The Bridgespan Group

Giving That Gets Results

SSIR x Bridgespan Series on Adaptive Philanthropy

Edited by Susan Wolf Ditkoff and Alison Powell

Collaborating to accelerate social impact

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Giving That Gets Results: An Introduction

By Susan Wolf Ditkoff

John is from the school of strategic philanthropy. The foundation he works for has four defined program areas, and he's the head of climate change. He has a well-thought-through theory of change pinned to his office wall, and his team spent nine months refining its highly detailed three-year strategy with clear metrics for success related to each activity. His foundation has three-year grant cycles, and he tries to help his grantees gain sustainable funding in the interval. But even as the board was voting to approve this new strategy, he heard rumblings of a new referendum at the state level that could have a tremendous effect on state funding to his grantees. When it passed, he couldn't react because his funds for the year were spent; even if they weren't, he didn't have the six to eight weeks required to write up detailed new proposals for the board.

Maria considers herself an "adaptive philanthropist." She cares about poverty and has read the research linking various interventions (such as an extended school day with high-quality programs) to gains in student achievement. When grantees come in for meetings, they know they can scribble notes on the theory of change she has tacked on the wall and pose pointed questions about assumptions she's making. Learning and updating her theory with new information is one of the most important things she does. She too has a scorecard of progress, but it's against higher-level outcome indicators rather than specific implementation activities. When a new funding proposal started floating around city hall, she used her flexible capital to help grantees pursue scenario analysis in case the new funding comes to pass. Then, she and her board agreed to increase the organization's allocation to help support passage. When it passed, she and her grantees were poised to seize the opportunity.

Despite the radical reset of the economy and political stalemate, John's foundation's approach is increasingly irrelevant. Most philanthropists haven't

Cover photo: Empowering young minds to make the right choices for their health, education, and livelihood at the Kala Ghoda Arts Festival, Mumbai, India.

actually shifted their approach to an adaptive philanthropy mindset. They either stick to the old model—a rigid plan that they desperately try to follow despite the fact that it won't work anymore—or they find themselves lurching from grant to grant, slipping back into old, opportunistic habits and making a disconnected set of grants that don't add up to anything.

Adaptive philanthropy, on the other hand, relies more on decision trees and scenario analysis than on rigid multiyear plans that, themselves, take years to evaluate and months to refresh. It takes just as much analysis, but the analysis is dynamic, not static. Adaptive philanthropists are highly oriented toward the external environment, keeping an eye on important sensitivities and assumptions versus executing what they wrote months ago.

Adaptive philanthropy is one of the more interesting developments in the field of philanthropy. Over the course of eight weeks in the late fall of 2013, *SSIR* and Bridgespan presented Giving That Gets Results (www.ssireview.org/effective_philanthropy), a series of blogs, videos, and webinars that explored adaptive philanthropy, and other important approaches to philanthropy.

As a starting point for this series, we at Bridgespan offered up a few of our ideas about adaptive philanthropy for debate:

1. Adaptive philanthropists have clear but flexible boundaries, as well as a definition of what success looks like, for whom, and over what timeframe. This includes taking stock of what you really care about, all of the assets at your disposal (expertise, relationships, voice), what your stakeholders say that you or your staff are really good at, and what you need to learn.
2. Adaptive philanthropy defines the anchors of a funder's strategy—what shouldn't change in changing times—and boundaries within which investments can move to catch currents. By what criteria will you judge new opportunities that pop up and determine whether you should seize them?
3. Within what they care about, adaptive leaders understand deeply what evidence says about what does and doesn't work, what's known and unknown. This includes gold-standard evaluation evidence, where available, as well as the voices of beneficiaries or others whose mindset and behaviors funders are trying to influence.
4. If such leaders are investing in an area where much is unknown, they have a clear learning agenda and plan to experiment so that they can come down the learning curve as quickly as possible. Such a plan will define assumptions to test and important external factors that will require strategy adjustment.
5. With clear boundaries and a goal informed by evidence, adaptive philanthropy does not assume a rigid, paint-by-numbers process to achieve that success. It requires increased comfort with risk and uncertainty. It requires rapid prototyping of ideas, with frequent feedback from important stakeholders—not once a year, but monthly—and offers philanthropists outside perspective on their thinking. It requires rapid decision making, shorter cycle times on budgets

and paperwork, capital that the funder can allocate flexibly to emerging opportunities throughout the year.

Most philanthropists we know aspire to change the world—that's why they are in the job. But most don't feel they have appropriate behaviors and tools to do it. Adaptive strategy requires a wholesale shift in thinking and doing. What became clear over the course of the series was the imperative to fundamentally reimagine how we build strategies and communities in the social sector so that they are more adaptive to an ever-changing and uncertain landscape. And we were struck by a common theme that kept surfacing: engaging constituents—that is, collaborating with partners and beneficiaries—to more deeply understand what the sector needs and what's working. The leaders featured in this series have grappled with this transition—and their insights, including the critical role that constituent voice plays in effective philanthropy, point to promising paths forward for giving to get even better, more durable results.

Susan Wolf Ditkoff is a partner and co-leader of the Philanthropy practice at The Bridgespan Group, leads client work with high-net-worth philanthropists and foundations, and has published extensively on philanthropy topics. She led the development of the award-winning GiveSmart.org website, and initiated Bridgespan's first philanthropy blog and Twitter campaigns. Ditkoff is a visiting fellow at the Safra Center for Ethics at Harvard University; vice president of and on the executive committee of the Harvard Business School alumni board of directors; past president of the HBS Social Enterprise Alumni Association, a global alumni group; and vice chairman of the Brookline School Committee (school board).

Taking an Adaptive Approach to Philanthropy

Changemaker vs. Grantmaker

By Steve McCormick

I spend a lot of time thinking about and working on ways to make our foundation and the field of philanthropy a place for "changemakers," not just grantmakers. Our staff here at Gordon and Betty Moore—and I'd guess almost everyone working in the field of philanthropy—shares a deep commitment to honoring our founders' values, and we feel a profound obligation to realize their vision and achieve results in the most effective ways we can.

As a foundation, our potential for creating lasting, meaningful impact derives in part from a unique ability to:

1. Take risks by supporting bold projects and ideas that public or other private investors can't fund as easily.
2. Stay with a given issue over the long run, which can be critical to addressing some of the biggest, most complex social challenges.
3. Act fast, and in doing so garner more attention for a given issue and motivate others to take action.

All three of those abilities speak to the power of an adaptive giving strategy. Here are a few examples of how we've successfully adapted our giving strategy at Moore.

My first example highlights both the value of funding projects that others can't fund as easily, and monitoring and adapting to external circumstances. We've tried to do just that with a major new $90 million-over-five-years Emergent Properties in Quantum Systems initiative to fund research in condensed matter physics, a reflection of our belief in the inherent value of science and discovery-driven research. The field of condensed matter physics made great advances thanks to significant funding from big industrial labs. These labs gave scientists freedom and tremendous resources to ask and explore important questions. But now, with the reorientation of many of those labs, resources needed to go about asking and answering those questions have become scarce, leaving a large gap. So we're targeting our funding by establishing an integrated research program of experiment, materials synthesis, and theory to look into quantum materials and their "emergent phenomena"—such as superconductivity, forms of magnetism, and other electronic qualities—when subjected to extreme temperature and pressure. It promises to be a fascinating journey in discovery-driven research.

Photo page 6: The Andes Amazon Initiative at Moore has conserved over 150 million hectares in the Amazon—an area nearly four times the size of California.

