NATION SWELL

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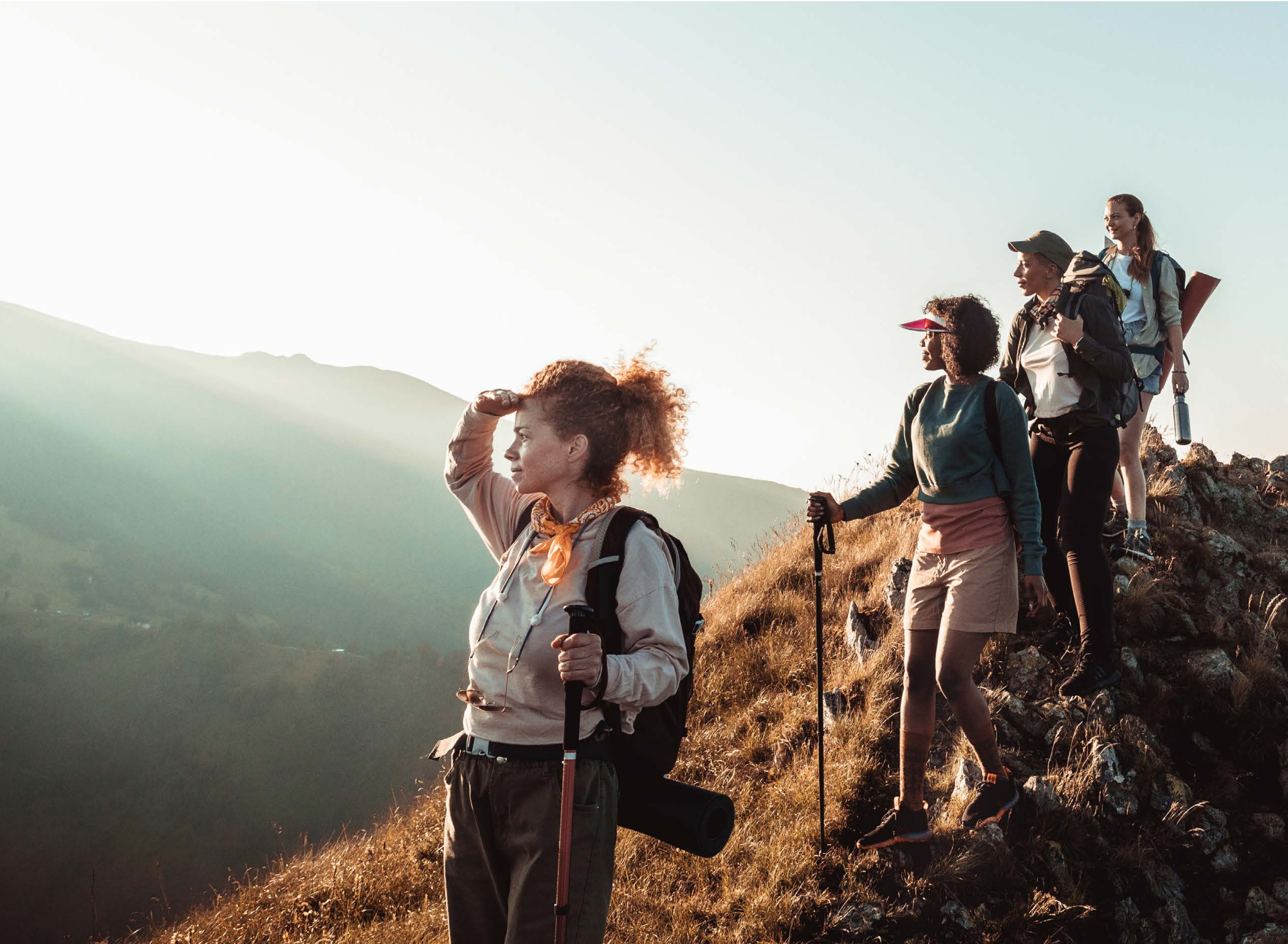
Fearless Philanthropy:
Driving Impact Through Innovation



Foreword

The Wells Fargo Foundation is delighted to support and collaborate with NationSwell on this insights report exploring the expertise, leadership, and innovations that are advancing the field of philanthropy and transforming it into the most fearless version of itself.

