



## The Putnam Guide

# Fostering Innovation in Philanthropy

Findings and Lessons from a Field Scan of Innovation in the Philanthropic Field

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*“Innovation may sound and seem complicated, but it doesn’t have to be. The ways in which funders can support innovation in their fields of interest are limitless - and the minimum investment required is simply the willingness to think creatively. There is, however, one warning to consider: Innovation is contagious. If you start to think innovatively and fund innovation, others are likely to follow!”*

**I**nnovation is a buzzword with growing resonance in the philanthropic community. Drawing from the corporate sector and from cutting-edge nonprofits, foundations are looking for ways to create and support innovation in the communities they serve, and to develop a culture and practice of innovation in their own offices. But how are foundations going about adopting innovative practices? What are the possibilities for funders who wish to become more innovative?

In this paper, we share findings from a field scan of innovation in philanthropy, including ways in which funders can create and support innovation among grantees and partners as well as within their own operations. However, some of the practices of innovation in philanthropy are still quite new, and not all are well documented. On the flip side, the ways in which “innovation” can apply to philanthropy are practically limitless and therefore defy complete explanation in a single white paper. We have included footnotes with links to deeper resources for various topics in this paper.

### What Does Innovation Mean?

The word “innovation” is a ubiquitous buzzword in the philanthropic world — a concept that few foundations have defined, yet many are eager to fund. As a result, foundations often request “innovative ideas” from their grantees but fail to accomplish the same thing internally.



This creates a number of problems:

- Because few funders have defined what they mean by innovation, they have difficulty communicating their expectation to grantseekers.
- The onus of innovation is almost always on the grantees and rarely on funders themselves.
- Funders give little to no thought about *how* they expect grantees to be innovative. Most efforts to fund nonprofit organizational capacity, for instance, don't include building capacity for innovation.

Lacking a clear definition of innovation or an understanding of how to build one's innovation muscle, the implied assumptions are that innovation "just happens." Further, lack of clear definition has come to imply that innovation must be a dramatic, game-changing, disruptive new idea or practice: the iPhone of early childhood education, the Post-It note of economic development.

The meaning of "innovation" does not have to remain elusive. The simplest definition of innovation, according Merriam-Webster, is "a new idea, device, or method," or "the act or process of introducing new ideas, devices, or methods." Noted business author and speaker Scott Berkun (*The Myths of Innovation, Mindfire: Big Ideas for Curious Minds*, etc.) says the best definition for innovation is "significant positive change."<sup>1</sup> Business consultant and author of *The Innovation Formula*, Alan Weiss defines innovation as "applied creativity."

To be sure, innovation has many nuances and interpretations in the business community. The same is true for philanthropy. What's important is that foundations understand what *they* mean by the word.

"Innovation" can be adopting a new approach to problem solving (such as design thinking), making a change in practice (such as a grantmaker that shifts its strategy from responsive grantmaking to issue-focused advocacy), expanding an evidence-based program (such as Nurse-Family Partnership), or creating a product (like an app that finds and crowdfunds hotel nights for domestic violence victims in need of shelter).

Innovation can begin as a change in thought before it becomes a change in action. The field of health funding is a prime example of this; whereas health funding 20 years ago was almost entirely focused on clinical medicine, the field has evolved over the past two decades to include holistic health and wellness and now devotes much of its attention to considering the social determinants of health — root causes that interweave elements of housing, employment, income, education, justice, and equity.

While the ways in which foundations define "innovation" can vary, the most important thing to remember is that each foundation should define innovation in a clear, consistent way so that grantees, partners, and staff understand what, exactly, they are pursuing and how it applies to their work.

## Eight Approaches to Philanthropic Innovation

Investments in innovation are determined by each individual funder's tolerance for risk, understanding of the key issues it wants to address, ability to think differently about persistent problems and potential solutions, willingness to work with others, and comfort with the unknown. These factors paint a broad spectrum of possibility, and luckily, opportunities for funder engagement in innovation exist at almost every point along the way.

For example, a funder with low tolerance for risk but a deep understanding of the issues and a keen willingness to work with others might help fund the spread of an innovative, evidence-based program within their community. A funder with higher risk tolerance and a willingness to think differently, but little knowledge of an issue, might seed a promising research effort that will provide a new way of looking at that issue. A funder with deep issue knowledge and a high comfort level with the unknown might support the development of new technology (such as an app or robotics) to help deliver services related to that issue.

To create this white paper, we combed through existing writings about philanthropy and innovation to explore examples of promising practices, hot topics of discussion, and areas of

<sup>1</sup> <http://scottberkun.com/2013/the-best-definition-of-innovation/>



investment. We identified the following eight roles that foundations are playing — or are likely to play — with respect to innovation. It is important to note that these roles rarely happen in isolation. Funders that support innovation are likely to take multiple approaches to achieve their goals.