As for staying with—while adapting—a strategy over the long run, one of the earliest initiatives we launched was in the Andes-Amazon region. Recognizing the global importance of the extended watershed for global biodiversity and climatic function, the foundation, from the outset, established a goal of conserving at least 70 percent of the whole basin through the establishment of protected areas. Over the years, we learned that the protected areas weren't sufficient and that they didn't exist in a vacuum. We had to shift our measures of success from *hectares conserved to efficacy in reducing rates of deforestation*, which was on the rise at the edges of many of the protected areas we helped establish. We expanded our focus to include governance, policy, and sustainable land practices, particularly in these frontier regions, where population pressures were resulting in vast conversion of forest to cattle, soy, and other potentially destructive agricultural uses.

When it comes to acting fast, a good example is our funding for the first international expedition to gauge the impact of radiation released into the Pacific from Japan's Fukushima plant in 2011. We believed the project would enhance global collaboration and sharing of scientific data, and greatly increase our understanding of how radioactivity can impact ocean life and health around the world. The situation required immediate response: the window for assessing the impacts on ocean biota was short-lived. We made the decision to proceed based on our confidence in the institution we were supporting—Woods Hole Institute—and the principal investigator, Ken Buesseler. There really was no need to conduct extensive due diligence; we believed in the judgment and competence of the people involved, because we had worked closely with them before. I think this is a key point. Foundations often engage in rigorous, time-consuming analysis on issues that, frankly, don't really matter, when what is most meaningful is the development of relationships of trust and respect.

Foundations need to be willing to adapt. At a time when public institutions have diminishing resources and capacity, the burgeoning philanthropy field is positioned to step up and play a greater leadership role. Durable solutions to complex problems won't come from traditional actors alone, and they won't emerge through incremental change. For philanthropy to assume a leadership role successfully, those of us working in the field need to push ourselves, collectively, to "be the change we want to be" and to challenge some of our longest held conventions. It is a propitious time in the history of philanthropy, and we have the independence to try new things and test well-conceived but risky ideas. Nothing is holding us back except our own hesitation—we need to believe in, and act on, the powerful role philanthropy can play in turning bold ideas into enduring impact.

Steven J. McCormick is a leader in the social innovation sector. He serves on the boards of Independent Sector, Sustainable Conservation, and the California Wildlife Officers Foundation; has been a featured speaker at the Aspen Ideas Festival and The Economist's World Oceans Summit; and is the recipient of the Chevron Conservation Award, Edmund G. Brown Award for Environmental and Economic Balance, John Pritzlaff Conservation Award, and California League of Conservation Voters' Conservation Leadership Award. McCormick is the former president and trustee of the Gordon and Betty Moore Foundation. Prior to his work at the foundation, he spent six years serving as president and CEO of The Nature Conservancy.

Treating Grantees as Customers

By Dave Peery

At the Peery Foundation, we think of grantees as our customers and act accordingly. We're not investing enough resources on our own to solve social issues at a systemic level, so we try to focus on our core function: to invest in social entrepreneurs and leading organizations. This means we leave the big, hairy problem solving to grantees and focus on how to create a funding environment that better enables their success. We don't do any of the following perfectly, but here are some of the ideals we try to live by:

We use empathy to design our funding approach.

We've spent the past six or seven years designing a grantee-centered approach to funding. This has required that we impose on ourselves the same expectations we have of prospective grantees. For example, we expect that organizations design their interventions based on insights from beneficiaries and their communities. We, in turn, should be designing our funding strategies with input from social entrepreneurs.

I've had countless interviews with nonprofit leaders and staff about what is working and what is not with their funders. For example, Jane Leu, founder of Upwardly Global (one of our grantees), articulated for me how multiyear grants enable organizations to grow much more quickly. These conversations have directly informed an approach focused on trust, responsiveness, and long-term, unrestricted support—and we are seeing results. We recently made a multiyear grant to help one organization hire a program director to scale up. This commitment provided a local school district with the confidence to devote significant district resources, more than doubling the reach of the program. Predictable funding gives entrepreneurs the confidence to make important hires now and take risks that can propel their work forward. And while that may seem obvious, it's not always so for donors who haven't been in the fundraising chair.

We communicate with intention.

People often ask how we develop open lines of communication with our grantees. It starts with simply having the conversation at the outset about what kind of funding relationship you intend to have. Letting them know they can share the good, bad, and the ugly—without consequence—and letting them know they should decline things we offer if they don't need them. "If we offer to send you to a conference and it's not a priority, please tell us. You won't hurt our feelings!"

Intentional communication is important to shifting the power dynamic. Small actions and words communicate how we see our respective roles, and who holds the power. For example, when we meet with our grantees, where does this happen—at our office or theirs? When we conduct due diligence, who spends more time on the process—us or them? We make a point of saving grantees' time by meeting at their offices, and asking only for documents they already have for diligence and reporting. We are in service to these incredible people who are impacting our world. We are powerless to fulfill our mission without them.

We value honest feedback.

We once asked a new grantee to articulate its milestones for the next 12 months, and in an effort to keep it simple and make the team's life easier, we requested that they submit just one page. When they sent the one-pager, they told me, "Here it is, but making it three pages long would've actually been easier!" I was glad they spoke up—though our intentions were right on, the request should have been about communicating the organization's milestones in the easiest way possible.

Honest and regular feedback from grantees is critical, but it can be hard to get. Tools such as the Grantee Perception Report by the Center for Effective Philanthropy are great and go very deep, but we need more safe, simple, and accessible ways for grantees to rate and critique their funders.

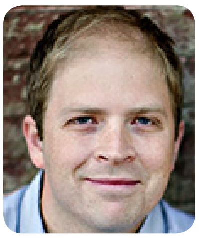
It recently occurred to my colleague Jessamyn Lau that using a feedback system similar to Uber taxi service—where both the driver and passenger rate each other, establishing a level playing field of respect—could be a way to solicit feedback on the performance of our foundation's and staff's performance. Right now we are developing a simple feedback tool that will allow anyone who interacts with us to immediately and anonymously rate their experience, with results given to us at the end of a year.

We encourage grantees to make the rules.

In the world of grantmaking, the funders typically make all the rules. But what if, for example, nonprofit websites had a section listing the kinds of funding they do and do not accept? "We don't accept restricted funding, as it can hamper our ability to innovate and achieve our mission." Or what about reporting? "We distribute a quarterly report to all of our investors, which includes all of our performance metrics and updates."

We are part of a funder collaborative called Big Bang Philanthropy, where our shared grantees issue the same quarterly reports to nearly all of us. We've encouraged other organizations to do the same. Not all funders will accept this style of reporting, but, for those who will, it allows grantees to spend less time on reporting and more time running their programs. As grantees streamline their accountability to funders, they will ultimately have a cohort of committed supporters who are bought into the vision the grantee is setting, rather than their own.

In the spirit of learning from those we serve, I'll close with the words of Rob Gitin of At The Crossroads (ATC), which helps homeless youth move forward in their lives via unconditional and long-term relationships. Many agencies serving the homeless have so many rules that clients feel they have to "game the system" to get help; ATC focuses on building relationships of trust to facilitate the best support for the youth it supports. "They shouldn't have to lie to be better-served by us," Rob told me. "Without a foundation of honesty you can't serve them."



Dave Peery (@davepeery) is the managing director of the Peery Foundation. He oversees the Peery family's philanthropic endeavors throughout the San Francisco Bay Area and around the world.

Using Metrics to Encourage Innovation

By Jenny Shilling Stein

How do funders and grantees communicate? Generally, it is through grant proposals at the beginning of the relationship and through reports at the end. These proposals and results usually articulate expectations in terms of outputs and outcomes.

