



APPROACHES TO HIGH IMPACT GRANTMAKING: Funding Social Innovation

WHAT IS INNOVATION?

Innovation is a popular buzzword in the nonprofit sector. But what is social innovation? At its heart, innovation is *the process of developing something new that furthers a social mission or purpose better than our existing approaches.*

The social problems that nonprofits address—poverty, homelessness, violence, inequity—are complex and persistent. Although evidence-based interventions exist, they are still too few, often fail to reach those who would benefit, and are necessary but insufficient for broad, lasting change.



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Therefore, innovation remains critical. And as Paul Ylvisaker, long-time public affairs director for the Ford Foundation, famously said, philanthropy can serve as “society’s passing gear,” given its unique ability to absorb risk in an effort to find what works.¹

TYPES OF INNOVATION

There are various ways to encourage innovation in the nonprofit sector, including:

- Funding research and development efforts
- Supporting new programs within existing organizations

ABOUT THIS SERIES: Many donors are seeking advice about how to use their philanthropic funds most effectively—to achieve the largest impact. In response, the University of Pennsylvania’s Center for High Impact Philanthropy and Fidelity Charitable have collaborated to create a series of briefs that describe various philanthropic tools and how each can help funders do more good. We hope that they prove useful to you and help you to expand your philanthropic reach using proven best practices in the field.

- Funding new organizations
- Supporting social entrepreneurs
- Sponsoring challenges, prizes, and competitions

TIPS FOR SUPPORTING INNOVATION

Funding innovation can be an exciting addition to a donor's portfolio, but it is different than traditional grantmaking. In particular, innovation is inherently risky, both financially and organizationally. If you are considering funding innovation, here are some things to keep in mind:

- *Innovation is more about the journey than the destination.* View “success” as the totality of what's learned throughout the process, rather than the achievement of specific outcomes. Avoid establishing rigid expectations and benchmarks, as these may stifle the risky experimentation needed to progress in new and unpredictable situations. Many innovations are cut off prematurely because they did not achieve the expected impact within a predetermined time frame.
- *It's normal for an innovation process to have both positive and negative outcomes.* Make sure the organization has ways to recognize each incremental success, as well as mechanisms to



identify and learn from its failures. The things that don't go as planned can provide insight that's just as valuable as what goes right.

- *Consider other assets that can be leveraged.* Supporting a new frontier of social change can take many forms. Organizations working on the cutting edge can often benefit from the connections, knowledge, and experience of their funders. Think broadly about opportunities to be hands-on with the effort.



FOR MORE INFORMATION

Cases in Innovative Nonprofits: Organizations that Make a Difference by Ram Cnaan & Diane Vinokur-Kaplan, Sage, 2015

“Change Management: Strategies to Help Nonprofit Leaders Make the Most of Uncertain Times” by Anne Sherman, TCC Group Briefing Paper, 2009

“Innovation is not the Holy Grail” by Christian Seelos and Johanna Mair, Stanford Social Innovation Review, September 2012

“The Re-Emerging Art of Funding Innovation” by Gabriel Kasper and Justin Marcoux, Stanford Social Innovation Review, Spring 2014

Strategic Giving by Peter Frumkin, The University of Chicago Press, 2006

“When Innovation Goes Wrong” by Christian Seelos and Johanna Mair, Stanford Social Innovation Review, September 2016



Innovation in Practice



Launched in 2016, “100&Change” is a competition created by the MacArthur Foundation offering a single \$100 million grant for a project that “will make measurable progress toward solving a significant problem.”² Rather than prescribe a particular social issue to be addressed, MacArthur left it to the applicants to select the problem they wished to solve. MacArthur’s leadership recognizes that funders don’t have all the answers and sees competitions like 100&Change as a way to upend the traditional, top-down grant-making approach. Read more: <https://www.100andchange.org/>



In the late 1990’s, New York City health officials were searching for ways to respond to the city’s growing AIDS crisis. According to Vincent McGee, executive director of the Aaron Diamond Foundation, “there was an opportunity for a modest private foundation to jump-start basic and applied research in the face of ...an expanding epidemic of historic proportion.”³ The Foundation provided \$8.5 million to establish a laboratory and an additional \$21 million in fellowships for promising young scientists, partnering with the City of New York to create The Aaron Diamond AIDS Research Center. Today, the Center is “the world’s largest private research center dedicated exclusively to fighting HIV,”⁴ and has been responsible for some of the greatest breakthroughs in AIDS research, including the development of the drug AZT and the discovery of a naturally-occurring genetic abnormality that provides immunity to HIV. Read more: https://cspcs.sanford.duke.edu/sites/default/files/descriptive/aaron_diamond_aids_research_center.pdf



Founded in 1997, the Case Foundation is one of the most active supporters of social innovation and a founding member of Venture Philanthropy Partners, which seeks out nonprofits that are breaking the mold. VPP funds AppleTree, an entrepreneurial nonprofit in Washington, D.C. that experiments with creative teaching and learning methods and developed the unique Every Child Ready instructional model. During this model’s pilot, the curriculum was found to erase the achievement gap before children begin kindergarten. Every Child Ready is now expanding its reach, serving more than 2,000 students in ten locations throughout the city. Read more: <http://www.vpppartners.org/approach/investments/> See CHIP’s profile of Appletree: <http://www.impact.upenn.edu/high-impact-giving-guide/opportunity-high-quality-preschool/>



The Center for High Impact Philanthropy (CHIP) is the only university-based center with a singular focus on philanthropy for social impact. Founded as a collaboration between the School of Social Policy & Practice and alumni of the Wharton School, it is a trusted source of knowledge and education to help donors around the world do more good. To learn more, visit www.impact.upenn.edu.



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ENDNOTES

- 1 Small Can Be Effective, 1989.
- 2 <https://www.100andchange.org/#about>
- 3 Aaron Diamond Foundation, Final Report, 1997.
- 4 http://www.adarc.org/about_us_200.html

3815 Walnut Street
Philadelphia, PA 19104

WEBSITE www.impact.upenn.edu
EMAIL impact@sp2.upenn.edu
PHONE (215) 573-7266

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