## 1. Innovation Funder

One of the most direct and immediate ways in which foundations can explore innovation is by providing funds for innovative programs, practices, or products. The kinds of innovations available for funding are as limitless as the imaginations and visions of those who create them.

For example, several foundations have supported the development of smartphone apps that help connect key services to populations in need. Blue Shield of California Foundation helped fund the development of an app that identifies and crowdfunds hotel stays for domestic violence victims when shelter beds are full.<sup>2</sup> Thrive Foundation in San Francisco supported an app that helps disadvantaged youth build the social networks that open doors to college admission, jobs, and more.<sup>3</sup>

Several foundations encourage innovation by funding prizes or contests in which new ideas are rewarded with cash prizes. The XPRIZE Foundation, Ashoka Changemakers, the Knight Foundation, and the Case Foundation have engaged in this kind of activity. The Knight Foundation regularly launches “challenges” that request innovative ideas to address a number of key questions, such as “How might we make data work for individuals and communities?” or “How do we make our cities more successful?” Winning applicants share a collective pot of millions in grantmaking funds. In its 2015 Knight Cities Challenge, the foundation funded a Pop-Up Pool Project in Philadelphia, which used ideas such as new seating, planters, shade structures, and fun programming to turn an underused resource into a community gathering place. Since then, the city is considering expansion of the program.<sup>4</sup>

Foundations can also fund innovation or innovative ideas within a particular interest area. For example, the Walton Family Foundation names “innovation” as one of its funding priorities within a K–12 education program area. Among its stated interests are novel school models that provide new approaches to education and new ways (other than test scores) to advance long-term success. The foundation specifically spells out its criteria for innovation: Projects must solve a problem, apply the foundation’s theory of change, have potential for a breakthrough, be transferrable, and be tested objectively.<sup>5</sup>

## 2. Innovation Hub

Foundations that wish to encourage innovation among grantees can provide a “safe space” for innovative thinkers to take time out from the ordinary, gather with partners, and brainstorm collectively on specific problems. This “safe space” can be conceptual, created by encouraging grantees to use part of grant funding to take time to think creatively, or it can be actual physical space provided for the express purpose of ideating.

The Santa Fe Community Foundation offers its community access to physical space within its offices called the Santa Fe Hub for Social Innovation. The Foundation describes this space as “a learning and gathering place for the philanthropic sector.” It includes classes and workshops for philanthropists, nonprofits, and professional advisors, but also a place to gather community members to learn about and discuss pressing social issues.<sup>6</sup>

Remake Learning in Pittsburgh provides an online and real-world meeting place for people in the city to think creatively about the future of teaching and learning. Multiple workgroups focus on various topics of interest, host meetups, and share resources to spur collective innovation. Also in Pittsburgh, the Hive Learning Network focuses on innovations that support tweens, teens, and young adults preparing for college and the workplace. The Hive also includes funding for innovation through The Change Machine, a mini-grant

<sup>2</sup> [http://putnam-consulting.com/wp-content/uploads/BSCF\\_InnovationArticle\\_Layout\\_2015-06-15.pdf](http://putnam-consulting.com/wp-content/uploads/BSCF_InnovationArticle_Layout_2015-06-15.pdf)

<sup>3</sup> <http://www.thrivefoundation.org/blog/thrive-foundation-advances-an-app-to-help-disadvantaged-youth-build-useful-social-networks>

<sup>4</sup> <http://www.knightfoundation.org/blogs/knightblog/2016/4/12/37-knight-cities-challenge-winners-will-share-5-million-funding/>

<sup>5</sup> <http://www.waltonfamilyfoundation.org/our-impact/k12-education/innovation>

<sup>6</sup> <http://www.santafecf.org/what-we-do/santa-fe-hub>



program for youth-led innovative initiatives.

The Rockefeller Foundation lists innovation as core to its strategic approach and funds the use of “social innovation labs” to address multi-sector, entrenched problems that traditional approaches have failed to solve. Rockefeller defines social innovation labs as “a form of collaborative problem solving, grounded in a philosophy of experimentation and learning, and drawing on experts and practitioners across sectors from various fields.”<sup>7</sup> By supporting six existing labs around the world (such as Stanford ChangeLabs and AfriLabs), the Foundation supports not only the physical space for innovation but also the networks and expertise of individuals and groups that work together. Innovation labs are designed to gather diverse perspectives related to a problem to achieve a “whole-systems view,” focus on experimentation and learning, and apply unique design approaches for problem solving (such as “human-centered design,” also known as design thinking, explored below).<sup>8</sup>

Foundations can also provide mental/creative supports necessary for creative brainstorming by connecting grantees with coaches, experts from other industries, or facilitators trained to bring out innovative thought processes. For example, Blue Shield of California Foundation helped its community health center grantees think about innovative ways to improve patient experiences by partnering with the Center for Care Innovations to create a Safety Net Innovation Network — an ongoing learning collaborative of clinic leaders and cutting-edge thinkers who work together to explore new ways to enhance patient experiences while improving health and cutting costs.<sup>9</sup>

### 3. Innovation Informant

In many cases, the creation or adoption of an innovative approach, product, or practice requires access to data. Foundations can help fund the acquisition of data that can spark those innovations.