With good intentions, grantmakers want to know if their money is going to good use and hold their grantees accountable for achieving strong results. Grantees want to show that they have done the work they said they would do. Metrics are not a bad thing, but if the goal of measurement is to encourage nonprofit executive directors and their teams to pay attention to a changing landscape, listen to their beneficiaries, and notice when a strategy isn't working, traditional metric-based contracts between funders and grantees tend to hinder rather than help. So how can funders and grantees adjust metrics to encourage experimentation, learning, and adaptation?

At the Draper Richards Kaplan Foundation, we partner with social entrepreneurs to develop their innovative ideas and build strong organizations to scale. As a core value, we also encourage the entrepreneurs we fund to learn and adjust as they go, whether that means adapting programming or deciding to fundraise in a new way. We changed our grant agreements a couple of years ago to reflect this philosophy. Alongside determining programmatic and organizational metrics, our grantees develop learning agendas. Learning agendas summarize what questions an organization hopes to answer in the coming year. These questions provide an alternate baseline for evaluation that evolves over time. Running a start-up is like running a series of mini experiments. Leaders use data and intuition to make decisions; they also learn as they go. Funders should want their grantees to change course if the original plan isn't working.

A good example is FoodCorps, a nationwide team of leaders that connects kids to real food and helps them grow up healthy. The organization first developed traditional metrics such as number of children reached, number of school gardens built, and increase in school budgets allocated to healthy food. As a second step, we asked co-founder Curt Ellis and his team to develop a learning agenda. They looked out a year, two years, and three years, and asked themselves, "What do we need to know to plan for the future, improve the program, and allocate resources more effectively?"

FoodCorps' learning agenda in the first year, 2011, included questions such as: What makes a field partner good at this work? How solid is our delegated field management? How do we measure our impact on obesity? And what are minimum criteria for impact success at a school?

Over the last two years, FoodCorps has made adjustments to its model as it goes; it has learned what is most effective, how best to staff its program, and how to work with partners in the field more successfully. As one consequence, the team has concluded that the organization's unit of change will be a healthy school environment rather than a BMI level of each child. The team also has learned what to look for in partners and is sharing best practices between different state programs. For example, programs that have strong ties in the local communities provide credibility—with principals, community members, and parents—to their service members. Finally, FoodCorps has added a layer of second-year, in-state, service-member staff, who train and assist first-year service members. The organization has made substantive and successful changes to its program, measurement and evaluation, and operations all as a result of asking the right questions.

In business, we are encouraged to make bets, fail fast and early, and adjust. The addition of the learning agenda to our range of milestones reminds us that when you make a decision to try something new, it might not always work, and that's OK. The outcome is not, for example, that you expanded to a new city or changed your delivery model. The outcome is that you learned how well it worked. From there, you can use that information to boost the new activity, hold it steady, or cancel it. Philanthropic dollars are precious, and the problems in the world are too big to keep investing in efforts that don't work.

We need to get better at taking risks, and we need to encourage our grantees to do the same. They need latitude to learn while they are operating. Our contracts with them need to say, "We know you are going to try new things. We like that. We want you to learn from your experiments. And we want you to make smart decisions from what you learn." In this way, we, as funders, can encourage innovation, drive philanthropic dollars to the best programs, and become better partners for our grantees.

Jenny Shilling Stein (@jennysstein) co-founded the Draper Richards Kaplan Foundation to identify and support the most talented social entrepreneurs. She is also a visiting practitioner at the Stanford Center on Philanthropy and Civil Society.

Tackling Overhead Together

By Valerie Lies

Grantmakers at Donors Forum—the Illinois state association of nonprofits, grantmakers, and advisors—want their dollars to flow to impact, and trustees often ask them for due diligence on the organizations they fund. As a result, these grantmakers historically have looked to low overhead costs as a signal of dollars well spent. Nonprofits in our purview want to ensure that there is sufficient funding of the kind of overhead that allows them to do their job (backbone activities such as training people, tracking results, and administering finances). Both groups have had separate, highly charged conversations for years, and last year, we did something unusual, yet obvious in hindsight: we brought the two groups together.

Prior to this, we at Donors Forum perpetuated the silos. We hosted trainings for nonprofits on understanding their true indirect, or "overhead," costs, and factoring in all the support they needed to run effective programs—often more than they initially calculated. We hosted similar conversations for grantmakers. But, a little fearful of exploring such a sensitive topic at the core of the funding relationship, we didn't bring the two groups together.

So last year, we launched a yearlong community of practice (CoP) called Real Talk about Real Costs to discuss indirect nonprofit cost issues; it brought together an equal number of grantmakers and nonprofit leaders to tackle the issue together. The CoP (about 30 people total) spent the first part of the year getting to understand each other's perspectives. They investigated the problem: do nonprofits know the real costs of their outcomes? They learned the challenges: how do we help the boards of grantmakers understand the importance of this funding in building strong organizations? And they listened to each other.

The stories (and endless cups of coffee) they shared and the relationships they developed led to a joint understanding of the real costs of nonprofits' impact in the community and donors' commitment to changing their culture and practice in valuing them. Education on financial reporting, conversations with sector thought leaders, and the use of case examples all helped deepen their understanding and become champions for fully funding overhead costs in nonprofits.

One of the biggest ah-has for both donors and grantees in the CoP was that they lacked effective messaging. There were few tools to communicate what was truly at stake in fully funding a nonprofit's mission. To begin to rectify this, the group created a short video to start a conversation between grantmakers and nonprofits across Illinois that others were having in other places around the country.

Following the production of the video, the CoP convened more than 300 nonprofit, grantmaking, and government leaders to focus on this issue at an afternoon summit. The gathering brought together leaders to share stories, build relationships with those on the "other side," and shift the conversation away from the notion that nonprofits with low overhead are more effective, and instead focus on how we must accurately gauge costs to achieve outcomes.

We're committed to keeping this talk going and making change locally in Chicago and Illinois. But it's not a conversation that ends here; we're part of a broader national movement of concern about the misuse of overhead ratios as a sole proxy for nonprofit effectiveness. In the coming months we will follow up on our initial work, and look at ways to expand our reach and provide practical solutions for how nonprofits can tackle challenges related to overhead. We're thrilled by the attention this issue has garnered (through the recent Overhead Myth campaign and other work), but to really move forward, the conversation needs to happen everywhere.

In addition to the in-person work together, we suggest some immediate actions that donors and nonprofits can take to adapt their practice in ways that respect the full costs of creating change.

For donors:

- Move away from arbitrary funding limits on nonprofit overhead in future grants. It is shocking how many funders anchor on 10 percent for overhead as a supposed "best practice," rather than on what grantees need to deliver great results. By all means discuss what you are willing to pay for, but encourage grantees to ask for what they really need and to justify their request; you may be surprised by what you hear.
- Take advantage of new tools that draw wisdom from stakeholders, experts, and analysts. It is possible to go beyond ratios to results. If you must focus on overhead figures, do so only as a filter for fraud, not as a proxy for performance.
- Learn from other foundations that have shifted their practices: This blog from Kathleen Enright of Grantmakers for Effective Organizations (GEO) looks at the Weingart Foundation's journey in the context of the recession funding environment. GEO, Donors Forum, and others offer opportunities to come together with peers and wrestle with these questions.

For nonprofits:

- Get rid of the pie chart showing fundraising and administrative costs as a "we're lean" sliver of your overall spending. This kind of depiction reinforces unrealistic expectations about costs and trains donors to pay attention to the wrong things. Instead, focus on communicating—visually and in writing—the impact of your organization. Demonstrate that impact with numbers and stories. To this end, consider sharing data through the GuideStar Exchange; in particular, watch for the five Charting Impact questions, the emerging standard for structuring the how and why of nonprofit purpose.

