

The Business of Social Change: Root Cause's Social Innovation Forum Models a New Approach to Funding Nonprofits Locally

Since 2003, the Social Innovation Forum has been helping innovative nonprofit leaders get the resources they need to solve Greater Boston's most pressing social problems. Modeled after venture capital forums that single out promising for-profit entrepreneurs for early-stage funding, the Social Innovation Forum is making waves in the nonprofit sector—by changing the way funding flows to nonprofits. Founder Andrew Wolk discusses the future of the nonprofit sector and the Social Innovation Forum's unique approach to accelerating the development of enduring solutions to social problems.

Why a venture capital forum for nonprofits?

The idea resulted from my experience teaching Social Entrepreneurship at the MIT Sloan School of Management and consulting for a variety of nonprofit organizations. I began to notice that nonprofits with highly innovative approaches were having trouble gaining access to the resources they needed to continue maintaining and growing their impact. Time and again, organizations with existing donor relationships and greater experience in articulating their stories were winning donor resources over less-connected organizations with promising, innovative, results-oriented approaches to social change. While there are some efforts out there to direct more resources to young organizations with proven results, many such efforts focus on organizations aiming to achieve a national scope. I saw a real need to focus on organizations in Boston whose work could be broadened locally to have greater social impact.

Based on these observations, I started considering the way that resources flow in the private sector. In particular, I became interested in venture capital forums like the MIT Enterprise Forum, where early-stage organizations present their ideas directly to investors. I realized that this model completely changed the relationship between those with innovative ideas and the people who could fund them: in the venture capital model, investors seek out the best innovators and invest and re-invest in their work. I started to think, what if we created an alternative way for financial and in-kind resources to flow locally to innovators in the nonprofit sector? The venture forum model would accelerate the flow of resources to truly innovative solutions, in addition to involving funders and other resource providers in thinking about how to solve social problems locally.

How did the Social Innovation Forum get its start?

In 2003, I organized a collaborative that brought together organizations dedicated to high-engagement philanthropy, leadership development, and more traditional philanthropy. Our goal was to build a community in which proven, effective nonprofit organizations could connect with funders seeking to support innovative solutions to solve social problems. The first year of the Social Innovation Forum was driven purely by volunteer effort from the Catalogue for Philanthropy, Eureka-Boston, the Giving Network at Associated Grant Makers, Merrill Lynch, More Than Money, New Profit Inc., Social Venture Partners, Trefler Foundation, and United Way of Massachusetts Bay. Root Cause facilitated the collaborative. After our first year, the collaborative decided that the next step was to spin off the Social Innovation Forum as a separate initiative. As a leader in the nonprofit strategy consulting field, Root Cause committed to making the Social Innovation Forum a Root Cause social enterprise.

What's your business model?

As we entered our third year with plans to hire a director for the Social Innovation Forum, we needed to develop a business model that stayed true to the original vision and mission. We wanted to identify an earned income strategy that we could rely on for years to come. We looked for examples of successful models similar to ours, and we saw that there were no sustainable models out there.

As a result, the Social Innovation Forum began exploring the idea of partnering with local organizations and individuals to develop and sponsor our social issue tracks. For 2005, we set a goal of identifying two track-sponsoring partnerships. The idea really caught on, and we were fortunate to surpass our goal with five track sponsorships—in Health, Human Rights, and Access; Social Enterprise; Closing the Achievement Gap; Arts as an Agent of Change; and one open category. We believe strongly that we are now on our way to finding a business model that will thrive in Boston and can be replicated elsewhere.

How does it work?

Today, the Social Innovation Forum partners with leading local funders to identify Social Innovators in a variety of Social Issue Tracks. (Past Social Issue Tracks have addressed reducing violence through youth empowerment, closing the achievement gap in education, preventing domestic violence, and increasing access to health care, among many other issues.) Through an extensive application-review and interview process, evaluation committees made up of local issue experts select one Social Innovator for each track. Once selected, Social Innovators receive twelve months of continuous support from the Social Innovation Forum, including four months of consulting services from Root Cause—a leading strategy consulting firm specializing in nonprofit growth—and one year of executive coaching from a volunteer with significant leadership experience in the public, private, or nonprofit sector. Since 2003, the Social Innovation Forum has selected Social Innovators working in such areas as domestic violence, workforce development, foster care, and the environment.

Root Cause consultants and volunteer coaches help our Social Innovators to develop a prospectus and a presentation that sets organizational goals and communicates the organization's approach and social impact and the resources they will require in the future. In addition, in the months leading up to the event, we hold a series of Social Issue Breakfasts with local experts, aimed at raising awareness of our target social issues and introducing our new Social Innovators. The culmination of this process is our annual showcase event, where our Social Innovators present their work to both current and potential members of our Philanthropic Investment Community: leaders from Boston's philanthropic, business, and government sectors.

What are the major challenges facing today's innovative nonprofit leaders?

The sector has grown exponentially in the last 15 years. In this period, the number of nonprofit organizations has increased by 87 percent, and the nonprofit sector is creating new jobs faster than the private or public sectors.

All of this growth has led to a great deal more competition for the same funds. Nonprofit organizations have had to be much more innovative about how they approach their social issues and articulate their stories, and great social innovators need the right skills, background, relationships, and resources to ensure that their ideas reach their potential. The reality right now is that, in order to meet their short-term funding needs, even the best-prepared nonprofit organizations spend between 30 and 70% of their time raising money.

