliminate waste) is about constant monitoring, measuring and strategically solving to increase quality and improve results. Large-scale innovation initiatives are replaced by smaller experiments, which can be rapidly adapted as new improvements are suggested. Efforts can happen at the individual level, or working with small or large groups, and people at all levels of an organization can participate, from the CEO down.
- **Sanctioned time for innovation.** At 3M, Google, and many other successful companies known for their innovation, it is required that their employees put a percentage of their work time towards innovation, experimentation, and exploration. Google promotes this by encouraging employees to work on “pet” projects with a portion of their work week. At 3M, employees are encouraged to use 15 percent of their time on experiments and cross-cutting exploration. The development of the Post-It Note comes from the sharing of one 3M scientist, who had created a glue that was only moderately adhesive, with another scientist, who was looking for a way to keep notes stuck to his music pages. Out of this collaboration came the ubiquitous “Post-It Note.”
- **Gallery walks.** One of the ways to gather a greater volume and breadth of ideas is to set up a gallery walk. A gallery walk is a way of sharing the thinking of groups with others through visual representations (often on butcher paper or posters), and to use those representations to prompt creative thinking. Each “presentation” in the gallery should have space adjacent on which to post additional ideas. As many people as practical should be invited to contribute ideas during a number of gallery walk sessions during a period of several days. Of course, people should be welcomed to add new ideas outside of the sessions after they have had time to reflect. Participants should be encouraged to wildly dream about the possibilities for each issue and once past the idea-posting phase, project team members should tour the gallery and build on the contributions of others.
- **Brainstorming.** Although most workplaces use brainstorming of some sort, not all brainstorms yield the same results. Tom Kelley of IDEO notes that “you can deliver more value, create more energy, and foster more innovation through better brainstorming.”⁵ Brainstorming can be much more productive if people see brainstorms as being different than regular meetings. Successful brainstorming efforts establish a playful, non-hierarchical, and non-judgmental environment, encourage unusual ideas, focus on quantity and building off of other people’s thoughts, and graphically record ideas to stimulate further creativity. A number of organizations have developed thoughtful processes to help elicit new ideas in brainstorming sessions, like Global Business Network and its GBNovate tool, which offers prompting questions and examples to help people stimulate their creativity.
- **Large-scale virtual brainstorming.** Large-scale virtual brainstorming uses new and emerging technologies to expand brainstorming to the larger virtual world through web-based forums and settings. Topics can be placed on an intranet where employees can add their opinions to create a dynamic dashboard of ideas that will evolve, live on, and be captured, tagged, and indexed for future use. Other venues such as Second Life allow for team meetings to take place in a virtual world enabling a broader reach of ideas from those, who in the past may not have previously been included due to distance, resources or awareness.

⁵ Tom Kelley, *The Art of Innovation* (Doubleday, 2001).

- **Wikis** and other open source platforms are growing increasingly common as a way of promoting organized, large-scale virtual brainstorming. Wikis are a way of democratizing information and gathering the wisdom of crowds through an open platform where people can add their input on a given idea, topic, or issue, as well as to grow the list of relevant ideas to be shared. Wikis may also be used to define both a problem and a solution to that problem, as exemplified by the recent Packard wiki on nitrogen pollution. Drawing from a number of external experts and the general public, the wiki helped to define what the root causes of nitrogen pollution were and what type of initiatives would best solve the problem. The wiki-enabled outreach allowed Packard to save time, energy and resources in getting a wide range of input into the best possible approaches for addressing the issue.
- **Idea contests.** Used to aggregate good thinking from the masses, idea contests create incentives for others to do idea generation work for you. Many idea contests are done internally within an organization, like the large-scale conference that IBM hosts on innovation and collaboration every year called InnovationJam. The InnovationJam is tied to a \$100 million innovation fund to support the best ideas arising from this event. Similar contests have also been run to gather ideas outside of an organization. American Express recently created a contest, promising dollars to the best philanthropic idea generated from one of their own card members. The Purpose Prize offered by Civic Ventures is a recognition (not cash) prize that is intended to surface social entrepreneurs and their innovations among people 55 years and older. One expected result from highlighting these ideas as models is their adaptation by others along with the promotion of the vision of social entrepreneurship in the later phases of life.
- **Innovation competitions.** One increasingly popular approach is the use of competitions as a means to solicit and promote innovative approaches to solving problems. By one count, there are now about 25 innovation competitions now under way in philanthropy, most visibly represented by the X Prize, which became famous for awarding \$10 million to the team that built the first privately funded spacecraft. The X Prize now has competitions in the works in the fields of energy, medicine, and education, among others. Another approach to competition is used by Ashoka's Changemakers initiative, which runs competitions—often in partnership with philanthropic partners—to “open source innovative, workable solutions to the world's most entrenched social problems.” The Changemakers competitions solicit online entries, post the applications transparently online for open feedback, collaboration and revision, and then use a set of judges to select finalists, who are then narrowed down to a small set of winners by the Changemakers community.
- **Positive deviance.** The notion of “positive deviance,” developed by Jerry Sternin while working on child nutrition issues in Vietnam, suggests that sustainable organizational change comes when you find small, successful but “deviant” practices that are already working in an organization and amplify them. It is based on the idea that solutions from outside an organization are rarely successful, as organizations revert to original form after the initial work is done. Successful change strategies, Sternin argues, come when you find and share answers already alive within the organization. The approach aims to identify “positive deviant” practices, and then to investigate them closely to identify key characteristics and to try to replicate the conditions and approaches that made them successful.
- **Deep reflection.** Sometimes direct problem-solving tools cannot be used effectively if the designated team is still struggling or questioning the nature of the appropriate solution or innovation. Recognition of uncertainty is a useful step that can be followed by engaging in a deep reflection process. Usually this requires facilitation of a contemplative or mindfulness process that uses silence, journaling, visualization, dialogue to enable the group to reach clarity. The Center for Contemplative Mind in Society works with teachers, lawyers, and doctors to help these various professional practitioners to solve problems and to find creative “flow” in their work so that innovation can emerge. The Garrison Institute uses a contemplative model to help collaborative groups break through to new and innovative ideas for complex problems. The Fetzer Institute, an operating foundation, has helped to create and support contemplative practice to catalyze innovative behavior, for example their support for the Courage to Teach and the Courage to Lead.

Piloting & Prototyping



Once an innovative idea has been generated, the next step is to take the idea into reality through some form of testing and refinement. From the simplicity of low-tech models of prototyping like visual ketches and story boards to the most high-tech simulations, testing and prototyping is an iterative process. An idea may cycle through numerous repetitions of prototyping or piloting until it is improved sufficiently for full implementation and scaling. The positive value of cycling rapidly and frequently through idea and application is a dominant idea throughout the literature about innovation. In most innovation systems the ability to learn early in the innovation process is essential for success.

Stefan Thomke, author of *Experimentation Matters*, lays out six key principles of how to organize for successful experimentation:

1. Anticipate and exploit early information through “front-loaded” innovation processes. Avoid large expenditures to correct late-stage development problems. New technologies (e.g. simulations or digital models) are most powerful when they are deployed to test what works and what doesn’t work as early as possible.
2. Experiment frequently but do not overload your organization or project team. A good experimentation strategy balances the value of early information against the cost of repeated testing.
3. Integrate new and traditional technologies to unlock performance.
4. Organize for rapid experimentation. Integral to innovation is the ability to experiment quickly: rapid feedback shapes new ideas by reinforcing, modifying, or complementing existing knowledge.
5. Fail early and often but avoid mistakes. Ask: How often are people rewarded for exposing failure early, thus saving their employer from investing precious resources in opportunities with little promise. (But don’t confuse “failures” with mistakes or low performance.)
6. Manage projects as experiments and maximize learning.

With these principles in mind, it is important to consider the appropriate pace for experimentation. *Rapid prototyping* has been at the heart of most writing and thinking about innovation, helping companies as well as social sector organizations to solve design problems earlier in the developmental process for products and processes. But in the social sector innovation often also

involves broad social change movements and more complex idea design; another approach, *slow prototyping*, may be called for in these circumstances.

- **Rapid prototyping.** This requires quickly testing rough versions of a concept and using the test data to make improvements. In effect, the innovator/company builds a product through an evolutionary process using rapid cycles of product development and testing. This saves valuable time and often prevents enormously costly errors of trying to build a perfect prototype over a long period of time before testing it. Failure at that point is almost too costly to accept, whereas “failure” in rapid prototyping is accepted as information for corrective or further creative activity.

A common-sense touchstone for understanding rapid prototyping is the preference of most students to be tested more frequently and earlier in a semester. Early testing—with opportunities to improve from test to test—is more effective than having an entire grade rest on a late-semester term paper or exam that could reveal a fundamental lack of understanding of the course material too late to recover and correct. Holding onto this example helps us to imagine why and how the practice of rapid testing and continuous feedback can be adapted to nearly any new idea, solution, design, product, or process. Micro-lending and the evolution of organizations like Grameen Bank internationally and South Shore Bank in the U.S. provide examples of rapid prototyping in the social sector. Both organizations have pushed the concept of “banking” beyond traditional boundaries and have continuously changed policies and practices over decades of work as each new wave of borrowers tested the model through their use of it while the Banks stayed attentive to results and feedback.

- **Slow Prototyping.** While rapid prototyping pervades the current literature and can certainly be used by philanthropic institutions and nonprofits that are innovating in product development and process (especially in economic development, health care, food production, etc), it does not easily fit the broader social change and movement-building work to which many nonprofits aspire as part of their overall mission (e.g. human rights, prosperity, violence prevention, public will, civic participation, etc). An example of slow prototyping is the work of many foundations and nonprofits along with governments on poverty alleviation and prevention. Although many innovations have helped people in small-scale ways, there is no one idea or theory that dominates through its singular impact and proven effectiveness.

Although there is less literature on slow prototyping, we have integrated it into our framework as a place-holder to acknowledge that it is important to consider the kind of testing and learning best suited for ideas/innovations about large systemic change of social, cultural, and economic behavior.

Another example of slow prototyping happens in situations calling for complex systemic change (e.g. a health care or education systems) where there may be multiple and simultaneous prototyping activities going on. Although the principles of rapid prototyping can still be applied in some parts of these complex situations, they often require a longer process that ensures each prototype tested in parallel has an adequate time to be evaluated and that the data from the prototypes are integrated. This allows the innovator to test each part at the appropriate pace, rapid or slow, and from those shared learnings comes the emergence of a new “whole.”

On the notion of creating a better “whole”, the book *Presence*, written by Peter Senge, C. Otto Scharmer, Joseph Jaworski, and Betty Sue Flowers, discusses “synchronicity,” or the “broadcasting of intentions that enable many people to sense and then draw together around a new possibility that’s unfolding.” The presence of a broader mental field is part of movement building and broad social change. What emerges through synchronicity can’t be tested in the tangible ways that prototyping allows, yet the awareness of others’ ideas can help to shape and correct what any one individual or group is doing. This is at the heart of “self-organizing” theory, which holds that many people, perceiving a need or opportunity at

the same time and often sharing values or point of view, will take matters into their own hands to innovate and test new ideas that are coherent with each other even though they are not centrally coordinated.

For social sector work, the concept of “evaluation” is familiar, but evaluation does not usually go far enough. Too often, evaluation ends up focusing on after-the-fact judgment of success and failure. Reframing evaluation to incorporate more of the language and ideas of prototyping, testing, and continuous improvement could help shift organizations toward a model focused on active learning and adaptation that loops back to problem identification and renewed strategic planning discussions.

Both rapid and slow prototyping rely on this ability and commitment of innovators to learn and adapt. In rapid prototyping, innovators must be willing to discern quickly if the information being produced is the right data to actually test or understand the product. In slow prototyping, innovators must be prepared to integrate tremendous amounts of information and make sense of it. In either case, the importance of having systems for gathering regular and reliable data and a learning culture that integrates findings back into ongoing and future activities is critical.

While piloting and prototyping can take different forms, the ideas of much of the literature on experimentation can be consolidated into several essential steps to guide prototyping, testing, and learning:

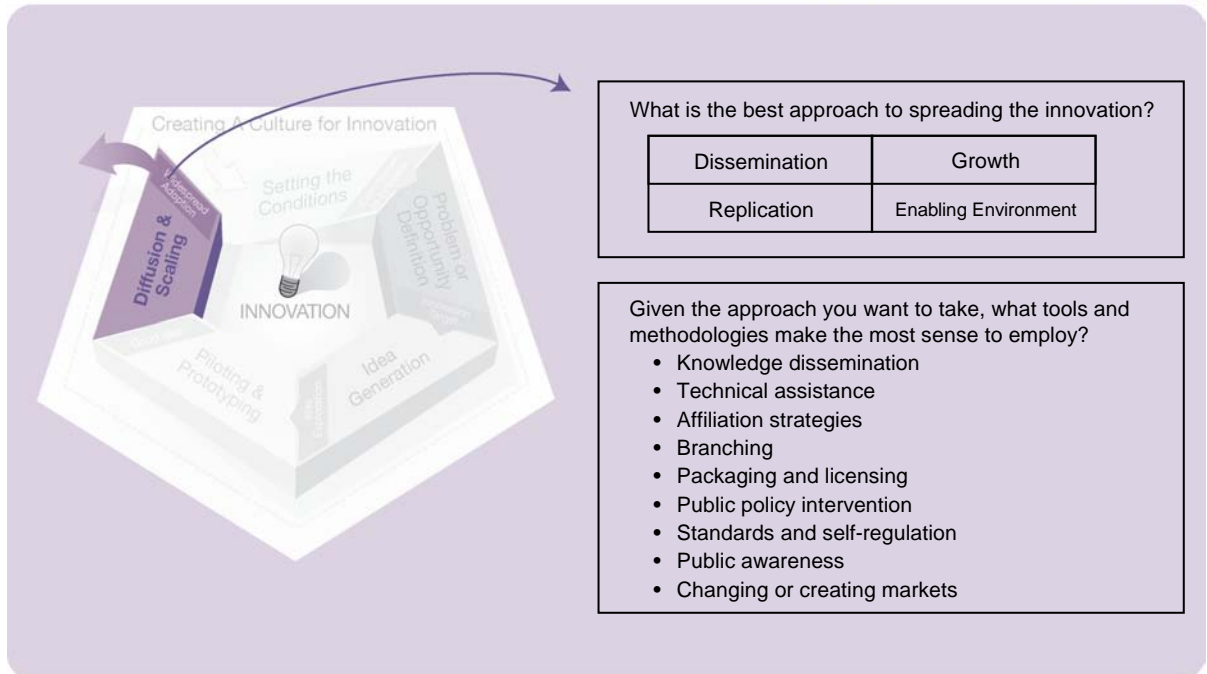
- **Assemble resources.** The prototyping process begins by identifying the resources necessary to enter into a development process. A funder interested in prototyping a new idea must make sure it has the financial, technological, and human resources in place. Testing or prototyping can fail if there are not enough resources to design appropriately.
- **Scan.** Since the idea or solution can unfold differently depending on context the testing and prototyping stage allows additional time to scan externally to see how the new idea will complement others.
- **Plan.** Reason back from a target endgame. Imagine the ideal outcome and then work backward from there (“backward engineering”) in order to add detail to the product or process. This is the point where visual prototyping may be a good way to test the idea.
- **Design/Refine.** Use whatever new information you have gained to make adjustments in the idea and its design.
- **Test.** Even if the innovation proved to be functional in the first cycles of prototyping. Test with users to make sure that it is right for the need.
- **Establish metrics.** Use the first cycles of action to develop specific measures for success. We will know this is working when.....
- **Capture, learn, refine.** While the learning starts with the first task that produces innovation there are milestones where learning comes together and is shared more expansively through a system or with other essential stakeholders.

Methodologies and Tools

Along with thinking about appropriate pacing, it is also important to understand the way in which you want to execute your piloting and prototyping. A number of tools have emerged to help organizations test and learn more quickly, including:

- **Participatory test market feedback.** Test marketing is a way of shifting the responsibility for experimentation out of the tight confines of an evaluation process and into the base of customers, users, and stakeholders. According to Thomke, “By putting experimentation technologies into the hands of customers or direct users, managers can tap into possibly the largest source of dormant experimentation capacity. Not only can shifting experimentation to direct customers result in faster development of products better suited to their needs, but their experimentation could also result in innovations we simply cannot imagine today.” Test marketing typically occurs in the product development stage where the product (whether a tangible product or process) and its marketing or dissemination plan are exposed to a carefully chosen sample of the population before full scale launch. Test marketing can engage stakeholders in an informal learning conversation or can be formal experiments in a field laboratory of real-life situations, often without people knowing they are participating. The innovator needs to decide if a simulation to actual usage conditions is important or if reflective feedback is sufficient. Depending on the quality and quantity of data required for the final decision, test marketing may last from few weeks to several months. It can be costly and should be structured in size and expense to be proportionate to and appropriate for the idea and its potential benefits/risks.
- **Virtual prototyping.** New technologies are opening up unprecedented levels of detail and complexity for idea development and refinement in the prototyping process. In *Experimentation Matters*, Thomke writes: “...experimentation has often been expensive in terms of the time involved and the labor expended, even as it has been essential to innovation. What has changed, particularly given new technologies available, is that it is now possible to perform more experiments in an economically viable way while accelerating the drive toward innovation.” He points to the development of the virtual prototype process used by companies like automobile manufacturers, which have needs that require a large scale or extreme costs. Because crashing cars is an expensive proposition—though one which is essential to ensuring the safety of the vehicles—manufacturers have gotten better at developing computer models that will test prototypes in a virtual world allowing for the analysis and manipulation of thousands of variables to create the theoretically optimal vehicle. Virtual prototyping can be applied to many projects and can be further refined for ideas that are less tangible, such as service programs. Through the right modeling and creatively using games and other digital devices for virtual prototypes innovators can get a conceptual picture of the impact both in size and intensity of implementing something that affects a number of people.
- **Paper or visual prototyping.** The idea behind paper prototyping is to bring an idea to life on paper or through other low-tech means like role playing that can help innovators to imagine what the changed reality will really be like with their innovation. They can then use this imagined sense of reality to catch flaws in assumptions and design. Visual prototyping can range from drawing pictures and sketches (e.g. writing the “cover story” or creating a visual metaphor to map-out the assumptions and intentions of a strategic plan) to short films in which the intended new reality is portrayed in detail. Even role playing a situation can help to imagine a new reality. These types of paper or visual prototypes are used by many firms, including Jump Associates, the Monitor Group, and Clohesy Consulting, among others. One example of a paper prototype that is commonly used is an exercise where you speculate about how the press would write about the innovation in the future, taking four or five new concepts and writing the front cover story about the innovation that would appear in the popular magazine or news show of most value to your idea or issue. It helps to put you into the future to think about what the innovation would actually look like, to imagine the end-state for the innovation, and to consider how it might actually come about.