If you are or want to become part of the movement to fund the true costs of the good we aim to achieve at Donors Forum—breaking cycles of intergenerational poverty, protecting our environment, lowering crime, or mitigating disaster—you can find online resources about our effort on our website.

Valerie S. Lies has been president and CEO of Donors Forum (@DonorsForum), a membership association that promotes philanthropy and a strong nonprofit sector in Illinois, since 1987. Prior to that, she was vice president for five years of the Public Education Fund, a national grantmaking foundation in Pittsburgh, and was executive director of the Otto Bremer Foundation in St. Paul.

Calibrating Moon Shots

By Jacquelline Fuller

Half a million low-income and minority students in the United States are missing from advanced high school classes each year. These students—roughly equivalent to the population of Wyoming—miss out on rigorous classes that provide the best preparation for success in college. Nine out of 10 students attend high schools that offer at least one AP class, but low-income and minority students are much less likely to participate. Poor students are three times less likely as high- and middle-income peers to attend advanced classes, and black students participate at half the rate of their peers. There are hundreds of thousands of high-achieving low-income and minority students who are ready for advanced classes but not in them. What if we could use data analytics to identify these high potential students and move them into advanced classes?

Throughout the course of a year, thousands of ideas cross the paths of potential donors. Whether you're a private philanthropist or a corporate funder, choosing how to allocate scarce resources is difficult. Go in too early on an idea, and you might hit stumbling blocks that slow or halt its impact. But when we back only proven and incremental ideas, we miss out on the opportunity to test new ones that could potentially change millions of lives. Google strives for "moon shots" in our business, so why not in our philanthropy?

When Reid Saaris approached us with the Equal Opportunity Schools concept of using data indicators to identify high-achieving, "missing" poor and minority students and then moving them into higher-level classes, only a couple dozen high schools and a few early funders had signed up. But we were intrigued by the idea, and it complemented our work with DonorsChoose.org and College Board to expand the number of science and math AP classes offered in US high schools.

Sit down with Reid, and you immediately pick up on his deep drive to help poor and minority students succeed. In high school, Reid was tracked into an advanced class, along with many of his white, middle-class friends. His best friend, who came from a poor family, was not. Reid went on to Harvard and Stanford, while his best friend continues to struggle to overcome the gap that began in high school. That stark inequity motivated Reid to find a solution. Reid had the passion to succeed and the framework of a scalable idea backed by data, but he faced hurdles as well. Most immediately: What if he couldn't convince high schools to participate in the new program?

Was Equal Opportunity Schools "a safe bet"? No, but we weren't taking a shot in the dark either. We reviewed Reid and his organization against three criteria that we use in assessing our philanthropic investments:

1. **Focus on the team.** Venture capitalists spend a lot of time evaluating the personality, passion, and expertise of the people behind a great idea. We do the same. Strong leadership signals a team's ability to secure follow-on funding and to weather bumps in the road. We bet on Equal Opportunity Schools in part because Reid's leadership and grit meant that he would persist despite initial challenges.
2. **Invest in what you know.** As a technology company, Google's core strength is building tech-based and data-driven solutions that scale. We know that to push innovation, you have to take informed risks, so we coach partners to launch, iterate, and fail fast. Our technology filter lets partners take advantage of highly skilled Googlers in addition to our funding. The Equal Opportunity Schools model relies on a rigorous, data-driven screening to identify students and move them into advanced classrooms—a targeted approach that Google can understand and help refine.
3. **Tackle a big problem.** We want nonprofits to get the biggest bang for our buck, so we look for ways to make our funding catalytic and differential. We ask: If successful, can this approach scale reach millions of people? Can we leverage our funding by bringing in skilled Googlers and tech partners? Equal Opportunity Schools is working to ultimately reach nearly half a million talented students across the country each year—if the model works, then it may be one of the most cost-effective ways to close race and income access gaps within schools.

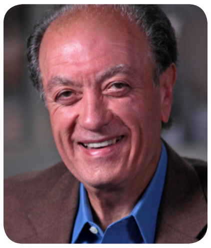
Google Giving invests approximately $50 million in technology for social impact annually. We look for innovators with bold ideas, who have the potential to drive transformational impact at scale. We take a portfolio approach, providing early-stage seed funding to newer ideas and capital for proven ideas that can scale. These criteria allow flexibility in our approach.

Placing risky bets sometimes means failure, but with due diligence around our three criteria, we see the potential for supporting heroes on the front lines who are using technology to curb some of society's most complex problems.

Jacquelline Fuller leads Google Giving, which provides more than $50 million yearly to support tech innovators who are driving transformational impact at scale.

Funding for Outcomes

A conversation with Mario Morino



After a successful career in the private sector, Mario Morino "retired" in 1992 to work in the social sector. A co-founder of Venture Philanthropy Partners, Morino has galvanized funds, expertise, and his network of relationships toward improving the lives of children in the National Capital Region of Washington, DC. Morino's 2011 book *Leap of Reason* was hailed as a "must-read" by leaders from all backgrounds including: Harlem Children's Zone's Geoff Canada, Harvard Kennedy School's political analyst David Gergen, and venture capitalist Steve Denning of General Atlantic.

Susan Wolf Ditkoff: In *Leap of Reason*, you describe how funders sometimes contribute to grantee underperformance, despite their best intentions. Tell us more.

Mario Morino: As I see it, the whole system sets nonprofits up for struggle and starvation, not for solving challenges. We funders should be supporting nonprofit leaders to build strong, high-performance organizations. Instead, we cause them to think incrementally—month to month and hand to mouth. We often treat them as contractors to carry out our programs. We often say we're focused on results. But really what we're doing is demanding more information on results without wanting to invest to help leaders build evidence of their work or paying enough attention to what leaders actually need to produce those results.

Leaders need funders who are willing to make large, multiyear investments in helping them rethink their models and strengthen their management muscle and rigor. That approach is at the core of what Venture Philanthropy Partners does.

Why is this results-orientation so rare?

First, funders don't fully fund the type of "overhead" that leads to high-performing organizations—the kind of investments that are de rigueur in the private sector and simply considered good management. We unfortunately lump essential management functions, including developing and tracking outcomes and leadership development, into "overhead." Leadership development isn't sexy. Performance management processes aren't sexy. And nonprofits don't have enough discretionary capital to fund these expenses on their own—they are completely starved for capital. Funders (and government, for that matter) set arbitrary overhead ratios that don't actually support high-performing nonprofits. If more funders funded the executive management development and organization building necessary to manage their operations in this way, we'd be far better off. If more funders rewarded leaders for making outcomes-based decisions, we'd be far better off. Many leaders in our sector are charismatic and passionate and visionary, but were knighted into their roles and haven't benefited from the training and on-the-job development that would better enable them to do basic blocking-and-tackling management skills well.

What land mines do funders who do want to focus on outcomes encounter?

Unfortunately, even funders who do push for an outcomes orientation can do so in a wrong-headed way. Let me give an example. Sometimes funders establish performance metrics tied to very specific targets or milestones. Sometimes funders insist that those milestones be established years in advance—when we know that the world changes, and that the nonprofits and funders need to adapt too. The goal must be to help grantees define and use current information to manage their operations toward outcomes. They need relevant, timely data and the flexibility to track, course correct, and adapt their approach when necessary to stay focused on the ultimate results they're pursuing. The goal of performance management must be to fuel learning and improvement by and within the staff so that nonprofits can keep getting better and better at meeting the needs of those they serve.

What's the single best piece of advice you have for private funders?