To address this challenge, the Social Innovation Forum gives innovative nonprofit leaders access to the resources they need to accelerate their impact, while also helping them to build skills vital to their organizations' long-term sustainability. In the long term, the Social Innovation Forum strives to provide an alternative to the way resources currently flow in the social sector, so that those with resources will invest and re-invest in organizations that have demonstrated the greatest success in solving social problems in our neediest communities. We aspire to increase the philanthropic resources flowing to underserved communities by creating a philanthropic marketplace in which investors of all types of capital work together with Social Innovators to find the best ways to implement enduring social change.

With so much change taking place, what do you see as the future of the nonprofit sector?

The nonprofit sector has entered a new stage in its development, driven by the incredible wealth that has been generated in the last 25 years. Paul Schervish at the Center for Philanthropy at Boston College has argued that we are about to enter the next great phase of philanthropy in the U.S. The last time philanthropy underwent such a growth spurt was at the tail end of the industrial revolution, when many of the leading industrialists turned their attention to philanthropy. Their work brought about the spread of many of the great social innovations that we enjoy today, including public hospitals and libraries. Now, at the start of a new growth period for philanthropy, social innovators who exhibit much of the drive and business acumen of for-profit entrepreneurs are increasing the sector's ability to find enduring solutions to social problems.

These social innovators, however, are operating in a landscape that has become quite crowded. In current times, there are almost no barriers to entry in the nonprofit sector. About 114 new nonprofits start operations each day in the U.S. As a result, we need screening mechanisms that will allow foundations, individual donors, and government to feel more confident about the impact their resources are having. The Social Innovation Forum is one way to ensure that resources are flowing to organizations that rigorously measure their impact.

How does the Social Innovation Forum engage the Boston community in this new way of thinking about giving to nonprofits?

The Social Innovation Forum is focused right now on developing a Philanthropic Investment Community—a new capital market made up of a group of individuals and organizations that are committed to offering their time, talent, relationships, or money to past and future Social Innovation Forum Social Innovators. Members of the Philanthropic Investment Community offer not just money, but capacity-building support, including assistance developing marketing plans, plans for executive transition, and board-of-director training and development.

Currently, we engage experienced business, government, and nonprofit leaders through a variety of volunteer opportunities: as nominators, evaluators, executive coaches, PowerPoint coaches, or panelists on the presentation evaluation committee. Nominators help spread the word about the Social Innovation Forum to their network of innovative nonprofit organizations and encourage them to apply for participation in the Social Innovation Forum. Evaluators read and evaluate applications with the Social Innovation Forum staff and help select winning Social Innovators who represent the sector's most effective and scalable organizations. Executive coaches work directly with one Social Innovator on building relationships and public speaking. PowerPoint coaches help them develop a PowerPoint slide deck to clearly communicate their mission and vision to stakeholders. Presentation evaluation committee members provide Social Innovators with detailed feedback on their marketing presentations to enable these Social Innovators to improve their presentations prior to the showcase event.

In order to support Social Innovators after they have completed our initial suite of services, we are continuing to expand our Philanthropic Investment Community. Last year, the Social Innovation Forum partnered with the Executive Coaching Graduate Certificate Program at the Massachusetts School of Professional Psychology (MSPP) to provide past Social Innovators with at least four months of free executive coaching. We have also formed a partnership with Common Impact (formerly Harbinger Partners), which works with major corporations to provide nonprofits with professional capacity building in technology, marketing, and human resources. Common Impact will offer these services to all four of our 2007 Social Innovators, once they have completed our first year of support. Our most recent partnership with the Ariel Group, an international training and consulting firm that uses techniques developed in the performing arts to help business leaders develop leadership presence, will provide a two-day training for several of our Social Innovators.

What will the Social Innovation Forum accomplish in the next five years?

Our results from the past four years show that we are on our way to developing a marketplace that will increase the resources available to Boston's neediest communities. To date, we have received 187 applications from Boston-area nonprofits and helped 17 Social Innovators hone their models and identify local resources—with four new Social Innovators recently selected for 2007. Our 2006 budget was approximately \$200,000, and just nine months after our March 31st showcase event, our 2006 Social Innovators have already received a total of just under \$ 1.5 million in total cash and in-kind resources. Additionally, our 2003 Social Innovators reported average budget growth of 123 percent—about 40 percent per year—since participating in the Social Innovation Forum. The 2004 class of Social Innovators saw an average budget growth of 94 percent over the last two years—or about 47 percent per year.

In the next five years, we will be looking to build on these initial successes to further develop an alternative philanthropic model in Boston and beyond. We have two major goals for the next five years. The first is that our Philanthropic Investment Community will be comprised of members that represent all possible streams of nonprofit capital. At the Social Innovation Forum, you will see a full range of contributors from government, family foundations, individual donors, to private-sector philanthropists—all of whom will synchronize their resources to help nonprofits gain maximum impact. The second is that reinvestment in nonprofits will be the norm, not the exception. We will see that social innovators who put stakes in the ground on impact measures and organizational metrics will be rewarded with resources, and those with resources to give will continue to invest in these social innovators because they have met their goals and are developing enduring solutions to social problems.

Andrew Wolk is the founder of the Social Innovation Forum and founder and CEO of Root Cause, which develops and supports enduring solutions to social problems through strategy consulting, knowledge sharing, and the building of sustainable social enterprises. He is also a senior lecturer at MIT Sloan School of Management and the Department of Urban Studies and Planning.