Philanthropy has made some bold moves in recent years in response to systemic racism and the global pandemic. While we are now more able to cope with COVID, philanthropy must continue to act with great urgency, creativity, and fearlessness. This is not the time to go back to the old way of doing things – instead we should accelerate our efforts to push the boundaries in how we address the challenges of our time. With the increasing impact of climate change and rising inequality, we cannot afford to return to "business as usual" in our companies, industries, or communities.

Something I've observed in my decades of work in driving social impact in corporate and private philanthropy is this: While it may be tempting to think that more dollars equals greater impact, that's not always the case. We need to start from and keep in clear focus the kind of impact we want to have and the quality of that impact — over and above the size of investment and scale. Scale can be the enemy of impact otherwise.

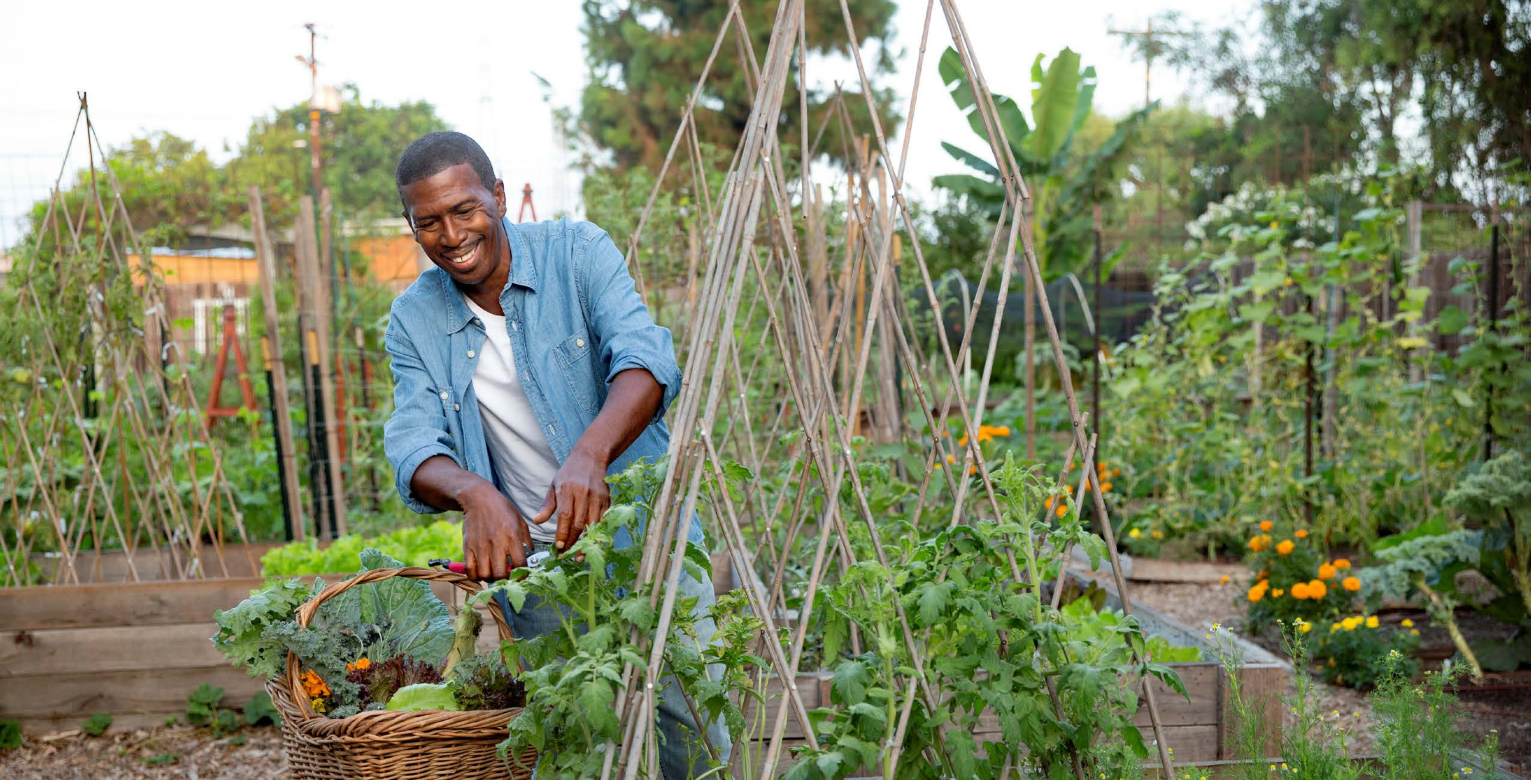
We hope this report inspires greater intention, bolder thinking, and more risk-taking moves in your philanthropy and impact strategies. There is a saying, "do not talk about it, be about it" – that's why we include an actionable set of recommendations based on the best practices of corporate philanthropy and foundation leaders across various sectors. Their contextualized and multi-dimensional examples bring optimism to the world we aspire to be. We are deeply grateful for their willingness to share their experiences, lessons learned, and calls to action with a generous and fearless spirit.