In my experience, it's all about building a trusted relationship. Strive to earn that relationship. It's easy to say, but hard to do. Fear of retribution by funders means many nonprofits fear sharing any form of bad news, especially information on their performance; it's just too risky. They need funders who will work with them to fix what went wrong, rather than pull out on them. Nonprofit leaders know whether they sit across the table from a punitive funder or one who is truly invested in their success. Funders need to focus on helping leaders build high-performing organizations with a sharp focus on outcomes in an adaptive way, rather than with a linear and narrow mindset, and they need to financially incentivize and emotionally and intellectually encourage their grantees to do so as well.

Susan Wolf Ditkoff is a partner and co-leader of the philanthropy practice at The Bridgespan Group, leads client work with high-net-worth philanthropists and foundations, and has published extensively on philanthropy topics.

Adaptive Philanthropy at Work

Examples from the Field

Investing to Build an Ecosystem

By Amy Stursberg

To make an impact, a philanthropic organization's mission must respond to what's happening on the ground. When implementing the Blackstone Charitable Foundation's Entrepreneurship Initiative, we strive to be nimble enough to pivot our focus with the times.

When the financial crisis hit in 2008, for example, the range of issues we were exploring quickly narrowed to one: jobs creation. We saw an opportunity to foster sustainable economic recovery by supporting both the existing crop of high-growth entrepreneurs and a new generation of entrepreneurs who could create jobs for themselves and the larger economy. We did this by giving them tools and contacts to form lasting, regional networks of entrepreneurs that would promote the creation of new ventures and jobs.

The vehicle for this was our five-year, $50 million Entrepreneurship Initiative, established in April 2010 with the goal of strengthening entrepreneurial ecosystems in target regions—which allowed us to meaningfully contribute to the creation of jobs across the country.

Today, this initiative is comprised of a series of regional programs focused heavily on mentorship; it connects experienced coaches and industry experts with aspiring entrepreneurs. Our Blackstone LaunchPad program primarily supports the emerging student entrepreneurship community, while the Blackstone Entrepreneurs Network and Blackstone Accelerates Growth strengthen networks of entrepreneurs in regions primed for high levels of growth and business formation.

Making the Most of Mentoring

Why did Blackstone zero in on these approaches? Many talented young students with passion and innovative ideas don't start companies because they lack the knowledge or experience to think through a business plan. Based on a successful program pioneered at the University of Miami, Blackstone LaunchPad helps aspiring entrepreneurs navigate these issues using resources such as one-on-one consulting and venture coaching with strong, experienced mentors. The program also seeks to create jobs, contributing to the rebirth and recovery of local economies. Based on its early success, we partnered with the White House and now have established the program at eleven campuses, clustered

Photos page 21: (left) Campus entrepreneurship program Blackstone LaunchPad is now available to over 350,000 students on eleven campuses nationwide. (right) Allan Golston meets students in the classroom of Global Studies teacher Chelsea Katzenberg at New Visions Charter High School, Humanities II, in the Bronx, NY, Oct. 8, 2013.

in small groups of colleges and universities in Michigan, Central Florida, Ohio, Pennsylvania, and Montana.

Meanwhile, we are piloting our Blackstone Entrepreneurs Network in North Carolina's Research Triangle Park to develop a cohesive entrepreneurial ecosystem. We have recruited master entrepreneurs—seasoned, successful entrepreneurs—and linked them with a pipeline of potential high-growth companies in the region to create a network similar to Silicon Valley's.

Beyond mentorship, we have used a parallel track to extend the reach of the Entrepreneurship Initiative. The Blackstone Organizational Grants program, which uses an RFP process, exemplifies how our foundation is primed to respond in new ways when new opportunities aligned with our mission present themselves.

The Organizational Grants program came about because during the first few years of the Entrepreneurship Initiative, we were approached by smaller, like-minded organizations that focused on entrepreneurship (including start-up accelerator MassChallenge), and began awarding smaller grants to several organizations for programs aligned with our mission. When we saw the impact, we decided to solicit proposals through an official RFP process. Our first effort yielded almost a hundred proposals, and we awarded 9 grants totaling $1 million to organizations in 6 states and Washington, DC. Encouraged by this response, we announced a second RFP this summer, this time for $1.5 million in grants. Incredibly, we received more than 500 proposals, including many from international applicants.

Building Ecosystems

The Entrepreneurship Initiative establishes the groundwork for job creation, but real program success and sustainability relies on the lasting entrepreneurial ecosystems that we build. Maintaining relationships is critical to this. We are highly involved in project management and work closely with our partners individually. We also connect them with each other to help create a national network of organizations with similar missions. These strong partners—including the Burton D. Morgan Foundation, which we are working with to strengthen the entrepreneurial ecosystem in northeast Ohio through LaunchPad programs at four colleges and universities—are valuable in part because they provide us with important feedback. In Ohio, for example, we learned that an active and well-regarded partner can more effectively explain our work and the importance of entrepreneurship to their local community. We now also better understand the entrepreneurship space and our place within it, which helps us determine what programs to pursue next.

Skepticism about the intentions of corporate philanthropy can draw attention away from the powerful impact it can have. The creation of real programs that have a life beyond a single monetary gift or sponsorship—still a widespread form of corporate giving—not only connects a firm and its employees to their communities, but also encourages lasting change on issues that matter.

Amy Stursberg is executive director of the Blackstone Charitable Foundation. Since joining the foundation in 2008, she has been responsible for the creation of a programmatic plan for the foundation and the distribution of funds including a $50 million, five-year Entrepreneurship Initiative geared toward job creation. She received a BA with honors from the University of Michigan and a Masters in Public Policy from Harvard University's John F. Kennedy School of Government.

Changing Social Norms

By Katie Smith Milway and Alison Powell

Padmini Somani is no ordinary foundation head. She leads both her family's 12-year-old philanthropy, the Narotam Sekhsaria Foundation, named for her father, a visionary entrepreneur, and Salaam Bombay, a public foundation established in 2002 that focuses on eradicating smoking among Indian youth in the state of Maharashtra. With a staff of 80, Salaam Bombay Foundation has collaborated with the Harvard School of Public Health on measurement, and spearheaded collaborative funding and program implementation; it has received grants from the Bill & Melinda Gates Foundation and Bloomberg Family Foundation, among others.

Alison Powell & Katie Smith Milway: Could you tell us how Salaam Bombay Foundation goes about its mission to end smoking?

Padmini Somani: The Salaam Bombay Foundation (SBF) was founded to reduce the availability and use of tobacco among children across the state of Maharashtra and to build a model for ending youth smoking across India. We are attacking a wicked problem: today 36 percent of Indians are under 18, and one in every three tobacco users in India started using before the age of 10. As a result, we are seeing cancer manifesting in people in their 20s, and many don't come to the hospital until a very late stage.

We've gone about the work by empowering kids with knowledge and life skills, working with 200 schools in Mumbai, and training more than 50,000 teachers and 500,000 students in Maharashtra in understanding root causes of tobacco addiction. SBF provides role models and helps children to develop self-confidence, resist peer pressure, develop a positive self-image, grow leadership and decision making skills, and broaden their horizons through English proficiency, sports, and art. These are things that can help them toward a college education or job. We also empower children to understand the tobacco control law and train them to be advocates who can help to implement the law and work for change policy.

When we started, we realized that there was no organized assistance for smoking cessation in India, and we learned there was no established or evidence-based cessation protocol for children anywhere in the world. So we reached out to the Mayo Clinic, Massachusetts General Hospital, and others to adapt methods they used to suit India's primarily smokeless tobacco users. If we are successful, we will have one of the first tobacco cessation protocols for children.

When the Harvard School of Public Health evaluated the impact of your programs, what did you learn?