Diffusion & Scaling



Once a successful innovation is identified and tested, the new practice may be ready to be spread and scaled (when appropriate, recognizing that not everything is meant to be grown and shared).

According to Bhaskar Chakravorti, the author of *The Slow Pace of Fast Change*, it is not wise to assume that because something is a great innovation, it will automatically spread. Adoption depends on other players making the choice to use an innovation alongside you. Health care, for example, is still primarily a paper based industry, rather than an electronic one, even though the technologies to make the transition are now readily available. The inefficiencies of using a paper based system cost the industry as much as \$250 billion a year. But each player's decisions are reinforced by their expectations for the decisions of others. From a pharmacist's perspective, it doesn't make sense to change over to an online system when physicians are still going to scribble out illegible prescription notes. And the physicians aren't going to stop hand-writing prescriptions until they know that the pharmacists will process electronic requests. No individual or group wants to unilaterally switch because there is no reason to believe that others will change as well.

To successfully spread new innovations in today's interconnected world, it is important to understand the system that maintains the status quo and the new system you are trying to create. By recognizing the interrelated stakeholders that are necessary for breaking the status quo and creating a new system, you can better define and address the barriers that prevent each of these stakeholders from adopting an innovation. Once you understand these barriers you can create a persuasive case for adoption, rooted in conveying how an innovation brings a "relative advantage" and is compatible with existing physical systems and belief systems (similar to the way that Amazon's use of an electronic "shopping cart" made online shopping feel more comfortable and consistent with people's traditional expectations for making purchases).

In his article "Scaling Social Impact," in *Stanford Social Innovation Review*, Greg Dees identifies what he calls the "Five R's" of spreading social innovation—five key factors for people to consider in thinking about scaling their innovations:

- Readiness (Is the innovation ready to be spread?);
- Receptivity (What strategy will ensure that the innovation is well received by new users?);
- Resources (What resources are required to put the innovation in place in new situations?);

- Return (What is the relative advantage of adopting the innovation?); and
- Risk (What is the potential negative impact if the innovation fails?).

With these principles in mind, researchers have identified at least four primary approaches for spreading innovation:

- **Dissemination.** Actively providing information, and at times technical assistance, to share an innovation with others. This approach is often considered the simplest strategy for diffusing an innovation—offering other groups access to information that allows them to learn about and adopt a new innovation—although it can often be difficult for other organizations to translate this new knowledge into action and real change in their organizations.
- **Growth.** Helping to grow the reach and scale of the innovation within your organization. This approach focuses on scaling up the use of a new pilot practice or product within the organization so it used more broadly in different areas of the organization or with closely related partners.
- **Replication.** Helping to replicate the innovation in other contexts beyond your organization, transplanting the innovation into numerous other, disconnected places.
- **Promoting an enabling environment.** Helping to promote policies, standards, and markets that reinforce the spread of an innovation. It is often not enough to simply grow or replicate an innovation; you need to change the larger system to promote more widespread usage, through policy change, self-regulation, or other mechanisms.

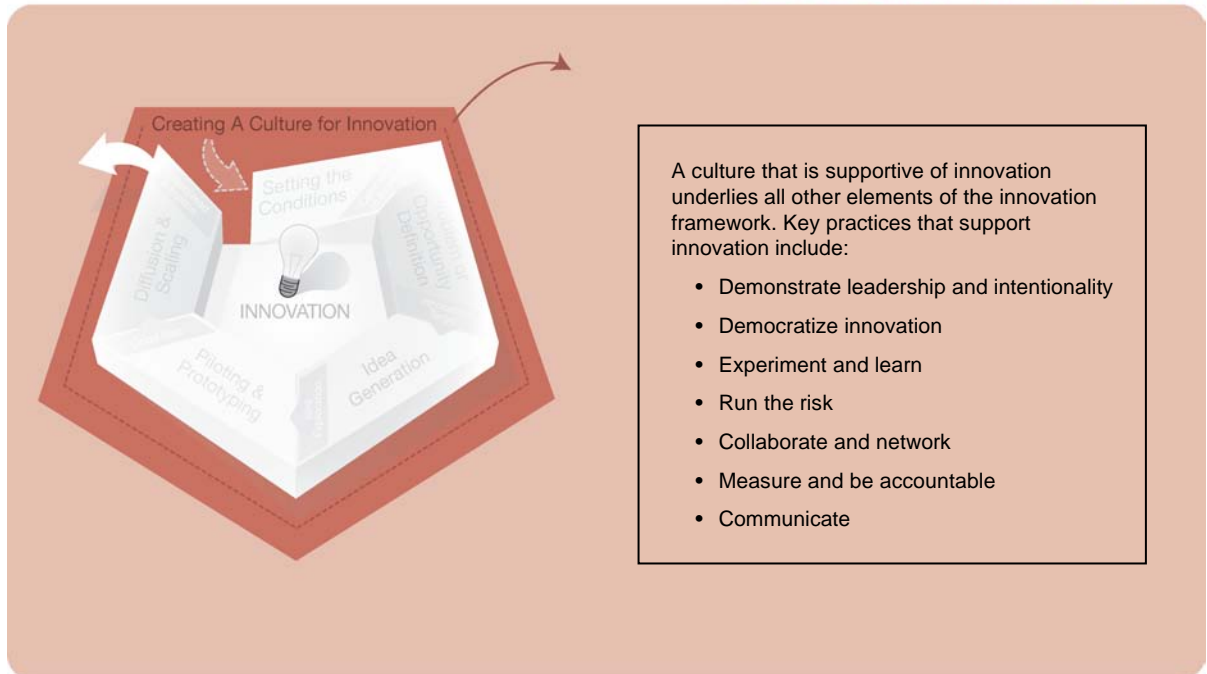
Methodologies and Tools

Within these broad categories, a range of specific methodologies for scaling and spreading innovation have been developed, including:

- **Knowledge dissemination**—actively providing information to others looking to bring an innovation to their organization or community. Sharing information about an innovation allows others to learn about your ideas and to choose whether or not to adopt the innovation. In its essence, dissemination gets you into the core of communications theory—selecting the most appropriate vehicle for sharing knowledge and persuading audiences to try new approaches. In sharing an innovation in this way, it is important to identify early adopters, change agents, and opinion leaders that can help you spread the innovation across a network. Conveying the information to these key hubs becomes a matter of identifying the best platforms and channels of communication, using either push (sending the information out, as with emails) or pull (getting people to come to the information, as with a website) strategies.
- **Technical assistance**—providing technical assistance, training, coaching, consulting, or other capacity building help to others interested in implementing the innovation. Technical assistance helps others build the capacity and skills that allow them to adopt innovations, and to get hands-on assistance in implementing new approaches.
- **Affiliation strategies**—ongoing agreement between two or more organizations to work together as a network in implementing an innovation. A good example of affiliation strategies is the experience of Social Venture Partners, which began in Seattle, but then replicated as independent organizations in places like Phoenix, Dallas, and Austin, with little involvement from SVP Seattle. These different SVP chapters grew into a loose network, connected by the SVP name and a set of shared principles. And in 2001, SVP International was formed as an umbrella organization to support the network.
- **Branching**—creation of additional instances where an innovation is implemented, much like creating new branches of a store. Branching provides a good way to ensure tight quality control and relatively centralized management. But the approach can also allow for more local autonomy, as in the case of the Nature Conservancy, which grants local branches a great deal of autonomy, while the organization's overall strategy is closely managed to ensure that it is fulfilling its larger mission.

- **Packaging and licensing**—packaging a successful innovation and licensing it to existing organizations. This approach is sometimes used in conjunction with affiliation strategies, allowing other organizations to use an innovation in exchange for certain returns or adherence to rules and principles. SVP, for example, now allows affiliates a great deal of local autonomy, but protects the SVP brand through a licensing agreement that assures adherence to a shared mission and principles.
- **Public policy intervention**—engaging public policy makers, legislators, and other government officials to influence legislation that promotes the spread of an innovation. In some cases, the best way to spread an innovation is to change the laws and regulations so that they enforce or promote the adoption of the new practice. Policy change can shift the standing rules of operation, upsetting the status quo and setting the stage for large scale and systemic adoption of a new practice. Changing regulations regarding disclosure of grant outcomes, for example, might force widespread changes in philanthropic accountability practices.
- **Standards and self-regulation**—creating mutually agreed-upon standards across organizations that promote the adoption of new innovative practices. In some cases, the same sort of systemic change created by policy shifts can also be self-imposed across an industry. Trade associations like the Council on Foundations could significantly hasten the adoption of an innovation through a change in the self-imposed standards that voluntarily guide the field.
- **Public awareness**—changing public perceptions to increase awareness and demand for the adoption of a new innovation. In many cases, the best way to spread an innovation is by creating demand from potential users and beneficiaries. Awareness strategies can help build an important base of support and leverage to encourage the adoption of a new practice or approach due to constituent pressure.
- **Changing or creating markets**—establishing new markets or using market forces to promote the diffusion of an innovation across the field. Similar to public awareness strategies, market based interventions can increase demand and create sustainable incentives for the widespread adoption of new practices.

Culture for Innovation



Signaling a commitment to innovation is a critical first step in the innovation process. The development of a sustainable culture that expects and encourages innovation at every level and function of the organization actually undergirds each element of the innovation framework. Culture is both the starting place and the underlying base for the entire innovation process. Creating an innovation-friendly culture means moving steadily toward comprehensive changes that make the organization a different place.

In the business world, it is widely recognized that the most successful “socially responsible” corporations are those that embed that commitment into everything they do. From the smallest decisions about the quality of office supplies to hiring employees and making major strategic business decisions, a socially responsible corporation aspires to a coherent and integrated culture of responsibility. Organizations that “go green” often do so by conducting a full 360-degree analysis of operations, products, and services and then make environmental improvements at every level from the acquisition and recycling of materials to net-positive energy use. Similarly, an organization that wants to be deeply innovative will create a culture that embeds innovation-friendly values and practices throughout its operations. Ideally the leaders will enroll all of their people in an intentional, thoughtful cultural commitment to creativity and learning.

Creating an innovative culture is totally intertwined with creating a learning culture. For some organizations the language about “learning organizations” has already grown tiresome. And yet innovation is fundamentally about effective learning. Intentional learning processes help to identify the full potential of deliberately developed innovation or to discover the value of an accidental idea. Without a learning culture that is constantly looking for patterns in activities, refining and improving activities, and sifting for the meaning of things, organizations frequently end up losing or warehousing their best information and knowledge. Systematizing innovation requires more attention to the learning culture, i.e. a work environment that promotes collaborative inquiry, experimentation, tolerance for risk, and an acceptance of and commitment to learning from setbacks or failures. Understanding the creation of learning cultures that go beyond mere information systems will be as important to understanding innovation as direct research on innovation itself.⁶

⁶ Morten Hansen, Julian Birkinshaw, Vigay Govindarajin. Futurethink, Tom Kelley, Henry Chesbrough, George S. Day

Research suggests that cultures that enable innovation often focus on a number of key practices that can be incorporated into any organization:

- **Demonstrate leadership and intentionality.** Innovation requires visible and vocal top management commitment, supported by aligned resources and incentives. Once leaders give their signal of support for innovation, they open a call for innovation to all. At the same time, leaders must find some people with core competencies in innovation to lead specific efforts to integrate innovative pursuits. An organization that wants systemic commitment to innovation will want to recruit, train, nurture, and reward innovative behavior of staff and leaders.
- **Democratize innovation.** Not all innovation is completely new; in fact, innovation most often is a tweak on an existing idea or the unexpected juxtaposition of existing ideas. As such, innovation can come from anyone and anywhere. This is leading to more extensive organizational practices to discover internal innovation as well as to open up to external ideas and processes. Often referred to as the “democratization” of innovation, this practice recognizes and encourages a wide range of people to participate in the generation of new ideas, the translation and adaptation of existing ideas to new circumstances, and the combination of multiple existing ideas into a new concept. Empowering people is essential. If it is a good idea that can be prototyped, implemented, refined and disseminated, the source is of little importance.
- **Experiment and learn.** The realm of innovation is inherently filled with the unknown and unknowable. Only a culture willing to experiment, test, and learn will be able to produce and sustain innovation over time. New ideas simply aren’t meaningful unless you are able to put them into practice and test how well they work. Effective experimentation and learning requires a commitment to trying new things and clear methods for capturing information and transforming it into insight that accelerates innovative thinking and actual innovations.
- **Run the risk.** Successful innovation efforts cultivate a climate of smart risk-taking and make a point of learning from, not punishing, failure. At the same time smart organizations don’t confuse low or non-performance with the more creative “failure” of innovation efforts. Be clear on what is an appropriate and acceptable risk tolerance for your organization and adapt an approach to innovation to match that level of risk tolerance—financially as well as strategically. For-profit and nonprofit/philanthropic entities have overall different levels of risk tolerance—with most companies exhibiting higher levels if and when they have generous research and development budgets and latitude for experimentation. The intensities of the “life and death” responsibilities of many nonprofits for people who rely on their services, along with more stringent budgetary boundaries, can lower the ability to take multiple or high-stakes risks. Philanthropic institutions have more financial flexibility for risk, yet often operate within tight strategies or restrictions imposed by the donor.
- **Collaborate and network.** Great ideas are rarely created by a solitary genius. More often, innovation comes from the right network of people and teams bringing disparate ideas together. The iconic image of innovation often portrays Thomas Edison as the sole inventor of the light bulb, but Edison was actually an astute knowledge broker who developed his famous Menlo Park lab to bring together thinkers and their inventions, out of which came the light bulb.⁷ Innovators often collaborate with those inside and outside their organizations to bridge across and recombine existing ideas into new ones. Collaboration nurtures emergence, which can often lead to unexpected opportunities. Networks are also critical to the diffusion and spread of innovation, as adoption often relies on the choices made by other actors within a system. Expectations that staff should work collaboratively inside the organization and/or externally must be clear, demonstrated actively, and reiterated

⁷ Andrew Hargadon, *How Breakthroughs Happen*, Harvard Business School Press, 2003.

continuously. The organizational structure, including the allocation of appropriate resources of time and other supports, are needed to bolster collaborative working relationships. And new tools for social network analysis now allow us to see and understand networks of relationships that were previously invisible to us. Building a full view of your network enables an organization to understand its human resources better and to accelerate the flow of information, ideas, and products in and out of your organization.

- **Measure and be accountable.** As companies and organizations try to prove whether or not their various investments in innovation are “paying off” there is a new field emerging to “measure” innovation by creating accepted systems of metrics. The U.S. Department of Commerce recently formed an advisory committee to bring together business, academic and philanthropic leaders to define innovation and to explore the options for measurement. While no standards currently exist to measure “innovativeness” or the effectiveness of investing in innovation, there is much attentiveness to feedback and learning from innovations as they move from idea to practice. Organizations do this in a number of ways, from eBay’s feedback process on every transaction to the Women’s Funding Network’s “Making the Case” tool for participatory evaluation of social change with grantee partners. The preference for rapid cycling of testing and improving ideas dominates both literature and practice right now; and Cisco Systems has boiled it down to a slogan: “Instant feedback creates instant success!” Measuring and assessing effectiveness is a critical element of an organization’s ability to effectively experiment, test, and learn.
- **Communicate.** Good communications practices are essential to an innovation culture. Organizations need a process to create and share information in order to reduce uncertainty generated around innovation and the change it produces. Linked to the learning dimension of innovative culture, the communications’ capacity enables broader participation in the innovative process. Good communications enable organizations to welcome innovations and innovators; poor communications can contribute to the destructive temptation for one person or faction to “kill off” the innovations of others in order to keep their own competitive advantage.

Many of these different cultural characteristics were put on display at the W.K. Kellogg Foundation in the foundation’s response to Hurricane Katrina in 2005. Within two weeks of Katrina’s devastation of New Orleans, WKKF—a foundation that does not normally fund disaster aid—put more than \$12 million into the region. The investment was specifically directed to local organizational partners working in health, youth, rural and community development, as well as to the coordination of efforts in the foundation’s home state of Michigan to house and support evacuees. The size and speed of the response was important. But the commitment and collaboration inside the foundation, along with the partnerships between the foundation and local leaders and their organizations, distinguished the effort.

Internally, foundation leadership sent a clear signal to diminish the significance of traditional divisions and teams and to look at the problem in a unified and multi-disciplinary way. Each of the foundation’s various departments put their resources “on the table” so that efforts could be coordinated and integrated. This included leadership contacts, organizational relationships, and a willingness to jointly plan and maximize funds available through a Special Opportunities fund.

Externally, the foundation “democratized” on-the-ground decisionmaking by working with trusted local partners who were empowered to think creatively at the community level. The foundation invested its resources in community organizations that had previously been grantees, so trust was already high and greater flexibility was possible. The foundation took a calculated risk to allow these known partners with local knowledge to solve problems quickly and effectively—even without a “foolproof” overarching plan in place.

The quality of these internal collaboration and external partnerships was tested quickly just two weeks after the announcement when Hurricane Rita struck the Gulf Coast in Mississippi and multiplied the

devastation. The foundation added to and expanded grants, while the grantees had to quickly broaden their focus and innovate on action plans for the immediate relief intended by the WKKF funding. And in mid 2006, the Foundation followed up the 2005 investments aimed at relief efforts with another multi-million package of grants focused on rebuilding and addressing long-term problems such as poverty, which the storms had amplified. This brought the total investment to \$36 million, including a match of individual contributions from staff and trustees.

The Kellogg approach highlighted many of the key activities that are essential to creating a culture of innovation. More details on these and other characteristics are included in the quick reference chart on the following page.