For example, The Annie E. Casey Foundation has

long been collecting and sharing aggregated data about the wellbeing of children in each U.S. state through its annual *Kids Count Data Book*. However, in 2014, Casey took the bold step of disaggregating its Kids Count data by race — thereby launching a new approach to addressing issues of equity.<sup>10</sup> Casey not only called attention to inequities but also emphasized the importance of looking at data in a new and innovative way.

In Camden, New Jersey, one of the nation’s poorest cities, the Aetna Foundation is supporting the work of the Camden Coalition of Healthcare Providers to create a new “social determinants of health database” that combines health data with social data from a wide variety of community agencies. The data will help researchers, policy makers, community leaders, funders, and others better understand the links between social issues and health care and examine where innovative approaches can close gaps and improve support and care systems.<sup>11</sup>

### 4. Design Thinker

Design thinking, also called human-centered design, focuses very intentionally on the end user’s needs in order to solve specific societal problems. The design school at Stanford University describes design thinking as a five-step process:<sup>12</sup>

1. Develop an understanding of and **Empathy** with the people for whom you are designing.
2. **Define** the problem from the user’s point of view.
3. **Ideate** — explore a wide variety of diverse solutions.
4. Create a **Prototype** for all potential solutions to experience, interact, and learn from them.
5. **Test** programs or products to see what works and refine it.

One well-publicized example of design thinking is the portable toilet system in Ghana developed by IDEO.org in conjunction with Unilever and a regional nonprofit partnership. This system

<sup>8</sup> <http://globalknowledgeinitiative.org/pdf/Social-Innovation-Labs-External-Guide.pdf>

<sup>9</sup> [http://putnam-consulting.com/wp-content/uploads/BSCF\\_InnovationArticle\\_Layout\\_2015-06-15.pdf](http://putnam-consulting.com/wp-content/uploads/BSCF_InnovationArticle_Layout_2015-06-15.pdf)

<sup>10</sup> Race for Results, Annie E. Casey Foundation, 2014

<sup>11</sup> “Illuminating the Health Equity Challenge,” *Innovations in Health Equity*, Stanford Social Innovation Review Special Insert, Spring 2016

<sup>12</sup> <http://www.santafecf.org/what-we-do/santa-fe-hub>



replaced public latrines used by low-income families in Kumasi, Ghana, with a waste service that rents portable toilets to families at a low rate for in-home use and includes pickup. It also helped local operators create franchises to provide the service.<sup>13</sup>

As mentioned above, design thinking puts the end user in the center of the question and focuses specifically on that user's needs and perspectives. Design thinking is by nature fast-paced, targeted at developing and testing potential solutions and "failing fast" to find the ideas that have longer-term potential. So, for example, in a low-income school district where children are frequently tardy, a traditional solution might be to apply a stricter penalty for tardiness as an incentive to get to school on time. A design-thinking approach would involve speaking with the families of tardy students to determine what causes tardiness from their perspective and devising and testing a number of potential solutions to address the problem. These could range from rerouting school buses to creating parent supports or even rethinking the start time for the school day.

In the U.S., IDEO.org and other design-thinking organizations have worked on several problems, ranging from holistic health care to parent engagement in their children's early education.<sup>14</sup> While some larger funders are supporting design-thinking projects, most of the field is still early in the learning curve. One exception is the Autodesk Foundation, a corporate foundation that proclaims itself "the first foundation to focus on investment exclusively on the people and organizations using design for impact." The foundation specifically invests in what it calls "impact designers" who share the foundation's goal of designing and creating positive social and environmental change.<sup>15</sup>

One particularly notable point is that while some foundations actively support design thinking at nonprofits, few if any appear to apply the design-thinking lens to themselves. This is a missed opportunity, according to a March 7, 2016 blog post

from Nadia Roumani, senior designer at Stanford's d.School.