May you likewise be challenged to commit to or renew your role as a fearless agent of change and collaboration.

Otis Rolley

President, Wells Fargo Foundation

Head of Philanthropy and Community Impact, Wells Fargo



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Executive Summary

Philanthropy, in recent years, has been breaking the mold of traditional paradigms and leveraging a wider array of vehicles and structures for greater impact. Corporate philanthropic and foundation leaders alike are adopting new norms and attitudinal shifts that point to greater collaboration, business alignment, and community engagement. Our conversations with them highlight the importance of a networked, collective impact approach and a greater desire to take risks and spur innovation in business and public policy.

We unpack their insights in this Report, with their recommendations and calls to action summarized below.

1. **Foster fearlessness**
   Ask the hard questions
2. **Integrate impact**
   Rethink infrastructure
3. **Think bigger**
   Focus on outcomes and systems change
4. **Leverage partnerships**
   Invest in collaboration
5. **Be nimble**
   Create mechanisms to be more responsive in your grantmaking
6. **Be patient**
   Provide flexible funding
7. **Build trust**
   Take a relational approach that genuinely empowers communities
8. **Apply a venture capital approach**
   Invest in people and organizational capacity

Introduction

The complexity of today's social and environmental challenges calls for new and more agile approaches, participatory problem-solving, and bigger, bolder bets.

Philanthropy has an important role to play in addressing the defining challenges of our time, as demonstrated by donors such as the Gates Foundation, which has been tackling global health inequities in the last two decades among many critical issues. In more recent years, the unconventional giving approaches of individuals like MacKenzie Scott have led the way for other funders to embrace trust-based philanthropy.

Yet the challenges that our world faces are not going to be solved through philanthropy alone. Philanthropy generally has a reputation for being conservative, slow-moving, and sometimes even risk-averse. It also represents a relatively small pool of resources: The U.S. philanthropic sector, a combination of foundation, corporate, and individual giving, has a combined resource pool of $484.85 billion[1] — a drop in the bucket compared to the trillions of dollars in public budgets and capital markets.

So what *can* philanthropy do to meet the moment?

Firstly, philanthropy is able to take on risk and catalyze innovation in ways that governments cannot and the private sector will not.

"Philanthropy is in a unique position to take risky, long-term bets on solutions to society's biggest challenges."

— Hector Mujica, Head of Economic Opportunity - Americas, Google.org

Secondly, philanthropy *can* and *should* move quickly to respond to urgent needs.

"The speed at which philanthropy moves can sometimes feel like a mismatch between intention and practice...If you leverage your expertise and you meet the needs of people where they are, you can act fast to make a real, measurable difference. And for the community it's very palpable."

— Jenny Flores, Head of Small Business Growth Philanthropy, Wells Fargo

This report provides inspiring examples of how corporate and private philanthropy are responding with agility and urgency, as well as serving as catalytic capital to unlock new opportunities and more sustainable solutions. This Report will also highlight recommendations and specific calls to action on how philanthropy can be more innovative and risk-taking.

1. Giving USA: The Annual Report on Philanthropy for the Year 2021, https://givingusa.org/

General Insights

In speaking with a number of business and foundation leaders on the cutting edge of driving impact through philanthropy, we have found that philanthropic approaches and practices are highly varied, and are often influenced by the structure of the funding entity — where the funding comes from, whether the organization is a separate legal entity with its own board, and where the team sits within the organization all shape why and how giving occurs.