Cultural Element	Ideas: People/Process	Ideas: Structures/Process
Lead with intentionality	Leaders need to clearly articulate the importance of and commitment to innovation Innovative culture requires strong leaders with great relationship-building and communications skills Innovation needs connectors—people who know how to find partners within the organization and externally	Build core competencies in innovation; recognize that there is a literature about innovation, especially systematic innovation, and use it to your advantage.
Democratize innovation	Smart people work for us... but not ALL smart people work for us, so ideas can come from both inside and outside the organization Users can help design what works best; engage users/stakeholders in improving existing ideas and developing new ones	We don't have to originate the research to profit from it, but we should have clear criteria for evaluating the feasibility/attractiveness of an innovation. If we make the best use of internal and external ideas we will "win" Not every innovation idea has to be a blockbuster. Sufficient numbers of small or incremental innovations can lead to big profits and/or changes Transformative ideas can come from any function, e.g., marketing, finance, services, etc.
Experiment & learn	A willingness to try new things is essential to the innovation process	Be as systematic about learning as other best practices of organizational development. Develop appropriate models of rapid learning and experimentation
Run the risk	Avoid punitive reactions to failure: High demand for innovation combined with low risk tolerance yields negative returns such as staff, management, and board frustration and problems with retention	Align expectations about innovation to your risk tolerance. Making big bets is best reserved for cultures with high risk tolerance. Test ideas early, so you can correct problems or recognize failure before too much is invested in an idea
Collaborate and network	Collaborative creativity is realized through human interaction Build good internal cross-unit networks	Proper network dynamics must be in place to support recombinant innovation. Align incentives to support collaborative innovation Map and understand your organization's social networks and work to understand their significance
Measure	Incorporate measurement and accountability into individual and team roles for innovation.	--Experiment freely, i.e. "Lather, rinse, repeat!" Correction and iteration are essential to getting things right. Never assume that external "ready to go" ideas are truly ready. Preserve flexibility to allow your innovation to be modified. Transparency—invite people in the organization to see what you are working on
Communicate	Enlist allies and idea "evangelists" to spread your idea The structure of the internal social system (i.e. how effectively the organizational units are working in their own ways toward a common vision through a strategic plan) inhibits or accelerates innovations	Persuasion is less about presenting an argument for the innovation and more about the attitude formation around the innovation. Knowledge is essential for people to work together on an innovation

OPPORTUNITIES FOR INNOVATION IN PHILANTHROPY

“The most important thing to remember is this: To be ready at any moment to give up what you are for what you might become.”

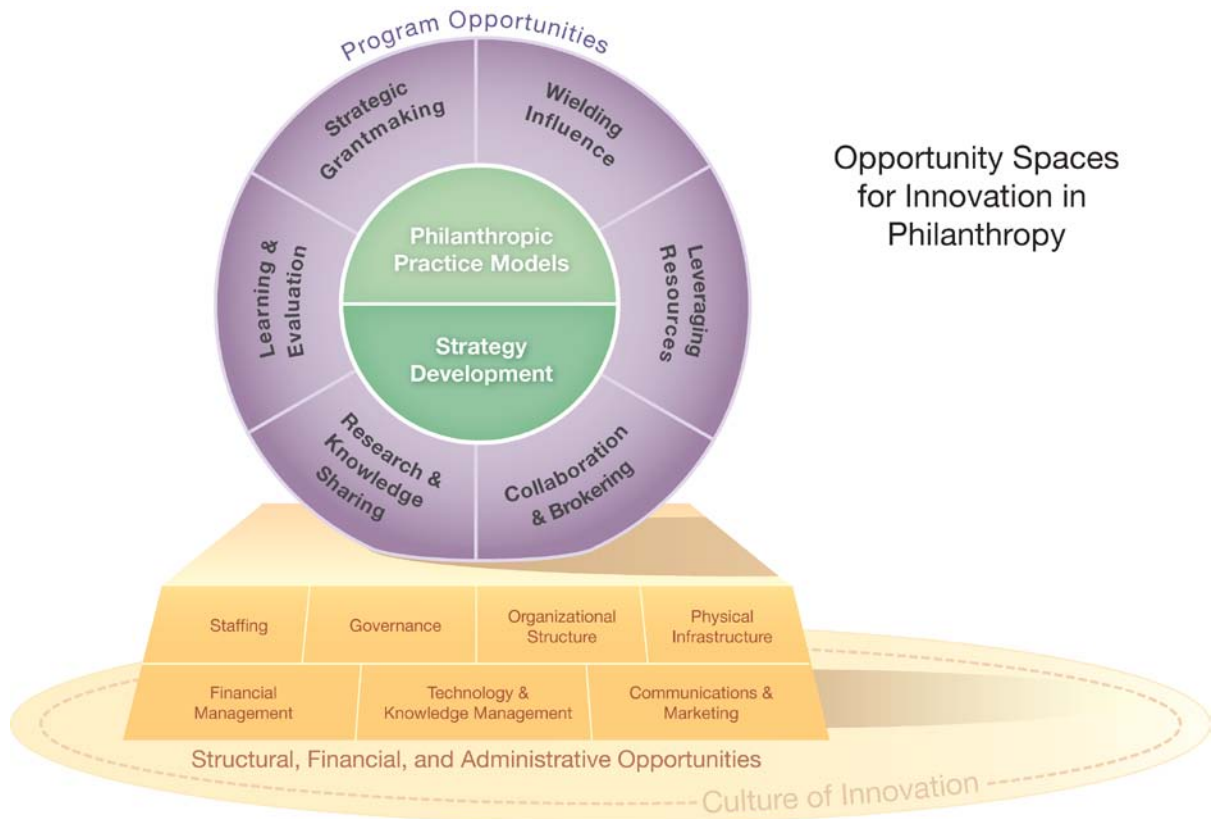
– W.E.B. DuBois

In the past decade, innovations in philanthropic practice ranging from mission related investing to online giving have been changing the fundamentals of how donors and foundations go about their work. More than ever before, new technologies and new ways of organizing are creating exciting opportunities for breakthroughs in public problem solving

Funders are beginning to act as laboratories for pioneering new practices that take advantage of emerging opportunities. But a vague and generalized desire to innovate and create new approaches seldom leads to real breakthroughs in strategy and process. Breakthroughs most frequently occur when an organization focuses on a small number of bold initiatives by systematically vetting innovative ideas and choosing to develop those that are most promising or relevant.

So when thinking about the philanthropic process, where should foundations concentrate their attentions?

This section provides an outline of the different opportunity spaces within the philanthropic process where innovation might be possible. The different domains for innovation introduced in the Framework in the previous section serve as a starting place, but here we also look more deeply into the specifics of the philanthropic process to understand some of the unique opportunities for innovation in the social sector. We have summarized many of the key spaces in the diagram below. At the core of the figure are **program opportunities**: a variety of spaces where a foundation can think about doing its core work differently, from program strategies to learning and evaluation. But it is also important for foundations to understand that innovation is possible in every aspect of their operations, and there is a wide range of **structural, financial, and administrative opportunities** for foundations to improve the way they function.



These opportunity spaces for innovation are not about the specific innovations within social issues and areas. We will not be highlighting the best new approach for improving early childhood education or addressing the issues of homelessness. Instead, we concentrate on the emerging opportunities for developing new approaches to the practice of philanthropy itself: the business models, strategies, and processes that foundations use to do their work.

For each area of potential innovation, we document several experiments that other funders are now attempting, to give a sense of the array of possibilities that exist. The range of cases is not intended to be comprehensive (nor could it ever actually be comprehensive, given the scale and dynamism of philanthropy), but to give a flavor of the activity now occurring in the field.

Some of the innovations described here are relatively small—incremental improvements to the traditional mechanics of philanthropy—while others may represent much larger breakthroughs to a funder’s entire organizational strategy. And many of the innovations are not entirely new. Several are modern twists on old ideas. Some have been part of the repertoire of funders for years, but are drawing new interest and getting wider attention.

The opportunity spaces diagram is not intended to draw clear distinctions between different areas of innovation. Many innovations don’t fit neatly into just one category. Instead, the schema is intended to serve as a tool for helping a funder to see their institution from a 360-degree perspective, to notice patterns and identify areas in need of innovation, and to quickly understand how external innovations might fit into their own activities.

It is likely that many of the innovations cited here could be replicated or adapted at other foundations. But more importantly, the cases aim to stimulate thinking and provide inspiration to help you develop innovations tailored specifically to your unique circumstances. The innovation framework laid out earlier in this paper can provide guidance for generating and implementing innovations within your organization.

PROGRAM OPPORTUNITIES

Many of the most exciting opportunities for innovation in philanthropy are rooted in a funder's program related activities. For much of the twentieth century, foundations saw themselves as "charitable banks"—holding and growing assets, while giving out a percentage of those resources each year in grants to promote social and environmental good. Even within this traditional role, many funders have begun to innovate. Others, seeing that their contributions to social change can extend beyond their grantmaking, are experimenting with very different programmatic roles they can play in promoting social change.

Philanthropic Practice Models

In the midst of rapid growth in philanthropy, many entrepreneurial leaders are experimenting with models of operation that don't fit neatly into the traditional foundation mold. Philanthropists seeking more flexibility and collaboration in the use of their resources are testing innovative new models of practice for producing social change and creating new hybrid approaches by mixing and matching for-profit and nonprofit structures and strategies.

Stimulating market based solutions

William J. Clinton Foundation

Many people concerned about the sustainability of traditional charitable efforts have begun to look to the market for solutions to today's pressing social problems. The idea is that markets for social good could find innovative and cost effective ways to deliver social services to those in need at a much lower unit cost by changing the market dynamics or birthing new markets in which players are given economic incentives to establish sustainable business transactions that in turn solve social issues. One example of this approach is the Clinton Foundation's effort to improve access to AIDS drugs in countries in Africa and the Caribbean. The foundation cut out the middlemen responsible for distribution (and mark-ups), aggregated the demand for AIDS drugs in the regions, and assisted in helping generic drug manufacturers to become more efficient. Increased efficiency, reduction in volatility, and aggregated volume allowed the foundation to enter into purchase agreements with these drug manufacturers who were able to lower prices on many drugs. It is important to note that the Clinton Foundation never asked companies for charitable donations, but rather created an appealing value proposition for all parties that allowed the market to sustain the delivery of lower priced AIDS drugs.

Developing philanthropic mutual funds

Acumen Fund and the Global Fund for Women.

A range of new philanthropic organizations now aggregate giving from a broad base of donors and channel the funds towards a specific set of nonprofit organizations and social enterprises. The organizations act as "philanthropic mutual funds" that aggregate investments and employ programmatic professionals to make funding decisions in a particular programmatic area or geography on behalf of participating donors. The Acumen Fund, for example, engages a set of individuals, foundations and corporations to support innovative, market-oriented solutions to the problem of global poverty through four different portfolios related to critical areas of need for the poor: Health, Housing, Water, and Energy. Similarly, highly focused and mission-driven women's funds such as the Global Fund for Women aggregate resources from a wide range of individual and institutional donors to support a portfolio selected by Fund staff of women's groups and organizations working on women's human rights issues around the world.

Enabling philanthropic marketplaces

GlobalGiving and DonorsChoose

Other philanthropic organizations are experimenting with models that make it easier for potential donors to connect directly with individual projects and organizations to fund. GlobalGiving, for example, is an online philanthropy marketplace that connects donors to social and environmental projects around the world. Using a model similar to eBay's approach to online commerce, GlobalGiving posts information about a carefully vetted set of projects that in many cases, donors would not be able to find otherwise, and allows users to easily contribute to the projects and track their impact over time. DonorsChoose offers a similar platform, helping to connect donors with projects posted by public school teachers that are not supported by traditional education funds.

Crowdsourcing and competing for innovative solutions

InnoCentive and the X-Prize Foundation

Some organizations are beginning to experiment with an approach called crowdsourcing—the act of taking a task traditionally performed by one individual and outsourcing it to a large, undefined group of people.⁸ The web-based company InnoCentive, for example, acts as a broker for crowdsourcing solutions to difficult research and development challenges. The organization has outsourced traditionally in-house R&D functions to create an “innovation marketplace” that connects companies and academic institutions seeking breakthroughs with a global network of more than 125,000 scientists, inventors, and entrepreneurs interested in developing creative solutions. A recent partnership with the Rockefeller Foundation is now allowing select nonprofits to use the InnoCentive process to post problems related to addressing the needs of poor and vulnerable populations and offering rewards to innovators who solve them.

Other organizations, like the X-Prize Foundation, are using competition to help catalyze innovation and stimulating activity focused on particular goals. The foundation runs competitions that put forward multi-million dollar awards to the first team to achieve certain goals. Its first competition provided a \$10 million prize to the first private team to design and launch a spacecraft that could carry people more than 100 kilometers above the earth's surface. The competitions, now being proposed in the areas of space, energy, automobiles, education, and other social issues, represent an alternative to direct research funding, and are seen as a way to create a “marketplace” for innovative solutions.

Rethinking risk and making big bets

Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation has taken a part of its program budget and devoted it to supporting pioneering efforts, i.e. innovations that could lead to potential breakthroughs and radical change in health and health care. The foundation's Pioneer Portfolio seeks out high-risk, high reward efforts that could fundamentally change health systems. RWJF has acknowledged that many of the Pioneer grants may not succeed, but feels that if they are able to produce even one or two real breakthroughs, they've made a huge contribution to the field. It is an attempt to take more of a venture capital style approach to risk and reward, accepting and learning from failure in order to take a shot at producing major successes and disruptive change. And in order to ensure that they are making intelligent “bets” about the field with their grants, the foundation worked closely with the futurists at the Global Business Network to clarify their assumptions and think productively about the uncertainties that are emerging.

Building grantee capacity in new ways

David and Lucile Packard Foundation and the W.K. Kellogg Foundation

⁸ Jeff Howe, “The Rise of Crowdsourcing,” *Wired*, June 2006.

An increasing number of funders are exploring the way they can build the knowledge, skills, and capacity of nonprofit organizations to achieve their goals through training, technical assistance, coaching, referrals, and other learning opportunities. The growth of Grantmakers for Effective Organizations (GEO) has helped to bring capacity building strategies into the mainstream of philanthropy, but there are a number of funders who are exploring new ways of building the capacity of their grantees. The Packard Foundation, for example, has long managed an organizational effectiveness program that builds the capacity of its grantees to accomplish their goals. But an increasing number of the foundation's grant recipients now function as networks or use network-based strategies. The foundation is now exploring ways it can complement the capacity building support that it already provides to individual organizations by offering "network effectiveness" assistance that helps grantees work better together to achieve greater social impact.

Meanwhile, the Kellogg Foundation has invested in the Kellogg Action Lab, a \$9.3 million initiative run by the Nonprofit Finance Fund and the Fieldstone Alliance to help develop and provide a broad array of technical assistance resources, including expert consultation, training, publications, benchmarking, and management tools that integrate financial sustainability, organizational capacity, and mission in order to improve the performance and financial health of more than 800 US-based Kellogg grantees.

Focusing on scaling success

New Profit Inc.

While many foundations try to catch successful social entrepreneurs early in their development, New Profit Inc. has carved out a distinctive niche in the funding world. The organization explicitly chooses to focus on scaling up successful social entrepreneurs rather than providing seed funding, offering multi-year growth capital and ongoing technical assistance to help build grantee capacity and increase the impact and reach of the organizations. At the same time, New Profit works across its portfolio of organizations to explore the ways that the organizations can increase their impact through coordinated action and policy change.

Linking nonprofits to pro-bono resources

Taproot Foundation

Numerous nonprofits and volunteer centers from Hands-On Network to VolunteerMatch help link people to available volunteer opportunities. But few organizations focus on matching the real skills of professionals with the truly pressing needs of nonprofits. Rather than making grants, the Taproot Foundation has developed a model and tools that help match the skills and talents of business professionals with nonprofits in need of marketing, HR, and IT consulting services. Since 2001, the foundation has awarded over 600 pro bono projects, involving more than 9,000 volunteers, in work with approximately 500 different nonprofits.

Providing a full range of support for nonprofits

Tides Network

Tides is a unique social enterprise organized as a network of entities offering a combination of nonprofit and philanthropic services (in the US and globally), including: the Tides Foundation, which provides donor advised grantmaking services for progressive givers; the Tides Center, which offers tiers of fiscal sponsor services that helps to incubate and support more than 200 social change projects; and Tides Shared Spaces, which develops and manages sustainable workspaces for nonprofits. The Network represents an innovative approach to meeting all of the various infrastructure needs required to help donors and activists create social change, and it is a sector leader in terms of its size and volume of transactions.

Developing Social Stock Exchanges

BOVESPA Social Stock Exchange

A Social Stock Exchange is a way to raise capital and investment for businesses with aims beyond profit maximization. The stock exchanges provide a distinct platform and language for social investing and provide a fertile ground for exploring social sector metrics, expectations, while offering new opportunities to individual investors looking to specifically cultivate a portion of their portfolio in social businesses.

The “Social Stock Exchange” in Brazil is a fund raising initiative launched by that country’s stock market, BOVESPA, in the second half of 2003 to help nonprofit organizations seek funding from social investors (donors) willing to support their programs and projects. Just as happens in the Stock Market, the nonprofit organizations build strength and return investments in the form of a more just society in which thousands of children and youth of poor communities enjoy greater opportunity in their lives—the nonprofit organization pays back the investment as social profit. All funds raised by the Social Stock Exchange are transferred entirely to the listed social organizations without commissions, fees or deductions of any kind. BOVESPA supports all the costs related to communications, advertising, operational needs, website maintenance, specialists and consultants fees. Through the BOVESPA site one can keep track of the social investments and see how the projects are progressing, receiving constantly updated information on its social shares and social profit.

Strategy Development

In addition to experimenting with new “business models” for philanthropy, many funders are also developing and testing innovative new approaches and theories of change for affecting the issues they care about most—whether it is curing diseases, reforming education, supporting artists, fighting hunger, and almost anything else that a philanthropist might support. The innovative strategies developed to address these different issues are too numerous to document here.

But given this report’s focus on philanthropic practice, it is also worth noting that a number of new foundations are not only trying to develop innovative strategies for solving public problems, they are also exploring innovative approaches to *developing* those external strategies.