*Design thinking may first bring to mind the design of products or services, seemingly one step removed from traditional philanthropy. But the method's applications are actually a perfect complement to this field in several ways, especially in its ability to engender both rigor and creativity in philanthropic work.*

*More specifically, for foundations, design thinking can help:*

- 1. Shape an organization's internal culture to be collaborative, creative, innovative, and iterative.*
- 2. Design more impactful experiences with staff, grantees, board members, and other stakeholders.*
- 3. Gain greater clarity and focus on which part of a complex problem to tackle.*

*Social problems sit within intricate systems of stakeholders, organizations, and feedback loops, and design thinking can help funders better understand the needs, motivations, and behaviors of the stakeholders and beneficiaries. By engaging directly with them, the funder can avoid making large-scale assumptions and instead make more calculated decisions about the precise point of intervention.<sup>16</sup>*

Applying a design-thinking, human-centered approach to stakeholders can provide an opportunity for foundations to reconsider their own operations. What hurdles do foundation staff, grant applicants, grantees, and partners experience as a result of internal processes and procedures? What needs do they have that internal processes can better address? Project Streamline, a national collaboration of the Grants Managers Network, provides a number of examples of foundations that used innovative approaches to reduce burdens and better address the needs of potential grantees. These range from revisiting the length and complexity of grant applications to accepting budget information in an off-the-shelf format (like QuickBooks) to minimizing reporting requirements

<sup>13</sup> <http://www.ideo.com/work/in-home-sanitation-solutions>

<sup>14</sup> <http://www.ideo.org/projects>

<sup>15</sup> <http://www.autodesk.org/>

<sup>16</sup> <http://www.designthinkingphilanthropy.com/lessons-learned/>



(such as combining assessments and final grant reports).<sup>17</sup>

## 5. Impact Investor

In addition to grantmaking, foundations are exploring different ways to leverage their investments in innovative support of their missions. These approaches are varied and have names with overlapping meaning, such as “impact investing” or “results-based investing” or “outcomes-based funding.” Overall, the intent is to make investments in enterprises that deliver social benefit *and* financial returns.

Many foundations are at least familiar with some of the more established forms of impact investing. The simplest form of this practice would be to make an effort to include socially responsible investments in a foundation’s asset portfolio. This typically includes investing in funds or companies that have stated social or environmental goals or standards that align with the foundation’s mission (mission-related investing). Mission-related investing is gaining greater awareness as groups work to rally investors of all kinds to pay attention to investments. For example, DivestInvest encourages institutional investors to rid their portfolios of fossil fuel companies in favor of alternative energies that contribute to climate solutions.<sup>18</sup>

Foundations that are more adventurous might make program-related investments (PRIs) that directly benefit communities served, such as a low-interest loan to a bakery that provides job training for high-risk youth. More recently, foundations have the opportunity to invest in B Corps, for-profit companies that are certified by the nonprofit B Lab and that must meet rigorous standards for social and environmental performance, accountability, and transparency.<sup>19, 20</sup>

One important aspect of funding innovation is to help innovators stay the course to make a great idea become a practical application — and help

that application become embraced as a widespread product or practice. The California Healthcare Foundation’s Health Innovation Fund (CHCF) supports various accelerator programs that help early-stage health care technology and service companies through the various stages of designing, testing, and readying innovations for market.<sup>21</sup>

Foundations wishing to move further along the impact investing continuum might consider social impact bonds, also known as pay-for-success bonds or social benefit bonds, in which investors enter a contract with a nonprofit intermediary and a government entity, which agrees to pay back the investor should the nonprofit achieve a specific social outcome. One example of a social impact bond is in South Carolina, where several private funders are investing in the expansion of the Nurse Family Partnership in the state to improve outcomes for young children and their mothers. Assuming Nurse Family Partnership achieves its defined outcome targets, the state will pay back the private investors.<sup>22</sup> Social impact bonds are effective because they provide capital to effective nonprofits for innovation or expansion, they remove the financial risk for governments of trying new programs or expanding them, and they provide funders with the promise of financial reimbursement of investments that can then be used for other projects.

The Rockefeller Foundation is an impact investing leader in philanthropy and in 2014 published a book, *The Power of Impact Investing*, that shares lessons learned.<sup>23</sup> Among those:

- The field of impact investing is incredibly diverse.
- Investment failures are just as valuable as successes, in terms of lessons learned and data gathered.
- Governments play a critical role in impact investing.
- Impact investing holds great promise.

<sup>17</sup> <http://www.gmnetwork.org/projectstreamline/>

<sup>18</sup> <http://divestinvest.org/>

<sup>19</sup> <http://www.bcorporation.net/what-are-b-corps>

<sup>20</sup> For more about impact investing, see the Case Foundation’s “Short Guide To Impact Investing” (<http://casefoundation.org/resource/short-guide-impact-investing/>)

<sup>21</sup> <http://www.chcf.org/innovation-fund>

<sup>22</sup> [http://www.scdhhs.gov/sites/default/files/2-16-16-SC-NFP-PFS-Fact-Sheet\\_3.pdf](http://www.scdhhs.gov/sites/default/files/2-16-16-SC-NFP-PFS-Fact-Sheet_3.pdf)

<sup>23</sup> <http://www.rockefellerfoundation.org/blog/7-things-weve-learned-about-impact/>



## 6. Cross-Sector Collaborator or Collaborative Funder

While the concept of collaboration is certainly not new to philanthropy, the growth in foundation collaborations with other sectors and the myriad ways in which collaborations can take place mean that collaboration could most certainly be considered an innovative practice. Collaborations can be innovative simply because they are a first-ever attempt in a local community, or because they are breaking new ground in terms of the type of collaboration among an established group of collaborators.