The evaluation was very positive in many ways. One of the biggest challenges for philanthropy in India is to get feedback—some sort of metrics on return on investment. The Harvard School of Public Health tested tobacco use rates at schools where we were intervening and at those where we were not. The data showed that the intervention schools had less than 50 percent tobacco use compared to non-intervention schools. And it showed that our students were not only less likely to smoke, but also more likely to prevent others from smoking.

We learned about ways to strengthen our program too. For example, we were debating whether to work with the same group for one year or two years. Often, grassroots NGOs struggle between cost and impact, and we were wondering, "Does it really make sense to work [with students] for three years?" By the time we finished the research, we realized the importance of [the longer] "dosage" and that we should keep the program in the schools for an extended number of years. Without the study, we might have taken shortcuts.

Now tell us about your family philanthropy, the Narotam Sekhsaria Foundation?

Our family foundation, based in Bombay, has a staff of 25 making grants that focus on education, health care, livelihood, governance, and arts and culture—anywhere in the country. Across all of these, we focus on capacity building.

Though the government provides free education, the village school may lack teachers, books, means of access, and good outcomes. We have a public school proficiency gap; most students who come out of that system may lack the skills necessary for employment. There are a lot of these "last mile" gaps in India where people lack access to facilities created by the government.

So we like to make grants to develop collaborative programs among NGOs and the government. In health care, we train surgeons in specific areas of oncology; India has the highest rate of head and neck cancer in the world (linked to smoking). So we started capacity-building at government hospitals. We provide fellowships to train doctors [to perform oral cancer surgeries], then send them out to different corners of the country.

Are there insights from your work that you share with other philanthropists in India or abroad?

We have found that big foundations are afraid to fund nonprofits [whose work] doesn't translate into a performance metric. But there are many good, capable, grassroots organizations in India, doing work on the ground, which have a gap in their ability to provide measures. We want to help [these smaller organizations] build measurement capacity. Sometimes we build into the grants an extra component of financing, specifically so that the grantee will document their effort. For a fellowship project that we fund in Rajasthan, we paid for an external evaluation.

Another problem that we see: when foundations fund large interventions, sometimes the project distorts outcomes. For example, if a project is to last three years and an NGO wants to show results, it may make an extra payment to a teacher (who is already paid by the government) to push the program. This can buy results in the short term, but when the observation period ends, the project completely collapses.

You can overfund an idea or proof point. We ask, "How will this sustain itself?" and sometimes we build in a grant component to help the organization broaden its funding base. It's very important for us not to dig a big, deep hole, and then leave.

What is the biggest challenge you are facing right now and how are you tackling it?

For both foundations, our biggest challenge is effective collaboration. Can we, as philanthropists, build a neutral platform for the best thinking and action? Too often NGOs do not think of sharing their resources or insights. Once, several organizations working with adolescents in India applied to us for funding to create resource material for their target group—the adolescents. We saw that the material they all wanted to create was pretty much the same and that their desire to create a unique set of materials was a hindrance to networking with each other. We brought all of them to one round table and offered to support the material development initiative if all of them were willing to share the material and ensure broader outreach.

At Salaam Bombay, we are training master trainers to execute the smoking cessation program, so we've built capacity that can help other NGOs.

We cannot force organizations to work in collaboration, yet no one organization can scale across the whole of India—it's a huge country. So we are trying to build these civil society collaboratives, including funders working in collaboration … and it's exhausting.


Katie Smith Milway (@KatieSMilway) is a partner with The Bridgespan Group and leads the firm's Knowledge Unit, which invests in research, publishing, and free platforms for sharing insights and tools that can help all nonprofits, social entrepreneurs, and their funders become more effective. Prior to Bridgespan, she was Bain & Company's founding publisher.
Alison Powell (@abp615) is Bridgespan's philanthropy knowledge manager. She advises clients on their strategies and manages Bridgespan's content for philanthropic decision makers.

Tackling Political Polarization

By Larry Kramer

The resources available to the Hewlett Foundation, while substantial by many measures, are miniscule in relation to the problems we take on. Success for us, as for many foundations, depends on harnessing the aid of government to support best practices that show evidence of delivering effective solutions. What, then, if the political process becomes so dysfunctional that evidence and proven solutions no longer matter?

Such is the situation we face today. Solving problems at scale has become nearly impossible now that political polarization has all but extinguished rational debate and smothered any ability to compromise. The resulting hyper-partisanship and gridlock have incapacitated our national government's ability to do anything about serious matters, including climate change, immigration, and the national debt. No one wins in these circumstances, neither Democrats nor Republicans, and especially not the American people.

Whatever foundations do to cope with polarization in the short run, there can be no doubt that everyone's long-term welfare requires taking action to alleviate it. For this reason, the Board of the Hewlett Foundation recently agreed to explore an initiative to tackle polarization head on. It's a daunting proposition given the size of the problem. Yet it's the kind of challenge the philanthropic sector is uniquely situated—indeed, has a responsibility—to address. (See video presentation.)

Make Multiple, Small Bets

The measure of a democratic government's effectiveness is whether its representative institutions are addressing problems in ways the public supports or comes to support. By this measure, our government is currently failing. Our goal is to restore public confidence, not to manipulate the process to achieve policy outcomes we like. Our approach to reforming the democratic process will and must be unwaveringly, determinedly, agnostic about particular policy outcomes. As one expert put it, a diehard baseball fan can root for his or her team while having an independent interest in ensuring that the rules of the game make the competition fair for everyone.

Achieving reform will not be easy. Even apart from the opposition of entrenched interests, work in this arena presents unique challenges. To begin, the conventional logic model of strategic philanthropy, which rests on an idea of linear causation, is mismatched here. The democratic process is an incredibly complex system of systems, interrelated and interdependent on each other in ways no one fully understands or can predict, partly because each subsystem is itself dynamic.

Moving an organism of this size and complexity requires a different approach, one more fluid and experimental in nature. We need to begin with a variety of small bets, looking to foster change in ways and in places we think could help. We must closely track and monitor these experiments to see what they teach so that we can change courses or lean in, as the case may be. Flexibility, nimbleness, and willingness to adapt are essential. And we know from prior reform efforts that we must expect unanticipated consequences.

As important as flexibility is openness to new ideas and new solutions. There is, sad to say, an enormous body of conventional wisdom—endlessly regurgitated in the media—that is not supported by, and, in some cases, is contrary to, the evidence. This is true of such pundit favorites as gerrymandering, top-two primaries, and term limits. Likewise, a great deal of effort is being expended in areas like campaign finance and voter access on solutions that, whether or not they could work in theory, stand no chance of being adopted. We need new thinking, and we as funders need to be open to changing our current strategies and tactics.

Further complicating matters is the very real risk that grantmaking intended to reduce polarization will itself become polarizing. This is certainly the case when democratic reforms are a proxy for underlying substantive agendas by a particular group.

Build Bridges

The time frame in which we assess reform plays an important role here, too. Liberals and conservatives have already lined up on opposite sides of issues such as voter access, campaign finance, and districting reform. That's because the status quo invariably is seen as favoring one side or the other. Pushing or opposing reform of any sort, on any issue, can thus be challenged as favoring Democrats or Republicans. But parties and politicians are by nature shortsighted, concerned more with immediate electoral prospects than with the long-term health of the system.

In the long run, democratic reform is not partisan. It favors neither Democrat nor Republican. Rather, democratic reform will require *both* parties to respond to the American public in a manner that is more pragmatic and more open to compromise and problem-solving than the current polarized environment permits. This is a point we must press insistently against the inevitable attacks of myopic partisans anxious to preserve or enlarge their party's current prospects.