Innovation in the Public Sector

The opportunities in this section of the report specifically focus on innovations in philanthropy. And we are all familiar with many of the innovations of the corporate sector, from eBay to Post-It Notes. But innovations in the public sector often fly beneath the mainstream radar. To raise awareness of the many, often overlooked, innovations emerging in local, state, and federal government offices around the country, the Ash Institute for Democratic Governance and Innovation at Harvard’s John F. Kennedy School of Government has developed the Government Innovation Network (an online portal full of ideas and examples of government innovation) and manages the Innovations in American Government Awards (an annual program to recognize and promote excellence and creativity in the public sector). Recent government innovation award winners include:

- **The United States Department of Agriculture, for Future Leaders Growing Future Leaders.** The United States Forest Service cultivates young and new employees as future leaders through a self-sustaining development program largely run by the future leaders themselves.
- **The state of Florida, for its Automated Community Connection to Economic Self-Sufficiency model.** The state redesigned and modernized its process for determining eligibility for public assistance. The ACCESS Florida model is streamlined, cost efficient, and nationally recognized for excellence.
- **King County, Washington, for its Electronic Court Records.** Electronic Court Records gives court case file users electronic access. Scanning and e-filing have eliminated paper files, resulting in faster processing, desktop access to documents and better security.
- **The city of High Point, North Carolina, for its Overt Drug Market Strategy.** The Overt Drug Market Strategy is a law enforcement/ community partnership that collapses drug markets, reduces violence by directly engaging dealers and their families, creates predictable sanctions, and offers a range of services.
- **Genesee County, Michigan, for the Urban Land Reform Initiative.** The Urban Land Reform Initiative is a self-sustaining economic model which connects tax foreclosure with management and disposition of vacant and abandoned property to stabilize neighborhoods and improve the value of urban land.

Opening up strategy development

David and Lucile Packard Foundation and the Stupski Foundation

A growing trend in philanthropy is the practice of opening up strategy development to input from a wider community. According to Walt Reid, Director of the Packard Foundation's Conservation and Science Program, "[Philanthropic] strategies are typically developed by foundation staff, by philanthropic intermediaries, or by consulting firms.... [But there is a concern] that existing models for strategy development cast far too narrow a net in their search for creative solutions. They are unable to benefit from the wisdom, experience, and expertise present within civil society, private sector, and academic institutions. So the Packard Foundation created a wiki to bring the "wisdom of crowds" to bear on its new strategy for addressing nitrogen pollution. The goal was to experiment with an alternative model for strategy development that would improve the goals and elements of the strategy while also helping the foundation to identify individuals, institutions, and projects that could play a role in carrying the strategy out.

At the level of strategy for a whole foundation, the Stupski Foundation used collaborative tools like design charettes and gallery walks to develop and share big ideas and emerging strategies for its work to improve large public school systems. This began with staff and an initial group of external stakeholders, including key program staff and leaders from other foundations with similar goals. The foundation then created an online tool to solicit feedback from 100 external experts, both inside and outside of the education field (to get a cross-sectoral perspective). Based on this feedback, the foundation drafted a strategy that it ran through more rigorous peer review sessions. And it brought together individuals from education and other sectors in various configurations or "advisory groups" to provide feedback on iterations of the approach, to co-create program implementation plans, and to begin outlining prospective partnerships.

Grantmaking Processes

The grantmaking function—the process of delivering social impact by selecting and supporting recipients of grants, who in turn manage programs that create social impact within a given sector or issue area—is seen by most observers as the core function by which a philanthropist drives change in the world. But in virtually all aspects of the grantmaking process, funders are experimenting with new ways to streamline and improve the way grants are made. The new innovations run the spectrum from small improvements in traditional applications processes to fundamental shifts in a foundation's grantmaking strategy. And they go beyond how a funder selects successful programs to fund—"picking winners"—into the way grant ideas are developed and solicited, the mechanics of the application process, the strategy for reviewing potential grantees (due diligence), the way grants are handled and processed, and the approach taken to making grant decisions. A few examples of some of the innovations occurring in the grantmaking process include:

Open sourcing the applications process

Ashoka Changemakers and the Case Foundation

Some funders are trying out new online platforms to test "open source" models for soliciting new ideas and grantees. Ashoka's Changemakers initiative, for example, uses online competitions to engage a broader set of stakeholders and promote innovation around problems stuck in conventional approaches. Often developed in partnership with other funders, Changemakers competitions create an online community of peers, experts, investors, and interested members of the public that competes to surface the best social solutions, and then collaborates to refine, enrich, and implement those solutions. Changemakers begins by providing an overarching intellectual framework for thinking about a particular social issue. It then manages an open application process, where entries are posted transparently online and available for anyone to view and collaborate with by providing new ideas, asking questions, and providing connections to new resources. At the end of the applications period, a set of expert judges selects finalists, and a winner is chosen

by the broader Changemakers community. The idea is to create a space where a range of participants can work together to propose, refine, and support innovative solutions to pressing social challenges.

Through its Make It Your Own Awards, the Case Foundation is attempting to use a “citizen centered” approach to engaging the public in generating and evaluating ideas and initiatives to improve their communities. The program is asking individuals and small local nonprofits to send ideas for improving their communities through an online application process. This year, the foundation received over 5,000 applications. A group of judges selects the top 100 submissions, which receive \$100 dollars each and are asked to submit more detailed proposals. A smaller panel of judges then selects the top 20 finalists, each of which will receive \$10,000 to develop their ideas. And then the public will be asked to vote to select the four best proposals, which will each receive an additional \$25,000. The idea is to create a space where people have an opportunity to get engaged in developing and directing efforts to improve their own communities.

Soliciting proposals from new grassroots community sources

Nevada Community Foundation, A Glimmer of Hope Foundation, and the WHEAT Trust

A number of foundations are exploring new ways to ensure that grassroots efforts and organizations that traditionally aren’t able to connect with organized philanthropy are able to access grant funds. Since 2006, the Nevada Community Foundation’s “community investment process” has helped people bring forward new ideas for improving their communities, instead of just getting requests for more funding from existing programs. The foundation started a process of receiving “idea letters”—rather than formal proposals—from groups of community members or nonprofits. When they receive an idea letter, NCF sends out a trained “engagement specialist”—volunteer consultants who have been trained in community organizing and engagement processes—to work with the applicant to engage the community in a dialogue to discuss and shape the projects. The process has helped the foundation to get a number of proposals focused on real grassroots needs, and there have even been a few groups that have just asked for an engagement specialist, rather than any sort of grant funds, to help create a conversation in their communities.

In Austin, Texas, A Glimmer of Hope Foundation seeks to support what they call “community angels”—people working in local neighborhoods with little or no money. Where many foundations shy away from funding new organizations, Glimmer was the first major grantor for half of its grantees. They provide seed capital to help grow incipient community efforts into more functional and effective organizations.

In Capetown, South Africa, the WHEAT Trust, a women’s foundation, is dedicated to making a difference among South Africa’s poorest rural women. However this means that women and their projects could be using one or several languages not shared by the Trust and its staff. In addition rural women often do not have the skills or resources to write their proposals and submit them in a way that meets standard application procedures. To meet these social entrepreneurs “where they are,” WHEAT has encouraged and accepted “phone-in” proposals. Women can call-in and leave a lengthy message describing their project and what they are trying to accomplish. The “proposal” is transcribed and then reviewed by staff. If an idea is promising the staff then can explore ways in which a grant and transfer of funds can be made.

Decentralizing the Grantmaking Process

Global Greengrants Fund, the Funding Exchange, and the Nevada Community Foundation

Global Greengrants makes small grants to grassroots environmental groups working around the world. To find grantees and make grant decisions, the Fund uses a network of regional and global advisory boards made up of local scientists and activists, leaders of small

networks and coalitions, teachers, journalists, engineers, physicians, and international environmental leaders. These advisory boards are responsible for grantmaking in each of their regions, leveraging local expertise and creating a system that puts grant decisions in the hands of people closest to the action.

Similarly, the Activist-Advised Funds of the Funding Exchange—a set of 16 public foundations and a national office working to promote social, racial, economic, and environmental justice—directly involve community activists and leaders in philanthropic decisionmaking. The Exchange attempts to shift the power of grantmaking to the activists, who spend their lives on the front lines in their communities, and who represent a broad range of experiences that uniquely inform their perspectives. The panels also provide a space where activists are able to develop strategic relationships and share best practices.

And in Las Vegas, the Nevada Community Foundation's Community Investment Process puts control over the purse-strings for \$3 million of the foundation's funds into the hands of the community. A Community Conference of local residents (chosen to be reflective of, but not representative of the diversity of the community) convene monthly to discuss the challenges facing the area and to make grant decisions focused on those issues.

Streamlining the application process

Sobrato Family Foundation

Many foundations are experimenting with ways to improve their applications processes. The Sobrato Family Foundation has developed a number of ways to streamline its application process. By using data from an applicant's IRS Form 990, sent to them directly online through an arrangement with GuideStar, for financials, which reduces the amount of information applicants need to provide, while also ensuring uniform data and reducing administrative data-entry time. The foundation has also developed an online eligibility quiz that helps potential grantees to easily determine whether they are eligible for grants from the foundation. The foundation also draws all financial information about applicants from the information provided through

Elsewhere in California, the Frieda C. Fox Foundation, a small foundation in Studio City, is now working on a "virtual site visit" program that will allow foundations with Board members all over the country to take a site visit without leaving their home.

Collaboration, Convening, and Brokering Relationships

Many foundations have also recognized the contribution they can make by convening diverse stakeholders, brokering relationships, and fostering collaboration. Funders can bring together networks of foundations, grantees, communities, donors, policymakers, and others to coordinate efforts, amplify impact, and bring a larger pool of resources to bear on issues of common concern. Using networks in these ways allows funders to build strong constituencies and coalitions that are able to address complex issues and produce results greater than those that could be created by any individual organization.

Fostering cross-sectoral partnerships

GAVI Alliance

The GAVI Alliance brings together a broad range of partners who share the goal of improving "child health in the poorest countries by extending the reach and quality of immunization coverage within strengthened health services." Partners include UN agencies and institutions (UNICEF, WHO, the World Bank), civil society organizations, public health institutes, donor and implementing country governments, private philanthropists, vaccine industry representatives, and members of the financial community. Each of the partners makes distinctive contributions to the group based on their capabilities. For example, the International Vaccine Institute provides guidance to the research agenda, a communication

platform with the research community, and technical staff for GAVI's operations. Philanthropy has played an important role in the Alliance as well, with critical startup funding from the Bill and Melinda Gates Foundation.

Promoting regional collaboration

Fund for Our Economic Future

The Fund for Our Economic Future is re-thinking the geographical focus of philanthropic collaboration by bringing together more than 100 philanthropic organizations impacting 16 counties to advance an agenda of economic transformation that will strengthen the region of Northeastern Ohio through grantmaking, research and civic engagement. The impact of the regional collaboration has already had positive repercussions in the public and financial sectors, resulting in collaboration by the region's mayors to jointly explore tax revenue sharing, in various Chamber Heads meeting on various initiatives, and in the recent launch of the first Northeastern Ohio regional marketing campaign. Furthermore, the Fund has leveraged the combined strengths of multiple communities and funders and set in place the strategies for development of what was once rated as the worst place in the nation to start a business. In just a few years, the Fund has helped the area rise from 61st (dead last) in Entrepreneur Magazine's rankings of the best and worst places to be an entrepreneur to 23rd, and about 100 regional companies have raised over \$500 million in capital, including important growth in emerging industries like health care and clean energy.

Weaving stronger social networks in the community

Barr Foundation

Along with its regular grantmaking program, the Barr Foundation works to strengthen the connections between and among networks of stakeholders working on issues of community concern in the Boston area. In one case, the foundation hired "network weavers" and used social network mapping tools to strengthen the relationships and connections among the array of after school service providers operating in the area. In another program, the foundation selects a set of Barr Fellows—senior leaders in the Boston area—offering them a sabbatical, international travel, a series of retreats, and peer learning as a way of building stronger relationships between the leaders that improve their ability to work together and build the overall capacity of the local system.

Using virtual worlds as collaboration spaces

John D. and Catherine T. MacArthur Foundation

Over the past few months, the MacArthur Foundation, engaging with the Center on Public Diplomacy and Linden Labs, supported a series of discussions within the virtual world of Second Life about the concept of philanthropy. These meetings and conversations were noteworthy in their ability to bring diverse and far away groups together for little or no cost, to exchange knowledge and ideas in a fluid and realistic manner. Lowering the resource barrier for often budget-conscious organizations and putting them in a dynamic setting has the potential to lead to breakthrough collaboration and knowledge sharing. MacArthur, by investing in Second Life and There.com as part of its \$50 million initiative in digital media, has underlined the importance of virtual worlds and their capacity for convening, human development, building relationships and participating in civic and non-profit initiatives.

Convening to create connections

Synergos Institute and the Tides Network

Synergos has created (with funding from the Samuels Foundation) a process called "Multi-Stakeholder Partnerships" to bring together all sectors to engage in collective problem solving on specific issues. The inclusive partnerships address critical development challenges where technical or narrow solutions have not worked or are not working at scale. Synergos uses a process called the Innovation Laboratory that engages 25-50 leaders in an 8-month process

of Sensing, Reflecting, and Acting (called the “U” process) to fully learn about a problem, to accurately identify the potential solution or areas of innovation, and then to plan appropriate action and the evaluation/assessment of the work.

The Tides Foundation launched its Momentum Conference (Ideas, Connections, Actions, Change) to catalyze social change solutions. In 2006 it hosted a Leadership Conference, which was an intergenerational convening of donors working side by side with innovative, progressive leaders and thinkers. They challenged each other to think critically about the work they are doing and how they put race and organizing at the center of conversations about progressive philanthropy. The Momentum Leadership Conference 2008: Progressive Voices in November '08 and Beyond will be held in San Francisco, July 21-23. This convening is intended to create a space for powerful connections and effective strategies that identify common priorities.

Leveraging Resources

The resources that any one foundation, no matter how large, can bring to bear on an issue are almost always limited relative to the scale and complexity of the issues they are attempting to address. So foundations have long tried to leverage their investments—multiplying the impact of a gift by attracting other contributions. The practice dates back to Andrew Carnegie’s public library grants at the turn of the twentieth century, where he required matching contributions from local communities and governments for ongoing operation of the library buildings he funded. In addition to leveraging dollars from the government, funders today also look for ways to signal other established foundations and individual donors.

Building cross-sectoral support

Bill and Melinda Gates Foundation and the GAVI Alliance

The GAVI Alliance, as mentioned previously, was launched in 2000 with a startup grant from the Bill and Melinda Gates Foundation. The \$1.5 billion in support provided for GAVI by the Bill and Melinda Gates Foundation has leveraged an additional \$2.1 billion to date, including public financing commitments from the European Commission and the governments of Australia, Canada, Denmark Germany, France, Ireland, Luxemburg, the Netherlands, Norway, Sweden, the United Kingdom, and the United States, and from the private sector.

Piggybacking on the work of established funders

Calvert Foundation and Warren Buffett and the Gates Foundation

The Calvert Foundation developed Giving Folios as a mechanism to allow individual donors to piggyback on the expertise and grant portfolios of established grantmakers. The Giving Folios shared information about the philanthropic research and approaches of established professional analysts and grantmakers with less experienced donors, opening up the strategic analysis that often gets locked away in foundation filing cabinets. At the same time, the Folios provided participating institutional grantmakers with a platform from which to leverage their work by bringing other donors and assets to their strategies and grantees.

In a related move, Warren Buffett shocked the philanthropic world in 2006 when, instead of starting a new foundation, he gave \$31 billion of his fortune to fund the Gates Foundation’s work in fighting infectious diseases and reforming education. The idea, according to Buffett, was to increase the assets available to an institution that is already doing great work. His gift kicked off a flurry of smaller gifts to the Gates Foundation, as they collected contributions from a range of individuals following in Buffett’s footsteps.

Leveraging community investment

Jacobs Family Foundation

The Jacobs Family Foundation has supported a range of partners and projects related to The Village at Market Creek, a 60-acre, \$1 billion community and economic development effort in

the Diamond Neighborhoods of southeastern San Diego. The effort engaged community residents in designing and developing the Market Creek Plaza shopping center, which provided needed resources, like a grocery store and bank, as well as jobs and economic development for the area. In support of the work, the foundation's entire asset base is used as a mechanism for leveraging funds and technical assistance for partners and grant recipients. Through matching grants and capital guarantees, JFF's assets are used to draw others to invest in the community.

Wielding Influence

Although the Tax Reform Act of 1969 constrained foundations from direct lobbying, many philanthropists see influencing public policy and corporate behavior as the best way to create sustainable large-scale change. Approaches ranging from shareholder activism to advocacy and public policy work are growing in popularity as efficient mechanisms for leveraging a foundation's limited resources.

Influencing public policy

Open Society Institute, the Bill and Melinda Gates Foundation, and the Alice Ferguson Foundation

The Open Society Institute (OSI) is actively engaged in influencing policy across several programmatic areas. In addition to advocacy targeted at donor countries and multilateral institutions, it makes significant investments in influencing policy in the countries targeted by its programs. An example of such a program is the Local Government and Public Service Reform Initiative (LGI), which works primarily in the transition countries of Eastern Europe and the former Soviet Union, as well as Indonesia and Peru. LGI supports a range of activities, including initiation and dissemination of comparative policy studies, development of regional networks of institutions and professionals, technical assistance for reform issues, and training programs. Other programmatic areas targeted by OSI's advocacy efforts include human rights, governance, criminal justice, drug policy, and racial justice.

In addition to its direct support of programs, the Gates Foundation supports public policy efforts to advance its programmatic goals. It has an office in Washington DC and a policy staff to support its advocacy efforts. Much of its activity is focused on donor countries and multilateral institutions. In its global health program, it focuses on the following objectives: increasing donor countries' support for global health, developing new financing mechanisms, ensuring effective and efficient use of resources, increasing media coverage, strengthening leadership, and improving the accuracy and use of data in public health decision making. Examples of its grantmaking in this area include an \$8.8M donation to the Center for Global Development to develop policy and finance solutions to improve donor decision-making in global health; a \$50M grant to the World Health Organization to support the Health Metrics Network's efforts in strengthening countries' health information systems; and \$3M to The ONE Campaign to mobilizing support for the fight against global AIDS and poverty.

And policy work is not limited only to the largest of foundations. The Ferguson Foundation, a small funder in Accokeek, Maryland, has recently shifted its work from direct service to advocacy. For years, they organized Potomac River trash cleanups, and have moved into advocacy for stricter rules around littering, to attack the problem at its source.

Engaging in shareholder activism and proxy voting

Vermont Community Foundation and the Boston Foundation

Shareholder activists use their power and influence as shareholders (of companies for which they hold stock as part of their endowments) to advocate their positions to the management of a company—pressing them to be more responsive to social and environmental issues—and to introduce proxy measures to adjust corporate practices. In 2007, for example, the

Vermont Community Foundation co-sponsored a proxy resolution, co-filing an initiative to encourage racial and gender diversity at Bed, Bath, and Beyond.