The reasons to collaborate are many: learning together about a need, exploring a specific solution, aligning the impact of existing efforts, or coinvesting for greater return. The David and Lucile Packard Foundation identifies five levels of funder collaboration:

1. Knowledge exchange to share ideas and learning (but not necessarily funding)
2. Coordinated funding, which aligns independent funding decisions of each foundation
3. Coinvesting in existing nonprofits or initiatives, which can be a pooled funding model or a series of discrete investments by multiple funders
4. Creating a new entity or initiative that is supported by all collaborators, and
5. Funding another funder with deep expertise in a target issue area<sup>24</sup>

One example of national, innovative collaboration was an effort called Reimagining Service, a multi-sector coalition that focused on increasing social impact through effective volunteer engagement. It leveraged the expertise of national nonprofits, government, and private sector companies to research aspects of volunteerism and develop and identify emerging promising practices that would deepen the impact of volunteers.<sup>25</sup>

An example of a more local collaboration can be found in Cleveland, where the city school district

and the George Gund Foundation collaborated with a wide range of nonprofits, government agencies, and businesses to create a comprehensive, city-wide plan to provide high-quality pre-K for every 3- and 4-year-old in the city. The plan, PRE4CLE, involved the coordination of more than 60 participants who took part in workgroups to develop various aspects of the plan. This collaboration used an outside facilitator to keep all parties focused and on track. Officially launched in 2014, PRE4CLE has gained attention from the White House as a national model for providing access to high-quality pre-K.<sup>26</sup>

The Reimagining Service work has resulted in lessons learned about cross-sector collaboration that apply to collaborations of all sizes and that have been highlighted by Bobbi Silten, executive vice president of Global Talent and Sustainability for Gap Inc. In a Huffington Post blog<sup>27</sup>, she points out that cross-sector collaboration leaders must:

- Think in terms of influencing others, not having authority.
- Identify the task before recruiting participants.
- Treat all voices as equal to learn new things.
- Use data to inform conversations.
- Share credit.
- Work with an end in mind.

As with “innovation,” the word “collaboration” also comes with a host of nuanced meanings and interpretations, depending on the user. Foundations wishing to engage in collaboration would be well served to take time up front to define exactly what they mean by “collaboration,” and also to create common definitions of terms that will define the problems, needs, and populations the collaboration will solve.<sup>28</sup>

As mentioned above, there are several ways in which foundations are collaborating through their funding. Some have longer histories and others are fairly cutting edge.

- **Giving circles** are not new but are perhaps an example of collaborative funding at its root level.

<sup>24</sup> <http://www.packard.org/wp-content/uploads/2014/07/Lessons-in-Funder-Collaboration.pdf>

<sup>25</sup> <http://www.reimaginingservice.org/sites/default/files/Reimagining%20Service%20Summary%20Report%20Jan%202015.pdf>

<sup>26</sup> <http://pre4cle.org/>

<sup>27</sup> [http://www.huffingtonpost.com/bobbi-silten/six-lessons-i-learned-lea\\_b\\_6598252.html](http://www.huffingtonpost.com/bobbi-silten/six-lessons-i-learned-lea_b_6598252.html)

<sup>28</sup> [http://ssir.org/articles/entry/creating\\_a\\_common\\_language\\_for\\_cross\\_sector\\_collaboration](http://ssir.org/articles/entry/creating_a_common_language_for_cross_sector_collaboration)



Foundations that host giving circles open the concept of philanthropy up to communities of like-minded donors, while also enforcing the idea of working collaboratively to solve community problems.

- **Aligned investing and coinvestments** by foundations in established organizations can be short- or long-term projects. For example, the Stuart Foundation in San Francisco spent two years coordinating a loose collaboration of six funders in order to lay the groundwork for education finance reform in California. Each foundation made investments in nonprofits they chose, but all were aligned toward their shared goal. In addition, the foundations all made coinvestments in one particular nonprofit that served as the coordinating body for the work.<sup>29</sup>
- Living Cities is an example of a **new entity created** by a collaboration of 22 funders in 1991, for the purpose of exploring ways to more quickly improve economic well-being for low-income urban people. Each of the foundation “members” contributes general operating support toward a work plan created by the Living Cities board of directors. The funders may also contribute additional gifts and/or make loans in support of Living Cities program priorities.<sup>30</sup>
- **Public-private partnerships**, although not new, are areas ripe for innovation. They can be defined by discreet, autonomous investments by both public and private investors, or they can include more sophisticated, market-based approaches like the social impact bonds described earlier.