There are, moreover, additional steps that can blunt the force of this criticism. Most important is to work with grantees that straddle the political divide—especially those who, while they may identify with a side, appreciate the need to build bridges and work productively with opponents. Developing a portfolio that is balanced in the aggregate will not be easy, especially at first, given profound mistrust on both sides for organizations that have (deservedly) partisan or ideological reputations. But progress is unlikely unless we get past the idea that democratic reform is a zero sum game, a fight to the death in which “our” win is “your” loss, and vice versa.

Dig in for the Long Run

Equally crucial will be finding partners to provide the necessary resources for this effort (again, hopefully, encompassing a range of political perspectives). The scope and scale of the problem are vastly larger than any foundation could ever hope to address alone. We need to enlist the support of a broad set of national, state, and local foundations, along with high-net-worth individuals. We must do so in ways that align resources around broadly coordinated strategies. Otherwise we risk making no forward progress because everyone is pulling in different directions. Collaboration among foundations and funders is notoriously difficult to achieve, but it’s essential if we are to succeed.

Lastly, funders must be prepared for a protracted effort. The problems we seek to unravel took decades to develop, and they are not susceptible to quick or simple fixes. Yet surely it’s worth the exertion. Every funder and every grantee—whatever their politics—who believes that government has a role, any role, in solving society’s problems has a stake here. A nation with our resources ought to thrive, not scrape by. Yet that’s the best we can expect while lurching from one gridlock-induced governance crisis to the next.

Larry Kramer is president of The William and Flora Hewlett Foundation (@Hewlett_Found) in Menlo Park, CA. Before joining the foundation, he served from 2004 to 2012 as Richard E. Lang Professor of Law and dean of Stanford Law School.

Fostering For-Profit Innovation

By Matt Bannick & Stacy Donohue

According to the National League of Cities, 2012 was the sixth consecutive year of declining city revenues. While budgets are getting tighter, demands for public services are not going away.

But here's the good news: we live in an era when we can adapt innovations in data analytics and technology platforms used by the private sector to help public institutions do more with less. It's entirely possible that such civic innovation not only can offer new possibilities for even bankrupt cities, but also improve the field of governance in the 21st century. To help enable this movement, we have expanded our funding strategy at Omidyar Network.

Private Innovation, Public Application

Over the last 10 years, we have spent more than $70 million on innovative nonprofit organizations that increase transparency, accountability, and civic engagement in governance. Our more recent objective is to foster and grow innovative, for-profit, start-up companies with missions to improve how governments serve citizens and how citizens engage in the process of democratic governance. Why for-profit? Because we believe those models offer greater sustainability, more efficient IT spending, and a better platform for scaling.

Two important observations along these lines:

- **Sustainability is crucial to meeting the demands of civic challenges.** Philanthropy is critical to fostering civic innovation and government transparency. But it is also limited by a relatively fixed pool of foundations and high-net-worth individuals committed to the cause. In other fields where Omidyar Network is active, such as microfinance, nonprofits played a critical role during the field's early development. However, for-profit players with sustainable and scalable business models (for example, commercial financial institutions) were critical to transforming microfinance into a flourishing global sector. We believe civic innovation has similar potential.
- **Public innovation is an economically viable sector in need of disruption.** The daily work of government innovation primarily comes down to IT spending and implementation. A recent report projects that worldwide IT spending by government organizations will reach $450 billion in 2013. US government IT spending accounts for $74 billion of that total according to the Government Accountability Office, which also reports that one quarter of the government's major IT programs are not performing to expectations. To savvy tech entrepreneurs, that spells opportunity.

Addressing Barriers

Nevertheless, there will be challenges for innovative entrepreneurs to realize for-profit opportunities for civic innovation. Three current inhibitors include:

- **The Access Problem.** Complex procurement policies and practices prevent new players from securing government bids and reliable revenue streams; bulky and scattered government data make it difficult for entrepreneurs to access and innovate from public information; and information asymmetry between entrepreneurs and government prevents productive collaboration between the two.
- **The Investor Problem.** A traditional reluctance to work with red-tape-ridden bureaucracies makes both entrepreneurs and investors skeptical of revenue models dependent on government agencies.
- **The Entrepreneur Problem.** Tackling public sector challenges from the private sector requires an understanding of government processes, technical knowledge, and management expertise—a unique combination not easily found in the tech or public sectors, which often operate in silos.

Where to Start: Government Procurement

So where to start? Several entrenched issues have contributed to the private sector outpacing the public sector in innovation, but at the root of the problem is one wonderfully exciting issue we need to crack: IT procurement. (We know—it keeps us up at night too.)

The current state of government IT procurement is a maze of red tape and dead ends that consistently rewards historic partners for lackluster, redundant technology services.

The difficulties of the Healthcare.gov launch are the most recent and highly visible instance of this systemic problem. A system that was originally designed, in the words of Omidyar Network grantee Code for America, "to ensure quality and competition, to fight against corruption and patronage, and most of all to ensure that public dollars were spent fairly" is now doing the opposite, as recent news stories attest. In fact, the system, which was intended to reduce risk, actually promotes large-scale failures rather than facilitating the small-scale risk-taking required for innovation. The results are outdated tools and inefficient public services—government that is operating below its optimal capacity and at considerable taxpayer cost.

Fortunately, there is increasing momentum building from both outside government and within to make change. Recently, Omidyar Network grantees Code for America and Sunlight Foundation completed a survey of 28 city government IT purchasers. Seventy-five percent of respondents indicated that procurement reform was a priority, and 32 percent have already initiated "work-arounds" to enhance their ability to innovate. New start-ups such as Screendoor and SmartProcure are focused on the problem. Screendoor was actually conceived based on a project, RFP-EZ, that founder Clay Johnson created when he was a Presidential Innovation Fellow at the White House. That original project enabled more than 250 new players to bid on government IT projects, with bids that were on average 30 percent lower than those received through the standard procurement channel.

If we want government institutions to evolve with the innovations of our digital age, we must first shift the IT procurement processes that get those innovations through the door.

It Takes a Village to Innovate

Across the United States, city, state, and federal government agencies could benefit from the creative energy and effort of new companies dedicated to the unique challenges of the public sector.

Whether you are an entrepreneur, public servant, venture capitalist, data analyst, or policymaker, we hope you will take up the torch, join the fray and light the way to greater government transparency and innovation in the United States.

Matt Bannick is managing partner at Omidyar Network (@OmidyarNetwork), which invests in market-based efforts that catalyze economic and social change. **Stacy Donohue** is a director of investments at Omidyar Network and leads investing in civic innovation within the firm's Government Transparency initiative.

Disrupting Corporate Philanthropy

By Marc Benioff

What I like most about technology is that the only constant is change. This is also true for philanthropy.

When we first started Salesforce.com in 1999, we set aside 1 percent of our equity, 1 percent of employee time, and 1 percent of our product to create a foundation. We call this the 1/1/1 model of integrated corporate philanthropy, and it has become an integral part of our company's culture. As the business has grown, so have the contributions made by our foundation. We now have more than 100 dedicated employees at the Salesforce.com Foundation; we have contributed more than 500,000 hours of community service, provided free or deeply discounted product to 20,000 nonprofits, and donated $50 million in grants. Perhaps what is most exciting is that other companies have adopted this new model for corporate philanthropy: Google put parts of the 1/1/1 model into practice to create a $2 billion foundation. Workday, Zynga, Yelp, and others have also followed our lead.

We are constantly accelerating, changing course, and discovering new places to explore, and we have learned a lot about what works and what does not along the way. Following are our three best moves and three biggest lessons—what we did right from the start and where we needed to make adjustments to increase our impact.