The VCF action follows the lead of funders such as the Jesse Smith Noyes Foundation, the Needmor Foundation, the Nathan Cummings Foundation, and the Boston Foundation. Coming out of efforts in the 1980s to divest itself of companies with ties to South Africa and later, tobacco, in the early 2000s the Boston Foundation, for instance, recognized that proxy voting might actually be a more powerful tool than divestiture, because divestment relinquished the power to persuade a company to change its practices. Since 2002, the foundation has had a policy of voting its shareholder proxies in accordance with the foundation's mission and values, particularly on issues related to the environment, community well-being and citizenship, diversity and equity, and good corporate governance. The effort requires the review of hundreds of proxy requests each year, so to minimize the workload for its staff, the foundation contracts with Institutional Shareholder Services (ISS), a professional proxy voting firm, to track proxy choices from the 1,400 companies in which it owns stock.

Using film and media to influence public opinion

Participant Productions and the Sundance Institute Documentary Fund

Jeff Skoll began Participant Productions as a way to use feature films, documentaries, and other media to raise awareness of important social issues and promote social change. The company's films—including *North Country*, *Syriana*, *Good Night and Good Luck*, *Murderball*, and *An Inconvenient Truth*—have garnered more than a dozen Academy Awards. Along with each of these films, Participant has worked with social sector organizations, nonprofits, and corporations to create campaigns that give a voice to issues that resonate in the films and provide specific ways for audience members to get involved using action kits, screening programs, educational curriculums and classes, house parties, seminars, panels, and other activities.

Similarly, the Sundance Institute Documentary Fund is dedicated to supporting US and international documentary films that focus on current human rights issues, freedom of expression, social justice, civil liberties, and exploring critical issues of our time. The idea is to encourage the exchange of ideas crucial to developing an open society, raising public consciousness about human rights abuses and restrictions of civil liberties, and fostering an ongoing dialogue about these issues. Established in 1996 as the Soros Documentary Fund, the fund has become a core part of the Sundance Institute, where it has become a critical resource for documentary filmmakers, opening up additional funding sources and using its inclusion as part of the Sundance Film Festival to create a much larger forum to showcase the documentaries.

Learning and Evaluation

Many experts believe that impact assessment is the area of philanthropy most ripe for innovation, but few were able to identify promising experiments now underway in the field. Still, a small number of innovative approaches seem to be emerging.

Building a field level scorecard

Hawaii Community Foundation

The Hawaii Community Foundation (HCF) is working to strengthen the network of youth development providers on the islands to improve the lives of Hawaii's most vulnerable youth and children. As the centerpiece of this effort, the community foundation is working to build consensus among service providers about shared goals and metrics in order to build a collaborative, field-level scorecard. The scorecard serve as a mechanism for coordinating disparate efforts, and for moving the organizations beyond worrying about individual causality to assess whether they are collectively moving the needle and making progress toward key goals for youth.

Measuring Social Change Impact

Women's Funding Network and its member funds

The Women's Funding Network (WFN) has worked with its members in the US and around the world to create an online social change impact measurement tool: Making the Case. Based on a model that defines social change activity across a spectrum of activity from direct services to advocacy, the tool enables each funder to work with grantees to engage them in self evaluation. The results from grantees roll up into an aggregated picture of effectiveness for the funder; and then the data from all funders using the tool roll up into a network-wide picture of strategic approaches and outcomes. Users of the tool have diversified its use beyond measurement to help with strategic planning and building grantmaking strategies and guidelines. Although built specifically for women's funds, "Making the Case" is being adapted by corporate partners (like Nike) and other organizations as a desirable tool that combines participatory and engaged measurement process with both quantitative and qualitative data.

Sharing lessons from failure

James Irvine Foundation

Foundations enjoy privileged access to knowledge, whether in grant reports, evaluations, assessments, research studies or their staff's daily work in the field. But rarely does this valuable information get captured and shared in a more formal manner. And when information is shared, it typically emphasizes the success stories and positive results of programs, rather than the failures or pitfalls. Some foundations, such as the Ford Foundation, have opened their vaults, so others can access the data and findings that will help them cultivate better judgment in funding decisions. Other foundations have taken that a step farther and offered not only to share their learnings, but also to share their learnings from their failures. A recent report from the James Irvine Foundation entitled "Midcourse Corrections to a Major Initiative," describes the difficulties that led to a significant midpoint redirection of a \$60-million effort to improve educational achievement at low-performing schools in five California cities. The intended goal of sharing the report is to help others learn from the foundation's mistakes, but also to emphasize that many foundations should be doing the same: admitting to their mistakes, sharing the lessons they learn, and advancing the whole field in the process.

Research and Knowledge Sharing

Funders have the opportunity to use their knowledge as an important tool for public problem-solving. Grantmakers often work at the locus where the research, evaluation, and knowledge of many individual grantees and experts converge. The knowledge they gain is usually kept internally, residing in the heads and filing cabinets of grantmakers. But funders who share their privileged perspectives and research can provide important benefits to the field. Effectively sharing knowledge requires innovation in how foundations retain and play their role of information sources, as well as in the methods and platforms used to share that information.

Acting as a public information source

Kaiser Family Foundation and the Charles and Helen Schwab Foundation

The Kaiser Family Foundation is an operating foundation that develops and runs research and communications programs focused on US and global health and health care issues, often in partnership with other nonprofit research organizations or major media companies. Because information is their philanthropic product, the foundation has become a knowledge sharing conduit for policymakers, the media, the health care community, and the public. They serve as a major producer of policy analysis and objective research and as a clearinghouse for news and information to the health policy community, as well as the leader of large-scale public health information campaigns in the US and around the world. Kaiser campaigns are based on a new model of public service programming pioneered by the foundation—direct

partnerships with major media companies and comprehensive “multi-platform” communications strategies that go far beyond traditional public service announcements.

Similarly, recognizing the quantity of information it had accumulated through nearly twenty years of grantmaking, the Schwab Foundation launched SchwabLearning.org as a resource about learning disabilities for parents and other members of the public. The site closed at the end of 2007, but represented an important model for how a foundation can share its knowledge and serve as a resource for the wider public.

Creating online learning communities

Skoll Foundation

The Skoll Foundation’s Social Edge program is a global, online forum, launched in 2003, that helps social entrepreneurs connect with others to network, learn, inspire and share resources. The online community aims to bring together social entrepreneurs and their partners to discuss cutting-edge issues emerging in the field, to foster dialogue and a sense of community among participants, and to promote learning about best practices, promising new approaches, and unsuccessful efforts. The site hosts two online discussions moderated by experts in the field each week, as well as blogs, podcasts, expert advice, and other resources.

Sharing knowledge and experience

Annie E. Casey Foundation, W.K. Kellogg Foundation, and the Ford Foundation

With a mission to build better futures for disadvantaged children, the Casey Foundation’s approach to philanthropy has long embraced more than just giving grants to achieve its goals. It created its online Knowledge Center to capture the experience and learning of the foundation in its efforts to improve outcomes for vulnerable youth, families, and communities. The website provides advocates, policymakers, practitioners, the media, researchers, and community members with a range of foundation resources developed by Casey and its grantees.

The Kellogg Foundation’s KnowledgeBase freely shares the foundation’s print publications, video titles, audio clips, and internet links with the public. Additionally, it makes available foundation toolkits, created primarily for Kellogg Foundation grantees, which outline the essential elements for building effective communication, evaluation, and public policy programs.

GrantCraft is a project of the Ford Foundation that aims to make available a series of publications and videos designed to prompt discussions among foundation practitioners about strategic and give tactical lessons in philanthropy. The publications and videos are based on the experience of grantmakers at the Ford Foundation and a wide range of other funders and grantees. These products are used in the Ford Foundation’s orientation program for new grantmaking staff and are available for free electronic download. The effort was undertaken out of a desire to try to improve the field through better knowledge sharing about philanthropic practice. Furthermore, GrantCraft invites people to participate in its activities by allowing readers to post comments on existing products and contribute ideas about other pieces GrantCraft might create.

Conducting community-focused research

Asian Pacific Fund

The Asian Pacific Fund aims to improve the health and well being of Asian Americans in the San Francisco Bay Area. The Fund has made targeted community research a key component of its work starting in 1996, when its landmark study of the issues of the Bay Area Asian American community, *Perceptions and Realities*, highlighted the usually-invisible challenges facing the region’s “model minority.” Since then, the Fund’s research has centered

on an annual publication called Asian Outlook that highlights an issue that the Fund has determined to be of timely importance to the Bay Area's Asian American community. Recent reports include Challenges for Today's Asian American Students, Understanding the Immigration Debate, Close Up Views of Mental Health and Immigration Issues, and Bay Area People in Need: Unemployed, Youth & the Elderly. The Asian Pacific Fund has also issued research reports resulting from special initiatives, such as A Chance for Lan and Her Family: Health Education for Asians, which was designed to improve prevention of life-threatening diseases that disproportionately affect Asian Americans. The report was guided by a Health Advisory Committee of 17 experts and included 90 interviews of community health experts and a review of studies and medical journals.

STRUCTURAL, FINANCIAL, & ADMINISTRATIVE OPPORTUNITIES

Alongside core programmatic functions, foundations also have an opportunity to innovate in other ways—ranging from new organizational structures to new ways of approaching financial, administrative, and public relations functions. These different opportunity spaces may provide fertile ground for experimentation, as is already becoming evident in the new approaches and practices that many foundations are now trying.

Staffing

Foundations have typically found staff by recruiting established experts in a particular field of interest. A long-time affordable housing expert, for example, might become a program officer supporting affordable housing issues. But as foundations begin to change the way they look at their work, staff roles are beginning to change, and so too are the skill sets that a funder is looking for in its staff and the ways they manage and assess the performance of that staff. A number of funders are experimenting with new staffing approaches.

Looking for a different type of program staff

Ashoka

Since its inception, Ashoka has used a rigorous and carefully-designed selection process for identifying and selecting social entrepreneurs to be Fellows. Recognizing that they were seeking similar characteristics in its staff, Ashoka has now developed an internal recruiting process based on the Fellows selection process. The organization selects candidates based on their ideas, their ability to do creative problem-solving, their entrepreneurial qualities, their ability to contribute as a peer and team member, and their ethical fiber. Internal staff now face similar in-depth scrutiny that includes an extensive battery of interviews.

Assessing staff performance

AARP Foundation

Few foundations have developed clear performance expectations for their program staff. Following an effort by its parent organization, the AARP Foundation launched an organizational “dashboard” in 2005 to ensure that all activities are aligned with the priorities in its strategic plan. The parent organization integrated the dashboard into its work by linking its annual incentive compensation program to organizational performance, as defined by the dashboard. Under the system, anywhere from 25%–75% of an employee's bonus was determined by the organization's ability to meet or exceed its dashboard metrics, focusing on four areas of assessment: organizational leadership and integration, social impact and value, resources and stewardship, people. The foundation has followed suit, but actually linked foundation staff compensation to the larger AARP dashboard, because the leadership felt that the foundation's success depended on the AARP staff and how AARP did as a whole organization.

Governance

Governance is a leading issue for corporations, governments, regulators, investors, nonprofit organizations, management, and directors alike. Stakeholders are calling for leadership, accountability, and decisive action to establish the highest standards of governance. Many efforts are now exploring ways to improve governance practices in the philanthropic space.

Connecting talent with opportunity

boardnetUSA

Created by the Volunteer Consulting Group, boardnetUSA was developed to allow nonprofit boards and those interested in serving as board members to reach out beyond their existing networks and find each other. Its site is designed to be a common technological platform for a national collaborative network of communities working locally to enhance nonprofit board governance by matching high-level corporate talent to board positions. Currently 12,000 candidates and nonprofit boards are using boardnetUSA. Its growing network of Community Partners works together on common themes of populating boardrooms, as well as individually developing services tailored to their local market.

Training nonprofit board members

ICD Corporate Governance College and TELUS and Harvard Business School

In 2006, the Institute of Corporate Directors, with sponsorship by TELUS, one of Canada's leading telecommunication companies, established a new governance training program for not-for-profit directors: the Governance Essentials Program. The program educates nonprofit directors on the key accountabilities and responsibilities required of them. The Governance Essentials Program is offered through the ICD's partner universities, including the Rotman School in Toronto, as well as universities in Edmonton, Calgary, Montreal, Ottawa and Vancouver. In addition to providing initial funding, TELUS also provides scholarships to the three-day program for directors of nonprofits who might not otherwise be able to attend due to financial constraints. More than 700 directors are now enrolled in or have graduated from the Directors Education Program.

To help ensure the success of nonprofit organizations, the Initiative on Social Enterprise (ISE) at the Harvard Business School works with practitioners, HBS alumni, and MBA students to enhance their effectiveness as current and future nonprofit board leaders. In 1996, ISE introduced Governing for Nonprofit Excellence (GNE), a three-day program focusing on issues of critical concern to board members, including strategic planning, mission transitions and organizational transformations, and financial sustainability. Since GNE's inception, more than 350 board leaders from around the world have attended the program, representing a wide range of nonprofits.

Organizational Structure

Closely linked to the choices a foundation makes about its strategy and programs are its organizational structure. The line between the two categories is extremely blurry. The way an organization is structured can significantly affect the way it operates and executes its work. And in many cases, innovation in organizational structure—whether it is in the staff and management structures, in the legal structure, or in the design of internal and external networks and partnerships—also reflects a shift in organizational strategy and programming.

Shifting structure to allow greater latitude for advocacy

Pew Charitable Trusts

In 2003, the Pew Charitable Trusts, one of the largest foundations in the US, became a public charity in order to operate under more favorable IRS rules for doing advocacy work (allowing it to use a larger portion of its resources for lobbying) and running its own programs. In changing their status, Pew has shifted more heavily into driving their own initiatives and research centers, most recently integrating its six centers into what is now the third largest

think tank in Washington D.C. Pew also went through a change within its grantmaking structure, going from seven grant-making issue areas, such as the environment and health and human services, in favor of three clusters, called information, policy, and civic life. This reorganization also helped them to separate their advocacy work from the rest of their grant making.

Choosing structure to allow for both investing and grantmaking

Omidyar Network and Google.org

The Omidyar Network (ON) aims to create and sustain environments where individuals are more likely to discover and act on their innate potential to make life better for themselves and their communities. To advance this mission, it funds organizations that foster “enabling conditions” for such environments, which include access to information, resources and tools, connectivity and social networking, and a sense of ownership over outcomes. In addition to making grants to non-profits, Omidyar makes investments in for-profit companies that incorporate social missions as integral components of their business model. It has supported organizations working across a broad range of issues, including drug discovery, collaborative technology, clean water, peer-to-peer lending, disease and disaster management software, and financial services ranging from microfinance to investors in micro, small and medium enterprises.

Google.org—the philanthropic arm of Google, which includes the Google Foundation, some Google projects, and partnerships and support of both non-profit and for-profit entities—has made a similar choice. It has deliberately chosen a hybrid form to allow it greater leeway in its activities. According to Google.org executive director Larry Brilliant, “We are not really a foundation. It’s a bit of a 501(c)3, a bit of a C corp., and a bit of an academic environment. I can play more of the keys on the keyboard. A 501(c)3 can’t lobby. A 501(c)3 can’t invest in a company or build an industry. It may be that the only way to deal with climate change is to create an industry or build companies.

Restructuring to reduce silos

Carnegie Corporation

Foundations are experimenting with different approaches for organizing their grantmaking functions to enhance effectiveness. For example, the Carnegie Corporation, after a 12-month review process, announced in October 2007 that it would be integrating its program units into two major program areas – national and international. As part of the integration, some program areas were discontinued, including the Corporation’s work on nonproliferation of bioweapons, investing in Russian higher education, and domestic campaign finance reform. Another shift is the requirement for all senior staff members to commit a portion of their time to grantmaking or programmatic development. The Corporation articulated a number of reasons for the integration. It was motivated by a desire to make grantmaking more integrated, focused and efficient. It had the goal of “eliminating programmatic and organizational silos without turning the foundation into a silo itself.” It also aimed to reduce redundancy and unnecessary competition within its organization. The Corporation believes the new structure will be more conducive to collaboration amongst program officers and will ultimately improve the effectiveness of its programs.

Managing Physical Infrastructure

Opportunities for innovation in philanthropy aren’t limited only to high-level strategies and core grantmaking processes. There are very real opportunities to innovate in even the most practical elements of foundation operations. This has become particularly evident in the ways funders are now thinking about the ways they manage their basic operations and their own facilities and physical infrastructure.

Operating green

Hewlett Foundation and the Gund Foundation

The Hewlett Foundation's headquarters building, completed in 2002, was the first building in California, and the fifth in the country, to achieve gold-level certification on the LEED (Leadership in Energy and Environmental Design) rating system. The design mirrors the Foundation's larger commitment to energy conservation and environmental protection.

At the Gund Foundation in Cleveland, an internal "green team" has been appointed and trained on environmental sustainability issues. The team has already helped the foundation to change numerous internal practices, ranging from waste reduction and green purchasing to green buildings and energy conservation. Gund is also reflecting these environmental principles in its grantmaking, developing a "climate change statement" that requires all new grant proposals to include a brief statement about the actions a grant recipient is taking or considering to promote environmental sustainability

Using physical space as strategy*The California Endowment*

The California Endowment created the Center for Healthy Communities in 2006 as part of a new office campus. The Center is a space—and related programs—that build leadership and capacity within the nonprofit health sector to mobilize communities for social change. The Center offers a variety of programs and services throughout California, as well as serving as a conference center and a facility for research and training in downtown Los Angeles. The Center has two primary strategies: to strengthen the nonprofit health sector and to engage the community and build coalitions. In particular the Center reaches out to engage players ("grassroots to treetops") to engage in the public policymaking process. The Endowment believes that the Center enables it to "transcend the traditional role of philanthropy" to become part of the community of changemakers.

Financial Management

Many foundations are now experimenting with new financial systems and new approaches to managing their endowments and financial assets. In particular, a movement towards social investing—including socially responsible investing, program related investing, and mission related investing—has opened up a whole new arena of philanthropic possibilities as investors explore new ways to produce both social and financial benefit.

Socially Responsible Investing*Jessie Smith Noyes Foundation*

Organizations like the Jesse Smith Noyes Foundation in New York have developed institutional policies that use investment screens to "reduce the dissonance between philanthropic mission and endowment management." The foundation uses negative screens (that exclude stocks of companies that have policies and practices that run counter to the foundation's mission and values) and positive screens (that actively invest in companies with responsible business practices or which offer socially and environmentally beneficial products and services) to guide its investments related to environmental justice, sustainable agriculture, reproductive health and rights, and social justice. According to Noyes Foundation president Victor De Luca, "It makes no sense to use 5 percent of your assets to try to promote something, while the other 95 percent might be doing something totally contrary. We try to use 100 percent of our assets to promote our values."