## 7. Solution Scaler

Scaling innovation may be one of the trickiest areas of creating change and one where there is much room for, well, innovation. While there is much written about the need to scale solutions — either through replicating them successfully, or diffusing successful practices throughout various programs, or simply expanding the size of a population or geography served — examples of foundations that have successfully funded the scaling of solutions are harder to find. In their 2004 article “Scaling Social Impact” in the *Stanford Social Innovation*

*Review*, authors Gregory Dees and Beth Battle Anderson wrote, “After several years of interviewing social entrepreneurs, foundation officers, and other experts on scale in the social sector, we have come to the conclusion that social entrepreneurs, foundation officers, and policy makers need to step back and take a more strategic and systematic approach to the question of how to spread social innovations.”<sup>31</sup>

More than a decade later, there still is great opportunity for foundations to support research about successful scaling, invest in training about best ways to scale, or make a long-term commitment to a particular program that the foundation believes should be taken to scale.

Dees and Anderson urged funders to consider whether they are trying to spread an *organization* (such as when Federick Goff created the Cleveland Foundation and then began to spread that community foundation model to other parts of the country), a program, or a set of principles.

*Programs* that have seen successful scaling-up efforts include Nurse Family Partnership (a multiyear home visitation program for first-time, low-income mothers and children) and the Boot Camp for New Dads (a community-based, peer-learning workshop for new fathers). Both of these programs include fairly rigid program requirements (Boot Camp must be licensed by users) and also provide ongoing training and support for organizations that wish to deploy them.

Scaling the use of *principles* allows users to customize experiences for their own constituencies, as long as they adhere to some basic tenets. For example, the successful KIPP Academies (a nonprofit network of college-preparatory, public charter schools) look different and offer different curricula at various sites, but all adhere to KIPP’s five general operating principles.

Fast-forward to 2014, and authors Jeffrey Bradach and Abe Grindle pushed the notion of scaling further by exploring the idea of transformative scale

<sup>29</sup> [http://putnam-consulting.com/wp-content/uploads/Stuart-LCFF-FINAL\\_12-10-20141.pdf](http://putnam-consulting.com/wp-content/uploads/Stuart-LCFF-FINAL_12-10-20141.pdf)

<sup>30</sup> <http://www.livingcities.org/about/members>

<sup>31</sup> [http://ssir.org/articles/entry/scaling\\_social\\_impact](http://ssir.org/articles/entry/scaling_social_impact)





in another *Stanford Social Innovation Review* article, “Transformative Scale: The Future of Growing What Works.” In their article, Bradach and Grindle identify nine approaches that “hold real promise for addressing at a transformative scale a number of major social problems.”<sup>32</sup> These approaches fall into two categories — one focused on individual organizations and another on entire fields.

Organizational pathways for scaling include:

1. Distributing a solution through existing nonprofit or for-profit platforms or networks. For example, using a school superintendents’ network to spread a successful alternative discipline practice.
2. Recruiting and training other organizations via technical assistance, consulting, etc., such as training and supporting multiple mental health organizations in a community to deliver trauma-informed care.
3. Unbundling successful models and scaling specific elements. Bradach and Grindle point again to KIPP, which unbundled a leadership development component from their full program to more rapidly spread knowledge among school leaders who might then implement some of KIPP’s practices in their own schools and thereby expand KIPP’s impact.
4. Leveraging technology as a cost-effective means of scaling. This could be as simple as creating a Facebook page or more cutting edge, such as developing a new app.

Field-level pathways to scaling include:

1. Strengthening multiple organizations to deliver a solution, such as working with all nonprofit health centers in a region to adopt an evidence-based program for patient communication.
2. Changing public systems by demonstrating a new way or gradually infusing new leadership. Promoting alternative discipline programs that are targeted toward closing the school-to-prison pipeline, for example, or pushing for juvenile justice leaders who value corrective actions other

than incarceration.

3. Influencing policy change to promote scaling. This could include policy that provides public funding to expand proven programs or that removes barriers to program expansions.
4. Considering for-profit models for scaling. Nonprofits proved the effectiveness of microfinance, but for-profit businesses took the idea to scale.
5. Altering attitudes, behaviors, and norms to convince a critical mass of individuals to change something within their control, like smoking cessation.

## 8. Learning Culture Creator

As with other aspects of innovative philanthropy, there is a good deal of literature about the importance of creating a learning culture within a foundation and among grantees, and even how to create a learning culture. However, there is little documentation about foundations that actually have created learning cultures within their own walls.