In the private sector, philanthropic operations and entities can sit within the business or outside of the business. When philanthropy is leveraged from within, corporate social responsibility programs often focus on increasing employee engagement, community investments, and enhancing consumer relationships, as well as public good will. For some companies, it's also a strategic effort that can lead to new business opportunities. Philanthropic investments can serve as R&D funds to test out new business models as well as improve both the productivity and wellbeing of suppliers along the corporate value chain. A former fast-moving consumer goods company CEO once remarked, "Philanthropy can help companies reduce business risk, open up new markets, engage employees, build the brand, reduce costs, advance technology, and deliver competitive returns... Corporate philanthropy [is] a discovery phase in investment in a social issue. I encourage companies to view philanthropic investments as incubators for promising ideas and a mechanism for understanding both community and corporate needs and test new business strategies."[2]

When philanthropy is embodied in a separate legal entity with its own board, the philanthropic practices are wholly focused on creating public goods, with no direct benefits to the business. Some companies are taking a combined approach and experimenting with hybrid structures, where philanthropy is exercised both within the business and outside the business. Companies may sometimes provide resources as an in kind contribution to their corporate foundation work. For example, a company may staff its corporate foundation with company employees, effectively "donating" human capital to its corporate philanthropic efforts. Others may have a venture capital investment fund within the business and, at the same time, make traditional philanthropic grants through a separate foundation vehicle.

Beyond corporate philanthropy, the approaches and practices at family foundations as well as institutional and community foundations also reflect a great deal of diversity. This is evident in the range of issue areas supported, different grantmaking processes, and the life span or time horizon of giving efforts (some are endowed to exist in perpetuity; others pursue a spend-down strategy of assets). Specific to community foundations, the innovations are often more localized and community-centric.

> "Community foundations are uniquely situated to drive innovation and systems change at the populational level because we're place-based. We have relationships with nonprofits, municipal leaders, state reps, state agencies, the other funders, and we know the needs of the community. Community foundations also have a unique visibility into the community that state governments and the federal government don't have. We're a neutral voice and often play the role of a backbone support organization. Our customer is the community. That's why community foundations are great for engaging in place-based work."
>
> **— Stratton Lloyd, Executive VP & COO, Essex County Community Foundation**

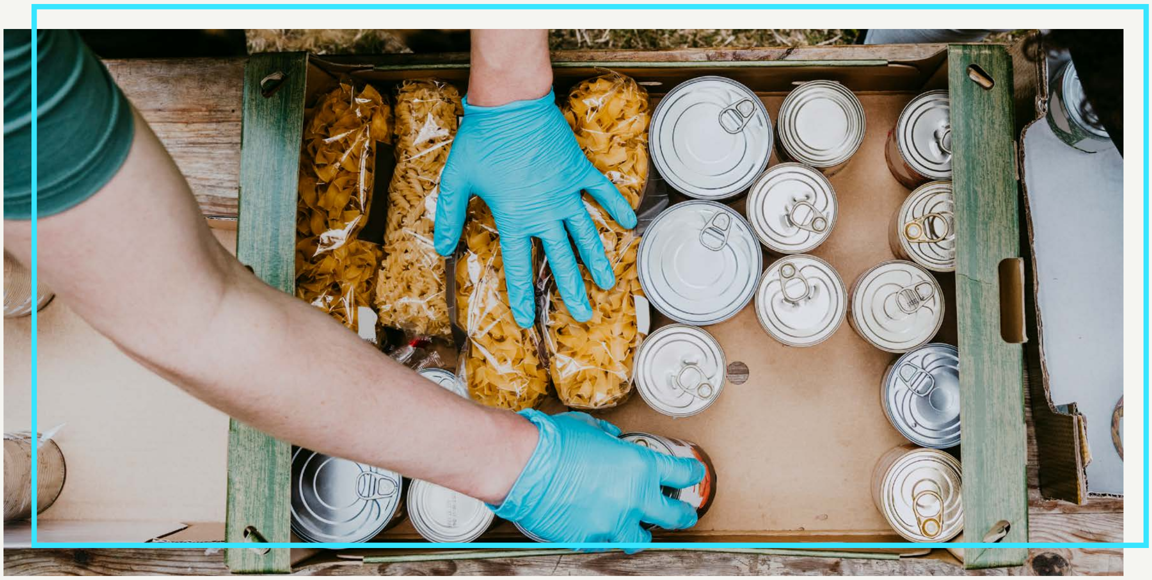
2. Douglas Conant, Former CEO, Campbell Soup Company, https://www.3blmedia.com/news/why-philanthropy-rd-business