Program Related Investing*Kalamazoo Community Foundation*

Program Related Investments (PRIs) are debt or equity investments made for charitable purposes at below market terms. Unlike grants, PRI funds can be recovered by a foundation and recycled for subsequent charitable investments, although legally, they are considered

charitable distributions and count against a foundation's payout requirement. Contrary to popular conception, PRI's are not just a single asset class; foundations can issue PRIs in the form of loans, loan guarantees, recoverable grants, and equity investments. But the large majority of PRIs take the form of low-interest or no-interest loans to nonprofits. In general, they are used to address gap financing and cash flow issues and to leverage additional capital from conventional sources by reducing real or perceived risk. Foundations like the Kalamazoo Community Foundation have used low cost loans and loan guarantees to leverage economic development and redevelopment in downtown areas. In Kalamazoo, the community foundation has made a number of different PRIs, providing one local nonprofit real estate developer with a \$784,000 loan to purchase property in the central business district for resale and redevelopment and making the County economic development entity a \$2 million PRI to complete the financing of an Innovation Center in a local business/research park.

Mission Related Investing

F. B. Heron Foundation

The F.B. Heron Foundation in New York is trying to break down the "wall" between program and investment management by making market-rate investments from its endowment that support its mission without jeopardizing the value of the corpus. By the end of 2005, mission-related investments and commitments made up 24% percent of Heron's endowment, of which 73% were market-rate investments. Some years, Heron's mission related investments have actually outperformed the foundation's traditional investment portfolio. The foundation is now aiming to increase that proportion and to grow the universe of other institutional funders that make mission-related investments.

Spending down assets

John M. Olin Foundation

"Spend-down" is the growing practice among foundations of "sunsetting" or spending all of their assets over a specific period of time rather than maintaining their organization in perpetuity. The strategy was pioneered in the early days of modern philanthropy by Julius Rosenwald, who believed that permanent endowments tend to lessen the impact that philanthropy can have in the near and present term. A good example of the potential impact a spend-down foundation can have is found in environmental grantmaking. Rather than purchasing small pieces of sustainable land with the five percent of assets a typical foundation uses for grants each year, a spend-down foundation could pay out the resources to buy a large track of land at today's dollars and save a greater area of land from further damage.

The Olin Foundation represents a good example of a spend-down foundation. After watching what happened when Henry Ford II resigned from his family foundation board, Olin worried that his foundation might veer away from his intent and conservative values. So he established the Olin Foundation to expire in 2005, within a generation of his death. James Piereson, executive director of the foundation, later heralded the power of the spend-down approach. "Several of our most important accomplishments," he explained, "could only be achieved through the aggressive spending that our plan made possible."

Technology and Internal Knowledge Management

New online "social media" technologies like blogs and wikis are changing the way foundations communicate and connect. The new tools make it easier for funders to engage people, irrespective of geographic distance; to access a greater diversity of perspectives and expertise; and to facilitate accelerated learning and knowledge sharing. Many funders are now exploring the way that these new technologies can be used to improve their internal operations, as well as the way they interact with their grantees.

Creating technology platforms for sharing knowledge across organizations

Open Society Institute

The Open Society Institute is now working with Plone, an open-source content management platform, to provide an online knowledge sharing platform for its grantees. Through Plone, OSI aims to create a virtual collaboration space where grantees can get access to information and initiatives that other grantees are working on, thereby creating more informed decisions, alliances, and leveraging of resources for greater impact. The system allows the grantees to share documents, as well as blogs, wikis, and other tools for collaborative activity. The Plone platform is also being used as a way to coordinate the different free standing organizations that make up OSI and the other Soros philanthropies, cutting across a matrix of geography and program areas. This has allowed various program areas from different national and international foundation entities to know what the other organizations are doing and coordinate appropriately.

Making grants data accessible

GrantsFire

GrantsFire is an online aggregator of real-time grants information published by foundations. Using new web technologies, participating funders in the GrantsFire prototype—which now include the Mott Foundation, Hewlett Foundation, MacArthur Foundation, Gates Foundation, and the Community Technology Foundation of California—automatically export basic information about each of their grants to the centralized GrantsFire data repository. The system can then pool grants data for analysis, conduct data searches based on keywords and other criteria, and mash-up the data for use in interactive maps. The site aims to allow grantseekers and funders to search for and aggregate information about grants in real time—as foundations publish the information on their websites.

Partnership Data in Real Time

Tides Network

Entities like the Tides Center are experimenting with web-based technology like Sales Force to provide instant and interactive information services to their project-partners. Web-based software like Sales Force could also revolutionize proposal intake for Foundations as well as accounting, reporting, and other communications tasks with grantees.

Communications and Marketing

Funders are exploring a wide range of innovative new communications practices. Many of the most interesting approaches are being driven by the new possibilities opened up by new and emerging technologies, and by new approaches to partnering with mainstream media companies.

Developing new types of partnerships with media

Kaiser Family Foundation

The Kaiser Family Foundation partners with mainstream media organizations to develop public education campaigns on important health issues. In particular, the foundation has developed a number of entertainment media partnerships focused on reaching young people with information about sexual health and HIV/AIDS issues. The foundation provides both expert substantive guidance and participates in production and operations of the campaigns, which combine targeted public service messages with other, longer-form special programming. *It's Your (Sex) Life*, Kaiser's Emmy-winning partnership with MTV, for example, provides youth with information about sexual health issues, and the African Broadcast Media Partnership Against HIV/AIDS is a coalition of more than 35 television and radio companies from 24 countries across Africa to improve media response to the HIV/AIDS pandemic.

Using the internet to share “ideas worth spreading”

The Sapling Foundation and TED

The goal of the Sapling Foundation is to foster the spread of great ideas and aims to provide a platform for the world's "smartest thinkers, greatest visionaries and most-inspiring teachers" so that millions of people can learn about the biggest issues faced by the world and help to solve them (think 15th Century Florence and the Medicis). The focus of the foundation is TED (Technology, Entertainment, Design), begun as an annual conference in 1984 and acquired by Sapling in 2001. Where the conference was once an exclusive event for a small number of participants, TED has become a widely broadcast, interrelated set of activities that aim to bring together the world's most fascinating thinkers to discuss and share ideas "worth spreading." The TED website presents video and audio downloads of the talks of the conference speakers to the public, a new feature that has become so popular that the website has been re-engineered to meet demand.

At the TED conference, several great thinkers—nominated through an open online sourcing process—are chosen for TED prizes and then given an opportunity to make a "wish" that they broadcast to participants and the wider public. Those wishes are then communicated via the TED and TEDprize websites for participatory problem-solving by people all over the world. This year, author Dave Eggers challenged "every creative individual and organization to find a way to directly engage with a public school;" , physicist Neil Turok wished for "help to unlock and nurture scientific talent across Africa so that within our lifetimes we are celebrating an African Einstein" and religion scholar Karen Armstrong wished for the "creation, launch and propagation of a Charter for Compassion." All three wishes are active online now, engaging people everywhere to help make the wishes come true.

FIELD-LEVEL INNOVATIONS

In addition to all of these spaces for innovation inside philanthropic organizations, there are also a number of important opportunities that foundations can only successfully exploit by working together to build a more efficient and effective social capital system for solving public problems. Many of these opportunity spaces for field level innovation require intentional, joint effort from many actors, working on behalf of the whole field. A small selection of these types of collaborative opportunity spaces include:

- **Developing new systems for thinking about metrics.** The field is cluttered with competing ideas and models that are resulting in a great deal of misunderstanding, misapplication of scarce resources, and missed opportunities for learning. There is confusion and conflicting views on when and what to measure and how to measure it. There is a tremendous opportunity to take a fresh look at metrics in a way that cuts through the conflict to find appropriate ways of assessing impact and using that learning to improve our efforts at producing social impact.⁹ The social sector needs a parallel effort to the US Commerce Department committee so that innovation-measurement thinking in the social sector happens in tandem with such thinking about government and the private sector.
- **Creating a centralized archive and knowledge base for the field.** There have been many attempts to create a central site where funders can obtain information about philanthropic efforts, performance, and innovations at scale. In the past, the cost of building and maintaining such a database has been prohibitive. But the developments of new social media technologies that enable distributed labor and allow on-demand access to information may be opening up new opportunities for reducing duplication and fragmentation in philanthropy.
- **Sharing due diligence.** Foundations traditionally each do their own unique due diligence before making a grant, a duplicative practice that is costly and inefficient for the field. Billions of dollars are carefully and professionally deployed, but the strategic analysis of each

⁹ Drawn from *Social Capital Markets*, a white paper produced by the Monitor Institute in 2006.

foundation is kept internal, and there is little effort to further leverage the accumulated knowledge and expertise. Another interesting opportunity space for the field might be in the development of vehicles for conducting high-quality, shared due diligence that would distribute administrative costs and ensure thoughtful pre-grant analysis, while providing a valuable knowledge resource that other funders might also use.

- **Asset classification and rating systems.** For profit financial markets benefit from well-developed classification and rating systems. Investors and their advisors can quickly discern the relative risk-return ratios on potential investment opportunities because experts in each sub-industry have assigned a rating based on widely accepted metrics. Investments with potential social and environmental returns lack the transparency and accountability that can be provided by such a system and the system as a whole lacks trusted intermediary organizations to conduct the analysis and ascribe the rating. Even a system of rudimentary classifications—by type of risk, life cycle of organization, type of problem solving, time frame of investment, and other criteria—could begin to create a new common language for philanthropic giving.

ROLES IN THE INNOVATION PROCESS

*"Everyone should be involved in innovation; diversity is key because you never know where innovation is going to come from. You can't really teach it in a classroom because it has to be real in people's jobs."
– Joyce Wykoff*

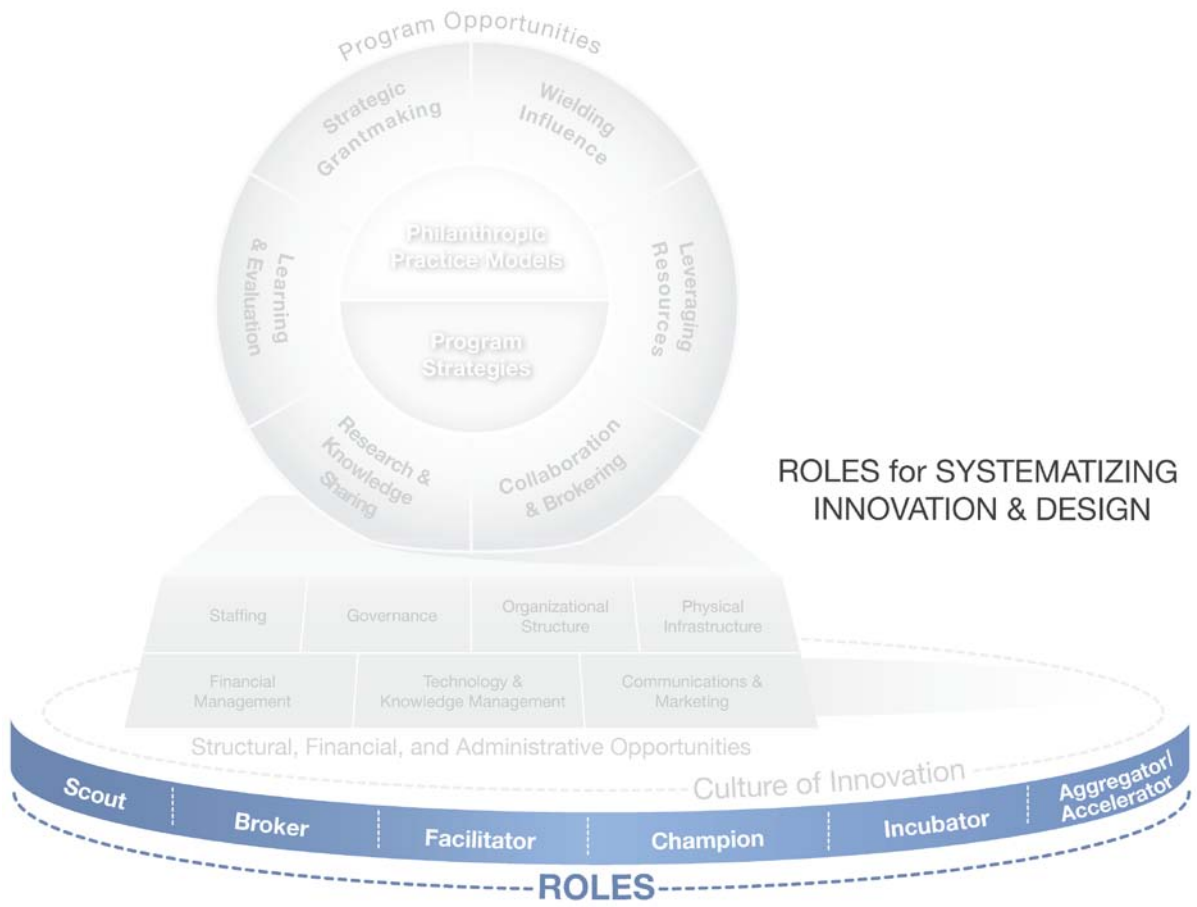
The entire chain of innovation from discovery through development and diffusion requires people to take on a variety of roles and responsibilities. If an organization and its leaders believe in innovation as a high priority for helping to find solutions and new options, then it is important to think about the intrinsic nature of those roles and how they might be covered appropriately.

The roles range nearly as widely as the creative new ideas they help to catalyze; and they vary in their intensity and manageability. Ultimately the chosen roles need to be an appropriate “fit” for the organization’s aspirations, institutional size, and resources, as well as the level of commitment to being more systematic about innovation.

Sometimes an organization might choose to create an innovation “unit” or team that is the home-base and main facilitator for any and all roles and functions related to innovation. While this works for some it is not widely recommended as “best practice.” Instead organizations are urged to look at the core archetypes of roles and functions and to decide which of those roles are important and how they can be assigned or acquired. Any organization can tailor one or several roles to their particular circumstances and organizational dynamics. Leaders can mix-and-match among possible roles to find the combination that complements their specific goals.

To help understand the range of roles, we have identified six primary archetypes and created a brief description of each, along with examples of the model and an assessment of key capabilities that would be required to play the role. While drawn from the multi-sectoral literature about innovation, these particular archetypes are highlighted because of their potential usefulness in social sector organizations and foundations. The archetypes include:

- Scout (Internal and External)
- Broker
- Facilitator
- Champion
- Incubator
- Aggregator/Accelerator



SCOUT

Scouts for innovation—whether focused internally on identifying effective ideas within the organization, or externally on new ideas developed outside the organization’s walls— are responsible for identifying innovation practices and good ideas that can be valuable to a team or to the organization as a whole for solving a specific problem or pursuing an opportunity.

The Scout role could be assigned to one person or to several. The role could be an ongoing assignment, or it could be an intermittent activity, used on an “as needed” basis. Scouts usually are supported with good database technology and communications systems.

Internal Scout

An internal innovation scout identifies innovative practices *inside* the organization or foundation. This includes analyzing current internal processes for innovative practices as well as identifying inside people who have a good track record for noticing, supporting, or creating innovative or inventive ideas. The person or team with the role of internal scouting will need to learn from internal practice and successes, discovering patterns of best practice. In addition, the internal scout builds a network of resources within the organization that can be leveraged for the generation of new ideas. This network-building may include regular meetings with a subset of key people, or individual meetings between other specialized organizational teams (e.g. finance, program, management etc) and the internal scout. The internal scout could use these meetings to help teams discover opportunity spaces for innovation, similar to those described in the previous section of this report.

The internal innovation scout would be responsible for establishing systems to capture past and future innovations at the foundation/organization, unearthing key learnings from past programs, projects, staff, and grantees. Keeping ideas alive and accessible would be part of the scout’s responsibility, so that the old ideas might be recombined with new technologies and opportunities to push breakthrough thinking. After building up this internal knowledge base, the internal innovation scout also would regular e-alerts or other communication devices, an intranet site that allows active learning/sharing. Because of the specific demands for internal knowledge and trust it is likely that the internal scout(s) will be a person or group within the institution who may also need the help of some consultants or other human resources to help document and sort ideas.

The internal innovation scouting role requires these key capabilities:

- Deep understanding of their organization’s processes and personnel
- Strong relationships and ability to network across departments and program areas
- Strong competency in the innovation space and ability to identify innovations quickly
- Experience in knowledge management, knowledge capture, and evaluation
- Strong communications ability to help diffuse key learnings

Rehau

Rehau, a family owned manufacturer that makes plastic products such as window frames, water pipes and car bumpers, is not what most people imagine when they think about innovation. But over the last four years, the firm has made innovation a priority, in part through the development of a team of 16 “innovation scouts”—company employees who dedicate 20-30 percent of their time to identifying and supporting promising ideas coming from internal researchers and key suppliers. The innovation scouts look externally for new ideas in the field, but also build relationships that help them to identify promising “bottom-up” ideas in conversation with staff and suppliers. The firm also uses “innovation roundtable” meetings that bring together employees from different divisions of the business to discuss promising new ideas and to explore whether the innovations can be transferred from one application to another. Rehau also runs an internal competition to celebrate the most innovative ideas developed by staff, as well as a “new ideas” portal that allows suppliers to submit new product ideas.¹⁰

Pittsburgh Veterans Administration Healthcare System

¹⁰ Geraint John, “Scanning for Innovation,” *CPO Agenda* (Spring 2008).

To address the spread of MRSA, a highly communicable antibiotic-resistant bacteria spread when people come into contact with infected patients or infected medical equipment, Pittsburgh VA Hospitals implemented a plan to use an approach called positive deviance to identify individuals and units within the hospitals that performed especially well in preventing MRSA infections. The hospital then looked specifically at these internal “positive deviants” to understand what behaviors were leading to their low rates of transmission, so that these practices could be shared and spread to other units within the hospital. In the eight months following the effort, VA Hospital surgical units saw a 95 percent drop in MRSA infections.¹¹

External Scout

An external innovation scout is similar to an internal scout in its role as a *finder* of innovations. But unlike the internal scout, who must have a highly-developed awareness and network within the organization, the external scout requires a heightened understanding and network of the larger social sector, philanthropy, and other related spaces. The external scout scans the fields relevant to the institution to identify emerging practices that might be of interest, often connecting directly with these external thinkers and practitioners to understand their innovative practices and approaches. The external scout aims to build a sustainable and evolving database and network with key contacts, tools, case studies, and other information that would be relevant and accessible to the institution’s leaders. The information in this database would be strategically disseminated across the organization for optimal use. While an internal person or group needs to coordinate and bridge the external scouting to other internal leaders and players, it is often likely that consultants and outsourcing of various types will be used for external scouting.