One shining exception is the Kettering Foundation — a research foundation that exists for the express purpose of learning about what works in democracy. The Kettering Foundation is not a grantmaker. Instead, it is a nonprofit operating foundation dedicated to “learning with, not experimenting on, real citizens, communities, and institutions.”<sup>33</sup> Kettering works through learning exchanges, in which the foundation and other organizations trade learning and experiences in exchange for insights into their own work. Kettering also is an active networker and partners with other network members to conduct its research.

Foundations that wish to create a learning culture can consider a variety of examples to follow:

- Google gives employees one day each week to suspend normal work and focus on creativity and innovation.
- The software developer community InfoQ crowdsources its employee learning, allowing

<sup>32</sup> [http://ssir.org/articles/entry/transformative\\_scale\\_the\\_future\\_of\\_growing\\_what\\_works](http://ssir.org/articles/entry/transformative_scale_the_future_of_growing_what_works)

<sup>33</sup> <http://www.kettering.org/about><sup>27</sup> [http://www.huffingtonpost.com/bobbi-siltten/six-lessons-i-learned-lea\\_b\\_6598252.html](http://www.huffingtonpost.com/bobbi-siltten/six-lessons-i-learned-lea_b_6598252.html)



staff to post information they'd like to learn and information to share. When interests align, those who wish to share do so with those who wish to learn during a brown bag lunch. The company also hosts a series of two-hour "deep dive" trainings when staff wish to learn more. The goal is to keep learning opportunities to lengths that won't seem burdensome in the light of everyday work tasks.<sup>34</sup>

- In 2011, the David and Lucile Packard Foundation engaged social media and networking guru Beth Kanter to help explore the idea of "learning in public," which involved sharing the lessons the foundation was learning in real time rather than at the end of an initiative. In addition to allowing the foundation to promote learning externally, it also allowed its staff to say, "I don't know. What do you think?" in ongoing social media discussions with grantees and others about the issues. "When professionals acknowledge not knowing and reach out to a colleague, it not only opens us to learning but it signals to others that they can acknowledge that there are things they don't know — it begins to change the culture — whether that be in the training room or within an organization or at a conference," Kanter wrote of the experience.<sup>35</sup>

## Key Practices of Innovative Funders

The expectations for innovation are so high that many foundations naturally feel intimidated, not realizing that they too can create innovations and that innovation is not the exclusive domain of a brilliant few. The reality is that most foundations, in a supportive environment and with proper supervision, can generate, vet, test, and implement innovative ideas.

One of my favorite thinkers on innovation is Alan Weiss, co-author of *The Innovation Formula* (with Michael Robert). Weiss and Robert have identified four key conditions that are necessary to support innovation in organizations, and a four-step process that leaders can follow to help innovation flourish. Innovative funders also can cultivate these conditions and follow the steps.

<sup>34</sup> <http://www.infoq.com/articles/culture-learning-innovation>

<sup>35</sup> [http://beth.typepad.com/beths\\_blog/2009/10/learning-in-public.html](http://beth.typepad.com/beths_blog/2009/10/learning-in-public.html)

First, innovative funders create an environment that fosters innovative ideas and processes by ensuring that:

- Top leaders — especially the CEO — serve as champions for innovation.
- The foundation believes that everyone can become innovative.
- The foundation is willing to regularly identify, test, pilot, and implement innovative ideas.
- The foundation adheres to prudent risk tolerance (not every innovative idea is a good one!).

Once these conditions are in place, there are four steps that a foundation can take to generate innovations. It is critical that these steps not be one-off activities but that they are conducted regularly, over time. The practice of innovation should become a regular way of doing business within the foundation, in much the same way that monthly financial reporting, annual performance reviews, and periodic strategic planning are part of the ongoing routine. The four steps are:

- 1. Regularly search for innovative ideas.** There are many sources of innovation that foundation staff and trustees can review and discuss to generate ideas. These could include unexpected successes (outstanding evaluation results from a grantee, a recent policy win), unexpected failures (high school graduation rates declining despite significant investments to improve them), unexpected events (a natural disaster, merger of two local companies or nonprofits), process weakness (your grantee survey identified dissatisfaction with application process), changes in industry (the Affordable Care Act, changes in charitable tax law), or changes in demographics (influx of migrants into the community, growing elderly population).

The goal is to search for changes that can produce opportunities. Funders can feed group discussions with questions that help mine opportunities, such as: What has surprised us lately — what grantee successes? Which failures (our own or others')? What traditional partners



have unexpectedly declined? Have any unanticipated internal or external events occurred recently? Where have bottlenecks arisen in our processes? What major changes are happening among our grantees? Where are other funders scaling their efforts? What technologies are changing? How are demographics changing in our region?

With the raw material generated from these discussions, funders can then ask themselves: What specific opportunities or ideas can we develop from these changes, challenges, and successes? What new approaches, products, or services can we create to take advantage of these opportunities or to address these needs?