Lyft Grocery Access Program:

A new business opportunity kickstarted by philanthropy

"At the start of the COVID-19 pandemic, we were flooded by inbound requests from nonprofits and government partners highlighting the need for food delivery directly to people's homes. This included seniors who had the highest infection risk and did not feel comfortable going to the grocery store, as well as families whose children usually relied on free and reduced cost lunches at school but were now stuck at home. We also identified a strong need to protect the earnings of our drivers at a time when there was limited demand from passengers. Within two weeks, we put together an entire infrastructure for Lyft drivers to facilitate meal deliveries. Drivers who participated loved the opportunity to support their neighbors, and appreciated the additional earning opportunity at a time when traditional ride volume was down. And our nonprofit and government partners were over the moon in terms of the value we were able to add to the community. Through this early pilot of **Lyft Delivery** and expansion of our **LyftUp Grocery Access Program**, we delivered over 2 million meals throughout 2020. The initial investments and successes of our philanthropic work helped Lyft recognize that there were exciting opportunities in the B2B delivery space, and inspired further investment in Lyft Delivery. So in responding to our community partners, we were ultimately able to pilot a new B2B business model at Lyft."

— Lisa Boyd, Director of Social Impact, Lyft



Salesforce 1-1-1 Model:

Building a culture and legacy around philanthropy and impact

“Our Salesforce philanthropic 1-1-1 model was established the same day the company was founded. Simply put, it committed 1% of our product, 1% of our equity, and 1% of our time to serve our communities. We baked impact into the DNA of our company from day one, even as we were still building our business model. Fast forward years later, our employees have donated seven million hours of their time, we’ve given half a billion dollars to our communities, and 56,000 nonprofits and education organizations power their mission on Salesforce.

Today, impact at Salesforce is so much bigger than the 1-1-1 model. We have created a culture that makes impact everyone’s responsibility. No matter where you sit in the organization, you have the ability to support our impact goals, whether that’s in hiring diverse employees, making responsible purchasing decisions, or volunteering time in their local community. And our 1-1-1 model has since spawned the **Pledge 1%** movement, which now engages 17,000 companies worldwide — unlocking more than $2 billion in philanthropic giving so far.”

— Naomi Morenzoni, Senior VP of Philanthropy, Salesforce

Recommendations and Calls to Action

Although there are a variety of approaches and practices, common themes have emerged in our discussions with business and foundation leaders working in philanthropy and social impact. We highlight these themes and distill the insights through recommendations and concrete steps that funders can take to leverage philanthropy as a catalyst for new business opportunities, policy reform, community progress, and systems change.

RECOMMENDATION 1:

Foster fearlessness

Philanthropy, as a sector, is often much more inclined to talk about its successes than failures. "There is no innovation without risk. And there is no risk without the possibility of failure."[3] Hence, innovation and risk are really two sides of the same coin. Foster a culture of fearlessness that embraces failure as a means to making progress and allowing philanthropy to fail forward. The allowance for failure should also take into consideration partner organizations whose projects may be reduced in scope or terminated early. When this happens, the people who depend on these programs lose vital services. Funders should manage risks accordingly and aim to minimize any disruptions to grantee programs and activities.

"Cultivate a mindset that failure is not a bad thing; rather, it helps you to learn, iterate, and do better. Leaders and companies need to offer the psychological safety to experiment, try new things, and even fail at times."

— Lisa Boyd, Director of Social Impact, Lyft

"For investors, risks means there's a possibility for financial upside. For philanthropy, risk is often seen as a negative... And when philanthropy is trying something new, the potential reputational risk, or 'will people still respect and trust us if this fails', can overshadow the potential for outsized impact a new grant or initiative could have."