Capabilities required for this role include:

- Deep understanding of the practices and approaches being used elsewhere in the social sector and philanthropy, as well as other related fields, including technology and financial services
- Capacity to envision how ideas in one field or domain might translate to another
- Ability to synthesize external scans into meaningful items, patterns and tools for Kellogg
- Strong external relationships and across multiple knowledge domains
- Experience in building systems to capture knowledge and ideas from broad networks
- Strong communication ability to help diffuse key learnings

W.K. Kellogg Foundation

For more than a decade the Kellogg Foundation has steadily increased its use of “scan” research intended to spot major players and emerging issues in new areas of concern to philanthropy. For example, from 1999 to 2002, the Foundation commissioned and published a series of scans that explored the emergence of “venture philanthropy” and the adaptation of new economy principles to philanthropy; the hybridization of sectoral structures, particularly the blending of nonprofit and for profit structures; the power of the internet for fundraising; and the emergence of online community building as the powerhouse for social sector innovation and success. This series of reports helped to re-organize WKKF’s priorities and approaches—especially its funding for the development of philanthropy and nonprofits—and to influence other funders as well. In its substantive program areas like health, leadership, civic engagement, food supply, youth and education, WKKF also has used the “scanning” process as a part of its R & D (research and development) function.

Robert Wood Johnson Foundation

RWJF has also spent many years commissioning scans to expand internal knowledge about how external innovators are defining their fields of interest. In recent years, the foundation formalized that search for great ideas into an external scouting function positioned within its “pioneer” portfolio. The Pioneer Portfolio is charged with finding novel, high return ideas for the foundation to support. The Pioneer team acts as external scouts to identify and support innovative ideas that “may lead to future health and healthcare breakthroughs.” They look for innovators whose “bold ideas push beyond conventional thinking to explore solutions at the cutting edge of health and healthcare.” They scout for

¹¹ June Holley, *Mapping the Positive Deviance MRSA Prevention Networks at the VA Pittsburgh Healthcare System Acute Care and Long-term Care Facilities*, NetworkWeaving (August 2007).

projects and ideas in all sectors and from diverse bases of talent beyond health: e.g. finance, design, and entertainment. The foundation also hosts a blog to attract new ideas and thinking, and RWJF has partnered with Ashoka's Changemakers to do online searches for ideas. The foundation's first Changemaker partnership was organized to find disruptive innovation in health and healthcare, and ended up with ideas ranging from Family Coaching Clinics to an idea for a Health Futures Market.

INNOVATION BROKER

The innovation broker actively links an institution to interesting and applicable knowledge and players in the innovation space. While a scout mostly scans, captures, and disseminates information and opens possibilities, a broker acts as a more dynamic filter and hands-on matchmaker of ideas. The innovation broker's role goes beyond scanning in an effort to provide information in a broad sweep. An innovation broker is attempting to link specific information to a serious seeker/user. The role is similar to an on-call and reference librarian who has a specialized understanding of the particular issues of interest and is responsible for providing that information to the person who is searching. A team trying to be more innovative in its grantmaking process, for example, might approach the innovation broker to help them scan and interpret innovative approaches used inside and outside the foundation on a specific issue, problem or opportunity. The broker would present that team with a relevant menu of case studies, tools, and practices that it might apply to reinventing its grantmaking process. The broker might also select a list of contacts from its directory of people inside and outside of the organization that the team would benefit from speaking to.

The broker role could easily be an internal assignment, especially if internal and external scouting are covered internally. If an outside source were used, it would require a close partnership rather than an arm's-length relationship.

The broker role requires a unique combination of skills and capabilities:

- The skills and knowledge base of the internal and external scout
- Strong reputation and network within the host institution as a reliable source for helping to connect people with new ideas
- Good presentation skills and ability to filter frameworks and ideas into real problems and opportunities for the institution.

Proctor and Gamble's "Connect and Develop" model

When CEO of Proctor and Gamble (P&G), A.G. Lafley, made it a company goal to acquire 50% of their innovations outside the company, the strategy wasn't to replace the capabilities of their 7,500 researchers and support staff, but to better leverage them. To this end, P&G has built up a number of tools and networks that allow them access to a plethora of ideas and insights, both through online sites and more formalized relationships. P&G created internal networks of senior leaders and project managers to discuss and define the problems and opportunities and to share innovative leads. Once the issue of interest is defined, P&G also solicits ideas from a set of innovation brokers, like YourEncore, Innocentive, and NineSigma. Some of these external networks are personalized suppliers and others are more open-source external innovation scouts.

InnoCentive and Changemakers

The Rockefeller Foundation is focusing developmental resources on two Open Innovation partnerships that help foundations and nonprofits connect with innovators who can help them solve pressing social problems. Rockefeller is supporting a partnership with InnoCentive, a for-profit company, whose methodology of competitive open sourcing and matching process works well with some social sector needs and ideas. A separate partnership between the Rockefeller Foundation and Changemakers focuses on refining a similar brokering process, but includes a unique competitive/collaborative process that makes the ideas of innovators transparent to each other to facilitate idea refinement and new collaborations.

INNOVATION FACILITATOR

An innovation facilitator helps and coaches an institution's leaders and teams to apply innovation tools (e.g. brainstorms, gallery walks) to their everyday work. An innovation facilitator draws on a repository of knowledge about innovation processes to provide information about strategies for acting more innovatively, and helps to guide internal teams in using the innovation methodologies. The innovation facilitator should be able to drive a team to identify the problems and opportunities they want to innovate upon; generate ideas to solve those problems or capture those opportunities; identify ways to prototype and test their innovations; and develop ways to implement, scale up or diffuse their ideas.

The facilitator does not take a primary execution or implementation role, but rather serves to spark creativity and help lead teams to generate innovative insight and plans. An innovation facilitator is distinct from a broker because close engagement is required with the institution's inside teams to not only shape the innovation process, but to integrate innovation into the way the rest of that team or the overall organization works. In this way, the Facilitator becomes an integrated part of the institution's teams, though the role stops short of hands-on implementation.

This role could be assigned to one or several people internally and it could be a full or partial assignment. Some people with these facilitation skills and assigned roles could "roam", serving individuals and/or teams throughout the organization; this lends itself to full or part-time assignment. This role also could be designated to a trusted outsider, particularly if there is a partnership with a person or group already providing the institution with other innovation services.

Capabilities:

- Competency and knowledge of innovation tools, processes, and methodologies
- Ability to coach, lead and facilitate collaborative process
- Ability to work within a number of content areas and with a number of different teams
- Ability to apply innovation methodologies to numerous content areas
- Outspoken and able to have a catalytic effect on a team to drive them towards thinking creatively

Jump Associates

Jump is an advisory and consulting group that works hand in hand with companies, foundations and nonprofit organizations to create new products, new services, and new business ideas that will be the seeds of growth. Jump has developed a number of practices, tools, methodologies and perspectives, which they are able to share through various engagements from workshops to projects to help companies overcome challenges and push innovative solutions that address new consumers and new markets.

INNOVATION CHAMPION

The innovation champion is a leadership role. The champion is responsible for embedding a culture of innovation into the "DNA" of the organization. The champion helps to find both small and large ways to integrate innovation into the regular activities and processes of the foundation. The champion focuses on nurturing innovation throughout the organization, from promoting buy-in at the highest levels to infiltrating activities ranging from strategy development and grantmaking to grants processing and hiring with an eye toward innovative recruits. This role is somewhat analogous to the corporate social responsibility groups that are created with the mandate of implanting social responsibility within corporations. For these groups, social responsibility can be done through large initiatives such as assisting in designing green office buildings as well as smaller initiatives like recycling. In most cases the Innovation Champion role must be played by a leader or *the* leader in the organization or team. This transmits a message of commitment so that the champion can engage the organization in making changes in its policies and practices that are compatible with building an innovation culture.

Capabilities required to play the innovation champion role include:

- Strong understanding of the processes and activities of the organization
- Formal or informal authority along with responsibility
- Strong ability to customize innovative processes, practices, and ideas to fit all the processes and activities
- Highly networked through the organization and able to get buy-in on a wide range of projects and initiatives

The Google culture

One of the key reasons for Google's success is its belief that good ideas can, and should, come from anywhere. The Director of Web Products and her team help manage the process of spurring innovation and creating and marketing these new ideas to senior executives. The Director holds office hours for employees to come and speak with her about innovations and she finds ways to bridge across different groups at Google to get to these breakthrough ideas. As a company, Google promotes creativity as a core part of their culture, so not only are employees offered classes in multiple disciplines and brought together through large events, but there is also a corporate mandate to spend one day out of each week developing their own personal projects. Furthermore, every year Google hosts brainstorming sessions with engineers at which several concepts are pitched and discussed. This broad range of activities integrates creativity into the core values at Google.

INNOVATION INCUBATOR

While many of the other roles are focused on concepts and planning, the Incubator is about implementation. The Innovation Incubator utilizes a venture model of identifying or selecting new and inventive ideas and developing these ideas with the appropriate resources and research. While the innovation incubator may solicit outside support, the responsibility is with the incubation team to grow the innovation idea into a practical application product/service. Incubation means that the innovation also is supported with the appropriate infrastructure. An innovation incubator will often have a series of pilot phases (or prototypes) and then gateways, in which an innovation is evaluated to indicate whether it is worth continuing to develop. The innovation incubator is less accountable for knowing the whole innovation field, and more focused on knowing the mechanisms by which it can cultivate and develop specific innovations. The core of the innovation incubator should be its ability to take an innovation from concept to prototype, and on to launch and scale-up.

Capabilities required for this role include:

- Ability to tap into resources and research inside the organization as well as outside of it
- Ability and resources to design, test, and prototype
- Power to implement infrastructure changes to support innovations and innovation-design and prototyping.

Young Foundation Launchpad

Launchpad is a platform for turning promising ideas into new organizations. They find and generate ideas to address unmet social needs by bringing together leading experts, innovators and practitioners. They then develop the best of these ideas, often working in joint ventures with others, into new sustainable and replicable or scaleable social purpose organizations.

Cleveland Foundation Civic Innovation Lab

Launched in 2003 the Civic Innovation Lab offers mentorship, training, and funding for ideas that can have an impact on the Greater Cleveland economy. The Lab allows any individual to take a risk, innovate, and present new ideas that can make change. So far 34 innovations have been incubated; the Lab projects have changed local social behavior in education, volunteerism and alternative fuel consumption in addition to increasing a sustainable local economy.

INNOVATION AGGREGATOR/ACCELERATOR

The Innovation Accelerator is based on the idea that there is a benefit to trying to develop collections of related innovations together as a group. An accelerator would help to facilitate or incubate a

number of innovations individually, while also working collectively across the projects to try to build a synergistic effect that goes beyond the impact of any of the individual innovations themselves. The collection of innovations might all be situated inside a particular institution; or they could cut across a number of different funders who are innovating in related ways. In addition to providing services to each individual innovation, the accelerator would aim to build a supportive community of innovators that build on one another to have a greater impact. The Aggregator/Accelerator role would likely be assigned to a specific program or initiative unless a foundation or institution has a fully integrated and comprehensive strategy on Innovation that needs to work on behalf of the organization as a whole.

To play the accelerator role, a unit would need to build capabilities including:

- Many of the skills required of an innovation facilitator or incubator, including expertise in providing tailored technical assistance
- Knowledge of innovation occurring both inside and outside the foundation, and ability to see synergies across sets of innovations
- Experience with convening disparate sets of innovators, and providing technical assistance across different circumstances

Innovation Network for Communities (INC)

INC's mission is to develop and spread scalable innovations that transform the performance of community systems. They provide a range of services, including: supporting the development of individual innovations and creating a network of social entrepreneurs responsible for those innovations; working with specific communities and regions on the development of place-based social innovation infrastructure; and developing information products and networks that support the evolution of the social innovation field. INC is both a facilitator and an incubator. The INC strategy is focused on developing a framework for thinking about community innovation infrastructure; building tools and models that communities can use in this work; conducting case studies and benchmarking examples of community innovation infrastructure; and partnering with specific communities on strategies for implementation

New Profit Inc.

New Profit Inc (NPI) provides multi-year support to a portfolio of promising social entrepreneurs working in education, youth development, workforce development, and other areas. It offers a combination of financial and strategic support to help these innovative leaders build world-class organizations and scale their social impact. In addition to this individual organizational assistance, New Profit has also launched a number of collaborative initiatives to help develop a fertile environment for promoting social entrepreneurship more broadly. The organization hosts an annual Gathering of Leaders that brings together social innovators from across sectors, and has recently launched several initiatives aimed at increasing local and national support for social entrepreneurs: America Forward, a national initiative to help policymakers identify, support, and scale social innovation; the Urban Assets Initiative, an effort to help select cities convene social entrepreneurs and public officials to develop creative solutions to local problems; and the Action tank, an effort to develop, pilot, and promote new approaches to pressing social issues.

CONCLUSION

"And the day came when the risk to remain tight in a bud was more painful than the risk it took to blossom."

– Anais Nin

The research done for this report drives us toward a simple, but important insight: being deliberate about innovation can ultimately produce more and better ideas for positive social change.

In the business world, the mandate for innovation is inescapable. If a company doesn't adapt to fit changing realities, it risks losing its position in the market. But foundations—buffered by endowments that can soften the effects of external shifts and ensure institutional survival regardless of performance—often seem insulated from change and slow to respond.

At the same time, new technologies and new ways of organizing are opening up exciting possibilities for how we can address pressing social, economic, and environmental problems; and philanthropy has a real opportunity to increase its impact by examining and rethinking the way we work. It will not be enough for any of the sectors to continue to do things as we always have or to just wait and hope for innovation to emerge.

Getting Personal about Innovation

The task of institutionalizing innovation within long-standing organizations, however, can often seem daunting and too huge to tackle. But there are a range of simple practices that can start individuals down the path toward becoming more intentional about innovation:

- **Hit pause.** It can be difficult in the midst of our busy days to find time to think about doing things in ways other than the ways we've always done them. Too often we just operate on autopilot. But once a day, before starting a new task (whether it's processing a small grant or setting the strategy for the whole foundation), take a deliberate break to think about how you might do it differently.
- **Open up.** Think about others who might have an interesting perspective on a process or issue you care about. Set up a meeting and try to brainstorm new approaches.
- **Be curious.** Becoming an "innovation scout" can be as simple as getting curious. If you are interested in improving how you do some part of your work, ask your peers what they are doing and whether they know of others who are doing things differently.
- **Get intentional.** Pick an area in the Opportunity Spaces framework provided in this report and deliberately walk through the Innovation Framework. You may not immediately create a disruptive breakthrough, but think about how it feels to do things differently and intentionally.
- **Try something that you don't know will succeed.** Risk taking is at the heart of innovation. Think of the whole of your work as a portfolio, and incorporate a few high-risk, high-return

experiments to go along with the tried and true approaches you usually use. Make a grant or try a new process that may fail. If it doesn't work, draw out the lessons from the failure and share them with others so they can learn from your efforts.

- **Pick a tool, any tool.** Choose a new methodology like the ones we've referenced in the report and find an issue or process where you can give it a try. Use a wiki or try a gallery walk. See how it works and share what you learn with others.
- **Help someone else innovate.** Make a small grant or support facilitation to help a trusted grantee or a set of grantees come up with new ideas. Few nonprofits have the capital to stop and be intentional about developing new initiatives. Give them the space to innovate, and be open to what they come up with.

When supported and nurtured within an organization, these types of innovative behaviors serve as the building blocks for larger, more systemic changes in the practices, processes, and culture of the institution.

Getting Systemic about Innovation

This report largely deals with the work of philanthropy itself, and the success that is possible when funders adopt intentional innovative processes to transform our everyday work. But philanthropists also have an opportunity to spread systematic innovation far beyond the walls of our own institutions. A great deal of innovation takes place at the edges and margins, as people and organizations faced with the greatest obstacles (and often the smallest resources) use ingenuity to improvise solutions and find the power to change the world around them. Foundations and donors have the unique positioning to help seed and spur these ideas, and to help them go to scale.

"Hold innovation to these principles: Does it really solve the problem? Can it really accomplish social change? Does it include incentives for everyone to participate and change?"

- Sushmita Ghosh

Our deepest hope is that this paper and the assumptions made to do the research and writing will intrigue every reader to think more deliberately about innovation—within our institutions and beyond—and to add to a new knowledge base that could be developed with and for the social sector.

If innovation and the increasing need for "ideas that work" are on your mind too, we hope you will share your thinking by leaving a note at innovation@wkkf.org.

As we completed this paper, we were left with nearly as many questions as we had when we began the work! Following is a mix of questions and ideas that we offer for continued thinking about the systemic potential for innovation:

1. **Democratizing innovation** in philanthropy means opening the doors wider for people in unexpected places to offer their ideas. While this sort of participation is refreshing, it can be complex and intensive to implement. How can foundations maximize openness without driving up administrative costs that could deplete program investments? And at the same time, how can foundations prepare themselves for managing new ideas from external sources that may not fit well with their established priorities?
2. **Collaborative Competition.** Openly competitive "calls" for innovative ideas have proven to be effective in attracting the wonderful and the unexpected. The growing numbers of prize-philanthropy awards are one example of competitive behavior that can encourage people into great creativity. But paradoxically, many of these experiences indicate that social sector problems and opportunities lend themselves best to a "collaborative" competitive process. How can we model and nurture more collaborative competition?
3. **Web 2.0 and other new technologies.** How might we re-imagine philanthropy with a full use of the technology now available and coming? Are we ready for Web 2.0? Some are

already talking about the social network integration through technology as Web 3.0. How can we generate innovation that builds on technology's promise?