**2. Assess innovative ideas.** Once a funder has identified possibilities for innovation, the next step is to assess them against four criteria:

- Cost — What investment will this require in terms of grants, staff, outside expertise, new technology, etc.? What are the potential risks?
- Benefit — What are the benefits, do they outweigh the risks, and how long until we achieve results?
- Strategic fit — Does this opportunity fit with and advance our mission and strategy?
- Implementation — What are the processes and approaches we'll need to make this work?

Assessing the opportunities against these four criteria will reveal the highest-potential opportunities.

**3. Develop the innovation.** Intentionally taking time (in terms of weeks, not years) to develop an innovation can help to prepare the foundation for implementation, but also surface any additional challenges with the innovation idea (or possibly eliminate it from further consideration). This involves evaluating the opportunity, assessing pros and cons, creating best- and worst-case scenarios and the critical factors that lead to each, and identifying risks and rewards. If the development process indicates that an innovation is worth pursuing, it's time to move to implementation.

**4. Implement the innovation.** This step involves formulating an implementation plan and beginning

to act on it. A foundation should identify the factors and actions that will support the implementation, as well as those that will work against it (and what it can do about them). It also involves creating a detailed action plan for implementation, which includes identifying activities, deadlines, and responsible parties.

Innovation can take many forms, depending on the community, the foundation, and the opportunities at hand. But perhaps the most inspiring aspect of innovation is that one innovative action often breeds another, and then another. In fact, the only limits to innovation are the ones we place on ourselves.

### **Recommendations and Key Lessons for Innovation**

After reviewing literature and drawing on our own institutional knowledge of innovation in philanthropy, we offer the following observations and recommendations for foundations wishing to be innovative or support innovation.

***Don't innovate for innovation's sake.*** All efforts at innovation should be in pursuit of a compelling reason. Further, that compelling reason should align with a foundation's mission and vision. While funding a new app may sound fun, if the new app doesn't directly impact an audience or issue you've targeted, leave it to someone else.

***Innovation is a constant practice, not a one-off occurrence.*** While some of the outcomes of innovative thought may seem like standalone solutions (such as providing portable toilets in Ghana or testing a three-month project to engage parents in their children's learning), they are actually the fruit of a continuous cycle of inquiry, learning, experimentation, and reflection. Foundations can create an ongoing practice of generating, testing, and implementing innovative ideas.

***Innovation doesn't have to be a big deal.*** Effective innovations can be small but brilliant internal changes. For example, redefining a grant process with the grantee in mind instead of staff. It can also be as simple as an effort to shift perspective and look at your work from the outside in.



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***Innovation doesn't happen in a vacuum.*** Funders who innovate almost always do so with at least one other partner, whether it be another funder, a private sector partner, a grantee or group of grantees, or, especially, representatives from the population(s) they wish to serve.

***Innovative approaches can work better together.*** Quite often, funders interweave one kind of innovative approach with another — such as fostering design thinking through the use of an innovation hub in order to help create a culture of ongoing innovation. In doing so, they can leverage the benefits of each in a seamless way that moves them further along in reaching their goals.

***Innovation is for improving, not restoring the status quo.*** Foundations can sometimes mistake a solution to a temporary problem with an innovation. For example, if you've grown out of your office space and move your entire staff to a larger space where the internet is faster and the conference room has the latest technology, you've solved your space problem, but you haven't changed any processes or practices. If your end result is "we're back to business as usual," then you haven't innovated.

***Innovate within before going without.*** While it can be tempting for foundations to dip their proverbial toe into the innovation waters by funding grantees, truly embracing the idea of innovation means being internally focused as well. As grantees are working to find new and remarkable ways to provide health care access, what can your foundation do to provide better access for your health care grantees?

***Make the CEO an avatar for innovation.*** Creating a culture of innovation or even a grantmaking area of focus takes the acknowledgment and support of foundation leadership. If the CEO is on board and actively espousing a desire to be more innovative, the staff will follow.

Innovation may sound and seem complicated, but it doesn't have to be. The ways in which funders can support innovation in their fields of interest are limitless — and the minimum investment required is simply the willingness to think creatively. There is, however, one warning to consider: Innovation is contagious. If you start to think innovatively and fund innovation, others are likely to follow!

Putnam Consulting Group is an award-winning global philanthropy consultancy. Since 1999, we've helped foundations, corporations and philanthropists strategically allocate more than \$350 million in grants and gifts to increase impact, share success, and advance mission. We provide experienced advising and coaching, strategy development, and communications savvy to help foundation leaders and individual philanthropists engage in transformational giving.



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*- LaTida Smith, President, Moses Taylor Foundation*

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- Author of the highly acclaimed *Philanthropy 411* blog, *Smart Philanthropy*<sup>SM</sup> podcasts, and *Confident Giving*<sup>®</sup> newsletter
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- Former trustee of the Community Foundation of Lorain County

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