— Sarah Koch, Interim Executive Director, Entrepreneurship Funders Network

CALL TO ACTION: ASK THE HARD QUESTIONS

Encourage your team to recognize that successes and failures are both important to evaluate. Confront the "downside" of philanthropic risk with both humility and honest reflection. Always ask the hard questions as part of the built-in organizational learning process:

- How do we think about and define "success" and "failure" in our philanthropic and social impact work?
- What didn't work in an initiative, partnership, or effort — not just from our perspective, but from the perspective of the communities we're aiming to support? Why?
- What did we learn in our approach or in our ambitions to drive social change and/or environmental progress, and how can we adapt what we're doing moving forward for greater impact?

3. Judith Rodin, https://www.rockefellerfoundation.org/blog/philanthropy-go-partner-risk/

Salesforce:

Providing risk-tolerant capital while learning from both the successes and "failures" in philanthropy

"Over the past few years, we've been reimagining our philanthropic strategy — including the impact of providing risk tolerant capital. During the pandemic, we made bets on two new organizations. Both were promising ideas, largely self-funded and run by volunteers when we first started working with them.

The first organization was focused on food security, leveraging partnerships with restaurants to alleviate the load on food banks. By adding capacity to the system, it kept restaurant workers employed, restaurants open, and people out of the food bank line. Over time, as the severity of Covid's impact lessened, the organization lost steam. You could call this investment a 'failure', but the organization provided a critical service and met the needs of the community in that moment. It also shifted our perspective and helped us think about how we can support the economic livelihood of a community while supporting specific populations experiencing food insecurity. It was an innovation worth trying and a great learning opportunity for us.

The second organization, **Go Paladin**, was focused on increasing the representation and success of minority entrepreneurs. We made an initial $75,000 investment that allowed them to hire full-time staff and double the number of entrepreneurs they served. That cohort ultimately went on to raise an additional $30 million and the organization launched the first Black and Latinx transgender for early stage technology companies in partnership with the Transgender District of San Francisco. It was a small investment on our part that made a huge impact. We've since multiplied our investment 8x to help the organization launch a new accelerator for underrepresented ecopreneurs who are solving challenges in the climate space.

I share these two investments because it's important to acknowledge that philanthropy needs to take the same risks that we take in business. For example, in an angel investor's portfolio, they understand that only a small percentage of their investments will become "knock-it-out-of-the-park" successes. In philanthropy, we need to cultivate that same level of risk tolerance and allow some bets to fail in order to hit innovative solutions that scale."

— Naomi Morenzoni, Senior VP of Philanthropy, Salesforce

RECOMMENDATION 2:

Integrate impact

For companies, be intentional about integrating impact across the business. Too often, philanthropic initiatives, community investments, DEI, improving the well-being of supply chain partners, and environmental innovations are “nice to have” but not seen as essential to the core business. Such initiatives may be siloed into a marketing budget or ticked off as yet another item on the compliance checklist. When carried out superficially as a matter of corporate aesthetics, they don’t realize their full, potential impact.

“Business leaders are now needing to effectively manage baseline issues for the business and navigate the societal demands that are being placed on the industry.”

— **Jenny Flores, Head of Small Business Growth Philanthropy, Wells Fargo**

CALL TO ACTION: RETHINK INFRASTRUCTURE

- Integrate impact across the business so that initiatives in philanthropy, corporate responsibility, sustainability, and ESG don’t sit in their own silos.
- Make impact a part of everyone’s responsibility in the company. Show a clear and direct connection between impact goals and business goals. Make these objectives time-bound and measurable and create systems for accountability.
- Leadership is critical. The management team and the board need to drive and support a reorientation of the business from a sole focus on shareholders to *all* stakeholders, including employees, customers, partners, *and* shareholders.

RECOMMENDATION 3:

Think bigger

If we embrace the fact that innovation in philanthropy is inherently risky, we can aim higher and reach for longer term, transformational impact. This might mean shifting structural barriers to social and environmental progress. Systems change will require you to address the root cause rather than tinkering around the edges of the issue.