4. **Management Skills.** Recognizing, nurturing, doing, and managing innovation are all different skills. How can funders get smart about all of these?
5. **Bending Laws and Structures.** The rapidly changing business and practice models of philanthropic entities and other nonprofit organizations are challenging both customary practice and the legal and tax structures of the social sector. The sector is likely to look substantially different in 50 years and probably much sooner. What innovative practices are needed within philanthropy to anticipate and meet these changes?
6. **Experimentation and rapid feedback loops** are the standard for the corporate sector but are not common practice in most nonprofits and foundations. What innovations do we need in evaluation and learning practices to improve our ability to maximize rapid prototyping for the social sector?
7. **Integrate Intuition.** While there are rational steps and processes that will help to systematize innovation there also is a strong need to use well-honed intuitive skills in the innovation process. How can we cultivate intuitive skills and trust them?
8. **Innovation in a self-organizing environment.** Adaptation of ideas and going to scale happens increasingly through loose self-organizing and decentralized or viral replication. How does this change our assumptions about innovation and who/what we support?

There are no universal answers to these questions; most will be resolved by living them. Along the way, we have much to learn from each other and the diverse ways in which our institutions approach them.

Through it all it will be worth remembering that innovation is not a game for its own sake but a way to change the world for the better...for all of us.

How we embrace and promote intentional innovation—inside our own walls, in our partners and grantees, and out in our communities—will be critical to our ability to grow our impact on the issues we care about most.

SELECTED RESOURCES

The literature on innovation these days are growing by the reamful. The pages of magazines like Business Week and the Harvard Business Review are full of stories about how cutting-edge companies are experimenting with new innovative products and processes. But for all of the buzz, there are actually far fewer resources that look deeply at the subject to help us understand what innovation really is, and how it can be systematically promoted within an organization. We have selected here a handful of the pieces that we found most helpful pieces in our work..

General Introductions to Innovation

“Something New Under the Sun: A Special Report on Innovation,” *The Economist* (October 13, 2007). The Economist’s special report presents seven articles exploring different facets of innovation and how it is affecting the global business climate. The pieces address issues including: the democratization of innovation; how globalization and new technologies are spurring faster innovation; how a growing understanding of innovation processes is changing it from an art to more of a science; the rise of “open innovation” and “lead-user innovation;” the problems the EU has faced in promoting innovation; and the status of the United States as a leader in innovation relative to other nations.

Tom Kelly *The Art of Innovation: Lessons in Creativity from IDEO, America’s Leading Design Firm* (Currency, 2001). Tom Kelley (executive and brother of the co-founder) of IDEO illustrates how innovation is driven at the award-winning innovation and design firm that has worked on everything from snowboard goggles to Apple’s gadgets and gizmos. The book emphasizes the day-to-day practices that IDEO has developed throughout its history to help people generate new ideas. In many ways, the book acts as an innovation manual, speaking to a variety of topics and giving guidance on everything from the mindset, team dynamics, and organizational settings that best facilitate the creativity and breakthrough thinking necessary for innovation. The book is an inspirational starting-place that can help an individual, a group, or an organization start thinking about how to shape their daily practices to promote innovation in their lives and work.

Readings on Innovation in the Social Sector

Geoff Mulgan, *Social Silicon Valleys: A Manifesto for Social Innovation*, Young Foundation (Spring 2006). This report by The Young Foundation is the most comprehensive look at how the key concepts of innovation can be applied to the social sector in a systematic way. The report explores the definition and history of social innovation; who does social innovation; the stages by which social innovation emerges; and the various sources for social innovation (including government, business, science, and nonprofits)—and then poses a few possible ideas for how it might be possible to develop a stronger system for supporting social innovation. For a shorter take on this subject, read “The Process of Social Innovation,” by Geoff Mulgan, in MIT’s innovations journal (Spring 2006).

Resources Focused on Problem and Opportunity Definition

Doblin, *Ten Types of Innovation*. Although most people tend to focus on product innovation, this short piece by Doblin lays out ten different areas for innovation, ranging from business model innovation to innovation in enabling processes and delivery channels. It provides examples of each type of innovation, and helps to clarify the many different domains where innovation is possible.

Rosabeth Moss-Kanter, “Innovation: The Classic Traps,” *Harvard Business Review* (November 2006). Kanter gives insight into the dilemmas many companies face when approaching innovation

and suggests a series of remedies that range from how an innovation group should function within a larger organization to the personal relationships needed to sustain and build a prosperous innovation group. These recommendations include the idea of the innovation pyramid for allocating resources: with a few radical, big bets at the top that get most of the investment, a portfolio of promising mid-range ideas in test stage, and a broad base of early stage ideas and incremental innovations.

Resources Focused on Idea Generation

Andrew Hargadon, *How Breakthroughs Happen: The Surprising Truth About How Companies Innovate* (Harvard Business School Press, 2003). Hargadon deconstructs the myth of Thomas Edison's invention of the electric light bulb to show that the innovation was actually the product of a whole team of engineers working with ideas drawn from other places, and uses this iconic example to highlight the role of networks and the recombination of old ideas in innovation. The book explains that innovation is rarely the result of a lone genius working in isolation. Rather, it is most often the product of "technology brokers" that bring together a network of individuals to synthesize and bridge ideas from different domains to see them through a new lens. Breakthroughs come less from "thinking outside the box" than they do from thinking across "multiple boxes." Hargadon goes on to explore how an organization can foster this recombinant, networked approach through several key work practices. Each of the practices touch upon Hargadon's notion that ideas come from a dynamic network, and need to be captured and reframed in novel ways and then socialized through a collective. For a shorter take on this subject, read "Building an Innovation Factory," by Andrew Hargadon and Robert Sutton, in *Harvard Business Review* (May 2000).

Henry Chesbrough, *Open Innovation: The New Imperative for Creating and Profiting from Technology* (Harvard Business School Press, 2006). Chesbrough introduces a fundamental shift in the way we think about new ideas and bring them to market: from "closed innovation" to "open innovation." He explains that the closed paradigm for innovation has been the predominant model used by most major US corporations for most of the twentieth century, as they focused on hiring the best and brightest to discover and develop new ideas inside the company. But global changes such as the mobility of skilled workers and the availability of private venture capital mean that it is no longer possible to simply lock up ideas and knowledge only for the use of your company. Closed innovation, in many cases, is simply no longer possible. A new approach, "open innovation," assumes that firms can and should use both internal and external ideas, and both internal and external paths to market. Ideas can come from inside a firm, to be developed internal or to be sold outside the company; but ideas can also start outside a firm and move inside. He goes on to give detailed examples of how companies like Xerox, IBM, and Proctor & Gamble have made the shift to more open innovation approaches.

Chris Ertel, *Models of Open Innovation: Four Pathways*, Global Business Network (2007). This chart examines the many possible models for doing open innovation, developing a matrix that locates innovation approaches on two axes: whether the innovation is sourced inside or outside an organization and whether the source is focused on a small number of experts or a larger, more open group.

Satish Nambisan and Mohanbir Sawhney, "A Buyers Guide to the Innovation Bazaar," *Harvard Business Review* (June 2007). Nambisan and Sawhney liken the global marketplace for new ideas, products, and technologies to the chaos and diversity of a traditional outdoor bazaar. It introduces a continuum of ways that companies can now shop outside their organizations for innovation—on their own or using intermediaries—ranging from purchasing raw ideas to using "innovation capitalists" to acquiring market-ready products. The piece provides readers with a set of four key criteria for judging the most appropriate sources for their businesses: tolerance for risk, the cost of acquiring ideas and developing ideas, the speed to market for an idea, and the reach a company has as it looks for innovative ideas.

Larry Huston and Neil Sakkab, "Connect and Develop: Inside Proctor & Gamble's New Model for Innovation," *Harvard Business Review* (March 2006). This case study outlines the way that Proctor & Gamble's connect-and-develop model of innovation was created. The program was developed as

P&G realized that they could connect with suppliers, entrepreneurs, competitors, scientists and others to gain ideas and prototypes that they company could then scale-up, modify, and market. The piece details the relationships, tools, processes, and culture that P&G developed that allowed them to access a richer pipeline of ideas and insights.

Resources Focused on Prototyping and Piloting Innovations

Stefan Thomke, *Experimentation Matters: Unlocking the Potential of New Technologies for Innovation* (Harvard Business School Press, 2003). Thomke examines why experimentation and rapid prototyping are at the heart of an organization's ability to innovate, and how new technologies are transforming the economics and the speed of experimentation. The book emphasizes that early experimentation and embracing and learning from failure allow organizations to save time and identify problems before the product or service development process is too far along, when fixes become more expensive and difficult.

Eric Von Hippel, *Democratizing Innovation* (MIT Press, 2006). Von Hippel argues that innovation is rapidly being democratized, as customers are increasingly able to use new technologies to come up with new products or new ways of using old ones. He examines the emerging system of user-centered innovation—why users are inspired to develop new products for themselves and why they share their innovations—and contrasts it with more traditional, manufacturer-centric models. He explains that for many products, there is a segment of users that are ahead of the rest of the user population, and that these “lead users” are increasingly able to adapt products to fit their specific needs, often yielding innovations that can benefit others as well. As people are increasingly able to adapt products to their specific needs, organizations will need to get better at systematically seeking out and mining this type of user innovation.

Resources Focused on Diffusion and Scaling of Innovation

Everett Rogers, *Diffusion of Innovations*, 4th edition (The Free Press, 1995). This piece is widely considered the classic text on how ideas are spread. Rogers lays out a core framework to help readers understand how people and systems respond to innovations once they are developed, and the process by which they decide to accept or reject a new idea. The book examines how different populations within a social system—innovators, early adopters, early majority, late majority, and laggards—adopt new ideas and technologies at different paces and explores the process—awareness, interest, evaluation, trial, and adoption—by which people make these innovation adoption decisions.

Bhaskar Chakravorti, *The Slow Pace of Fast Change: The New Rules for Bringing Innovations to Market in a Connected World* (Monitor Company Group, 2003). Updating Rogers' ideas to fit today's more interconnected marketplace, Chakravorti explores why, in many cases, despite rapid technological advances and intense interconnectedness, change often happens at a slow pace. He looks at game theory to help describe the factors that govern an innovation's ability to penetrate interconnected markets—most notably, the way that in a networked environment, individuals will embrace new ideas only if they believe others will too. In markets with strong interconnections among participants, this “equilibrium” can slow adoption and protect the status quo, even if an innovation is clearly superior to existing products or approaches. Using examples in health care and other industries, the book lays out the key elements for bringing innovations to market in a connected world. For a shorter take on this subject, read “The New Rules for Bringing Innovations to Market,” by Bhaskar Chakravorti, in *Harvard Business Review* (March 2004).

Greg Dees, Beth Battle Anderson, and Jane Wei-Skillern “Scaling Social Impact: Strategies for Spreading Social Innovations,” *Stanford Social Innovation Review* (Spring 2004). This article argues that social entrepreneurs need to “step back and take a more strategic and systematic approach to the question of how to spread social innovations.” The authors look beyond traditional methods like replication strategies, model social program approaches, and “scaling up,” to create a new framework for thinking about how organizations can spread their innovations. The framework lays out a continuum that runs from dissemination (actively providing information to others looking to bring an

innovation to their community) to affiliation (formal relationships defined by an ongoing agreement to be part of an identifiable network) to branching (creation of local sites through one large organization, much like company-owned stores in the business world). The piece then provides a series of criteria to help guide organizations in choosing the approach that best fits their particular circumstances.

Other Innovation Readings Worth Checking Out

Morten Hansen and Julian Birkinshaw, "The Innovation Value Chain," *Harvard Business Review* (June 2007). Hansen and Birkinshaw break innovation into a linear, end-to-end process that presents innovation as a series of sequential components. The framework is defined as the "innovation value chain," with three major phases: idea generation, idea development, and diffusion of developed concepts. These three phases can be further broken down into six critical tasks: internal idea sourcing, cross-unit ideas sourcing, external idea sourcing, selection, development, and spreading of the idea. Each of these tasks become links in the value chain, for which managers can take actionable steps to evaluate and ensure that each link is strong and engendering successful innovation.

Clayton Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Harvard Business School Press, 1997). *The Innovator's Dilemma* posits that well-managed companies often fail because the management practices that allowed them to become successful in their current business also make it extremely difficult for them to develop and adopt disruptive technologies that ultimately can steal away from their markets. Christensen describes how "disruptive technologies" supplant older technologies and why management practices designed for exploiting existing technologies often fail when it comes to developing disruptive ones. He uses the example of the disk drive industry, where established manufacturers, focused on the needs of existing customers, were slow to incorporate new technologies that opened up entirely new markets. For a shorter one on this subject that applies the ideas to social sector innovations, rather than just technological change, read "Disruptive Innovation for Social Change," by Clayton Christensen, Heiner Bauman, Rudy Ruggles, and Thomas Sadtler, in *Harvard Business Review* (December 2006).

Web Resources

Innovation Network (<http://www.thinksmart.com/>)

The purpose of this site is to answer three important questions: What is innovation? How innovative is your organization? How can you and your organization be more innovative? The answers are found within the Innovation Network's framework, "Innovation DNA." The framework offers an interesting model that presents the broad scope of what it takes to create an "innovation organization." A survey on the site allows organizations to find out how innovative their organization is. The survey yields an "Innovation Quotient" (IQ) and offers suggestions about how to put your organization on the road to innovation. The website also has many free articles, and organizations can join the InnovationNetwork to obtain access to additional tools and information.

Young Foundation (<http://www.youngfoundation.org.uk/>)

The Young Foundation is a center for social innovation. Their focus is on research, local innovation and international projects. Their "Launchpad" is a social innovation network that develops new ideas and helps turn them into practice, focusing on creating new models and enterprises to meet social needs. Numerous books, articles, reports and podcasts are available from the site.

Changemakers (<http://www.changemakers.net>)

Changemakers provides the world's first global online "open source" community that competes to surface the best social solutions, and then collaborates to refine, enrich, and implement those solutions. Changemakers begins by providing an overarching intellectual framework for collaborative competitions that bring together individual social change initiatives into a more powerful whole. The website features an extensive library covering topics from education & learning to human rights & legal reform.

Strategyn (<http://www.strategyn.com/>)

Strategyn has devised an 8-step outcome-driven innovation methodology. Their claim is that this methodology has been proven effective through ongoing application and refinement in nearly all industries over the past 15 years. It transforms innovation management from an unstructured process into a rules-based discipline with *measurable* inputs and outputs. The site also offers free access to a large innovation library.

Innosight (<http://www.innosight.com/index.html>)

This site focuses on disruptive innovation and is the creation of Clayton Christensen, professor and author of the best-selling books *The Innovator's Dilemma* and *The Innovator's Solution*. Innosight's methodology and tools facilitate the discovery of new, high-growth markets and the rapid creation of breakthrough products, services and business models. A bi-monthly newsletter is available as well as numerous free resources.

Jpb.com (<http://www.jpb.com/creative/index.php>)

This site provides a number of articles on creativity and innovation and also hosts "The Imagination Club," a network of creative thinkers. Their Idea Database software package claims to support the generation and evaluation of ideas and to provide a sustainable innovation system that continuously generates useful, innovative business ideas. The site offers interesting tips and creativity exercises that can be downloaded free of charge.

Movement Vision Lab (<http://www.movementvisionlab.org/>)

This website houses an "Idea Lab" that brings together grassroots organizers and social justice advocates to share and debate long-term, visionary ideas for the future. Topics include education, movement building & organizing, government programs & services and many more.

Social Innovation Exchange (SIX) www.socialinnovationexchange.org

SIX helps organizations build the emerging field of social innovation in the belief that big problems, from climate change to care needs, will be solved by experimentation, enterprise, and innovation that taps into the creativity of all parts of civil society, business, and the public sector. SIX features case studies, publications, and blogs about social innovation.

Future Think (<http://getfuturethink.com/>)

Future Think's theory is that innovation becomes easier when four key elements are mastered: strategy, ideas, process, and climate. This site offers a diagnostic tool that allows organizations to identify their readiness for innovation. A large resources section is cataloged by industry with a sizeable section on nonprofits.

About the Innovation in Philanthropy project

In early 2007, the W.K. Kellogg Foundation (WKKF) formed the Innovation and Design (InD) team to explore what the foundation could do to promote greater innovation inside its walls and with its partners and grantees. The effort was rooted in a hunch about the potential value of understanding innovation processes and how they might increase the impact of the foundation.

While acknowledging that innovations can and do come from people everywhere, WKKF observed that systemic and intentional approaches to innovation (rather than sporadic and passive) were producing important results in the corporate sector, and Kellogg wanted to explore whether those successes might translate over into social sector work. So the InD team contracted with the Monitor Institute and Clohesy Consulting to: (1) undertake a scan of innovation that drew on existing knowledge and literature across sectors and fields to broadly understand innovation and innovation processes; (2) explore innovation that is occurring in the philanthropic space; and (3) help the InD team understand the potential roles and next steps for an innovation unit within a large institution like Kellogg.

The Innovation in Philanthropy team includes Gabriel Kasper, Katherine Fulton, and Niles Lichtenstein from the Monitor Institute; Stephanie Clohesy, Joan Boysen, Stacy Van Gorp, and Pam Hickman from Clohesy Consulting; and Tom Reis, Karen Whalen, Huilan Yang, Tony Berkley, Jacquelynne Borden-Conyers, and Patti Wilson from the Kellogg Foundation. This report was developed from the tremendous thinking and contributions of all of the members of the team.

[Monitor Institute](#)

Monitor Institute works with today's most imaginative leaders to surface and spread best practices in public problem solving and to pioneer *next practices*—breakthrough approaches to addressing social and environmental challenges. The Institute provides consulting, undertakes initiatives, conducts research, and develops long-term partnerships to help innovative philanthropists, social entrepreneurs, businesses, and government agencies worldwide develop and implement strategies that fit the challenges and opportunities of today—and tomorrow. We leverage the resources of the Monitor Group, a global professional services firm, to help social innovators grow their impact and transform existing systems for addressing society's most pressing problems.

[Clohesy Consulting](#)

Clohesy Consulting is a strategy and organizational development firm offering a broad band of planning, research, and design and decisionmaking services to philanthropic individuals and foundations and to national and international nonprofit institutions seeking equitable and sustainable solutions to major social issues. In support of its consulting and coaching services, Clohesy Consulting designs and creates tools and visual prototypes for engaging clients in their own assessment and problem-solving. Stephanie Clohesy is the founder and principal. In addition to a research, graphic design and administrative team, Clohesy Consulting encompasses a small network of independent consultants.

[W.K. Kellogg Foundation](#)

Established in 1930, the W.K. Kellogg Foundation supports children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. Grants are concentrated in the United States, Latin America and the Caribbean, and the southern African countries of Botswana, Lesotho, Malawi, Mozambique, South Africa, Swaziland and Zimbabwe.