Where we got it right

- **Integrate philanthropy into the company culture.** With the 1/1/1 model, every employee starts his or her first day working as a volunteer on a community service project as part of our new hire orientation program, and this spirit of service carries through his or her career at Salesforce.com. We integrate philanthropy into our business planning process, performance reviews, team meetings, and customer events. Our foundation employees sit with other Salesforce.com employees; they are one team, and this integration yields tremendous results—our volunteer rates are at 80 percent, more than triple the national average. Also, more than half of our employees take advantage of our matching program for charitable donations.
- **Build systems for measurement.** The first app we built on our platform was designed to measure everything related to our foundation's performance. We track volunteer hours and the percent of volunteerism by department and manager. The app also measures metrics for our product and grant donation programs. We even use it to track outcomes for our youth programs, including the number of student internships, scholarships, graduation rates, and job placements our partnerships with Year Up and College Track enable. This app has been so effective at helping us evaluate and achieve goals that we have

made it available to others via our AppExchange, Salesforce.com's marketplace for business apps.

- **Align philanthropy with company expertise.** We provide the opportunity for our highly skilled employees to provide on-the-job technology training and mentor youth in our communities. Teaching young people about technology—something we do through such trainings as well as our contributions to tech centers, entrepreneurship programs, and public schools—helps develop the next generation of leaders. The sobering fact: As a country, we lag far behind other developed nations in educating our children in science, technology, engineering, and mathematics (STEM). China has 46.7 percent of college graduates with STEM degrees, whereas the United States has only 5.6 percent. We want to see that number change.

Lessons we learned along the way

- **Build a model that scales.** Product donation has always been an important part of our model. We offer the first 10 licenses of Salesforce for free to any nonprofit organization, and sell any additional licenses at an 80 percent discount. Originally, the company managed this process and collected that revenue, but to scale our foundation and better serve our nonprofit customers, we transitioned to an earned-income social enterprise model. Now, we take the revenue from nonprofit sales (we didn't change the cost for users; we still give the first 10 licenses for free and still offer any additional licenses at an 80 percent discount) and invest it back into sector-specific product enhancements, new training, programs, and grants expansion. As a result of this change, we project that we can more than double the amount of grants we deliver during our second decade.
- **Focus equals impact.** It can be incredibly difficult to gauge measurable impact through philanthropy. Initially we gave smaller gifts to many organizations, but we found that these projects were difficult to manage. We also supported a broad range of causes. After testing a number of education, jobs, and health care projects, we now concentrate more deeply in fewer areas and bring our full 1/1/1 model to bear. We focus on communities where groups of employees are concentrated so that we can easily combine our grants with volunteers and technology for greater impact. In San Francisco, we are deeply involved with the city's public middle schools, where we just gave a $2.7 million initial grant to support technology, training, and STEM education. In just the first six months of this program, we have given more than 1,500 volunteer hours to mentor and tutor students in after school programs.
- **Your impact is far greater than your individual contributions.** Philanthropy isn't just about big gifts from a single company—it is about the power of engaging others to make an impact on a specific issue. In the beginning, we focused largely on what Salesforce.com could contribute to the community, but we could only get so far acting alone. We learned that we could amplify our results by engaging our entire network of employees, customers, partners and suppliers. For example, we launched a Power of Us program to extend

our 1/1/1 model to our ecosystem of cloud computing partners by facilitating discounted contributions of apps relevant to our nonprofit customers. At Dreamforce, our annual user conference, we encourage guests to participate in on-site volunteer opportunities such as creating earthquake preparedness kits for the American Red Cross and building bikes for Bay Area children in need with Playworks.

Together, we can provide nonprofits with the resources they need to advance their missions. People often overestimate what they can do in a year and underestimate what they can do in a decade. That is true in philanthropy too. I look forward to seeing what we do—and fail at next year—and how the adjustments we make will result in even greater success.

Marc Benioff is chairman and CEO of Salesforce.com, the world's largest provider of customer relationship management software. Throughout his career, Benioff has been committed to encouraging positive social change through his 1/1/1 model of integrated corporate philanthropy.

Engaging Constituents in Measurement

By Allan Golston

In the fall of 2009, the Bill & Melinda Gates Foundation launched the Measures of Effective Teaching (MET) project. Our $45 million investment into this first-of-its-kind research sought to answer one seemingly simple question: What does great teaching look like? To suggest that the art of teaching could be measured, though, was controversial. We knew we were taking a risk investing in the MET research, but that the risk would be worth it if the project could generate fair and valid measures that teachers could trust.

We've all known terrific teachers. You step into their classroom for only a few minutes, and you're captivated. However, despite 40 years of research pointing to huge differences in student achievement gains across teachers, most school leaders couldn't pinpoint what makes a teacher effective. This meant they couldn't identify their most effective teachers and, perhaps more importantly, couldn't help develop other effective teachers. That's because for decades, our schools lacked the kinds of measurement tools they needed to effect change. As a result, teachers traditionally received little to no feedback about how to improve their craft.

We also knew that making a new evaluation and professional development system work would require considerable resources and collaboration. The MET project was an extraordinary, three-year collaboration between seven public school districts, dozens of researchers, and nearly 3,000 teacher volunteers who opened their classrooms so that we could study how to improve the way we measure and support great teaching.

The results of this collaboration have proven incredibly valuable. Earlier this year, the MET project released its final findings, confirming that it is indeed possible to develop reliable measures of great teaching. The findings also showed something that most teachers already know: effective evaluation requires more than just tracking student test scores. Useful evaluation also needs to incorporate things like feedback from students, parents, and peer teachers, as well as an investment of time in reviewing actual teaching. As a result of the MET findings, states and school districts are now beginning to embrace a more nuanced, multiple-measures approach to improving teacher evaluation and professional development. This is incredibly promising. According to the National Council on Teacher Quality, as of October 2013, 27 states plus DC have implemented teacher ratings based on multiple measures, and 44 states plus DC now require that teacher evaluations include classroom observation.

The risk now is whether we'll be able to implement what we've learned to give teachers the tools, resources, and support they need to do their best work. For example, we learned that multiple-measure approaches that allocate between 33 and 50 percent of the weight to student achievement are enough to show meaningful differences among teachers. Because of this, we are now encouraging districts to use more balanced weights to avoid putting too much emphasis on one measure. Giving any single measure (whether student achievement, observations, or surveys) too much weight can open the door to manipulation and detract attention and effort from improvement on the other measures.

And again, partnership is the way forward. In Memphis, TN; Hillsborough County, FL; Pittsburgh; and Los Angeles, district officials are working alongside teachers, principals, union leaders, and community organizations to develop cutting-edge evaluation systems. These systems will provide teachers with specific feedback about how to hone their craft.

Changing the way we think about teaching evaluation and professional development is a relatively new pursuit, and there is still a lot that we don't know. We're committed to sharing what we learn, and we hope that others will continue to build on that knowledge base over time. Taking on some risk is the price of enacting this kind of change, particularly for foundations and nonprofits. If you want to get results, you can't cut out all risk. The challenge is to strike the balance—a bold vision coupled with a considered, collaborative approach.

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Additional Resources (available on Bridgespan.org)

Bridgespan's philanthropy microsite

Bridgespan's philanthropy resources support donors and foundations looking for results—and offer stories and tools for getting started, setting strategy, measuring success, collaboration, and researching nonprofits.

Conversations with Remarkable Givers

A groundbreaking video series of frank and candid conversations with more than 60 remarkable, results-oriented philanthropists, providing unprecedented access to their strategic thinking, insights, and wisdom.

How Philanthropists Can Measure Performance

What is the best way to evaluate grantee performance—and your own—when the clear markers of success can be a moving target? This guide offers important considerations and helpful advice.

The Donor-Grantee Trap

We assess why ineffective collaboration undermines philanthropic results for society and offer advice on creating true partnerships.

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