"Invest in systems change, because shared prosperity is not just on the horizon of one more $5,000 gift to a nonprofit...

If you can change the actors in the system, you can fundamentally change the power dynamics and the system itself. Take education, for example, and consider funding the entire pipeline of talent: You can fund teachers of color in schools in low-income communities, but what about the suburban schools and school leadership – like principals, assistant superintendents, and superintendents? Have that representation with a diversity, equity, and inclusion lens show up not just in the classroom but also in the administration of the school and the district, and ultimately among policymakers and funders in education."

— Shayna Hetzel, Community Impact Investment Director, American Family Insurance

"If you operate with a PR-first mindset (versus a mission-focused mindset), or if your annual philanthropic budget is completely dependent on whether the company had a good year or not (versus having an endowment or corpus for multi-year giving), then you won't be able to have the right long-term mindset to build something truly innovative."

— Scott Heimlich, President, Amgen Foundation

CALL TO ACTION: FOCUS ON OUTCOMES AND SYSTEMS CHANGE

It has once been said that philanthropy should stop giving grants and starting funding experiments so that it can live up to its greater potential.

- Be outcomes-driven: instead of counting your successes just based on how many dollars you've given away or how many activities, programs, or projects you've funded, define your successes in collaboration with the communities you seek to impact, and don't be afraid to go to the root of the problem — even if that takes longer to address — and think more broadly about what you have to offer.

"Ultimately, the impact we aim for is about building community resiliency — the ability for a community to respond faster, quicker, more collaboratively, and more intelligently to different shocks in the system."

— Stratton Lloyd, Executive VP & COO, Essex County Community Foundation

- Think about scalable and systems changing solutions. Consider policy issues you want to take a stand on and engage the public sector strategically.

American Family Insurance:

Supporting pathways to employment through policy advocacy

"American Family Insurance has been championing justice reform and fair chance hiring initiatives. Part of that extends into advocacy and how we show up on removing barriers to employment. In May 2021, we as a Fortune 250 company issued a public statement that urged our state legislature to pass **Senate Bill 78** and **Assembly Bill 69** that expands the circumstances under which a record can be expunged. The bill eliminates two key limiting aspects of WI expungement law by removing the age restriction of eligibility as well as the fact that expungement eligibility must currently be made at the time of sentencing. It was our way to authentically stand with communities that we're serving in this pursuit of closing the equity and justice gaps. This enables us to leverage our resources beyond the checks to make the biggest difference. It's about our influence, and the fact that we are a $13 billion company with 13,000 employees."

— Nyra Jordan, Social Impact Investment Director and Shayna Hetzel, Community Impact Investment Director, American Family Insurance

RECOMMENDATION 4:

Leverage partnerships

Philanthropy is a collective movement, not a siloed endeavor. This echoes an African proverb: "If you want to go fast, go alone; if you want to go far, go together." Look at philanthropy and social impact as a partnership and a broader movement beyond what you are doing as an individual funder or entity. Working with others will likely be a messier and more time-intensive process, but in the long-term, the benefits outweigh the costs.

"Partnerships allow you to think more expansively and get new ideas from unlikely places."

— Lisa Boyd, Director of Social Impact, Lyft

CALL TO ACTION: INVEST IN COLLABORATION

- Pool together resources with others to make a bigger investment in an issue area of common interest. This also helps de-risk your investment and bring down costs. Donor collaboratives that make joint investments are often a good vehicle for this kind of synergy. Public sector partnerships are also another way to capture more resources and scale a solution or proven intervention.

"If I can test and prove a model for impact and get somebody with a much bigger footprint or more dollars to implement that at scale, I would have maximized my impact and created an intentional ripple effect across the entire ecosystem."

— Lisa Boyd, Director of Social Impact, Lyft

- Partner with others across your organization or company to tap different budgets and collectively create a more holistic solution.

"With our philanthropy plus model, we partner across the organization — including our people, government affairs, sustainability and purchasing teams — to maximize our impact and drive catalytic solutions."

— Naomi Morenzoni, SVP of Philanthropy, Salesforce

- Learn through peer exchange. There are many learning communities, networks, and resources to tap. Form or join a learning community with other funders on a common area of interest, and be transparent about what you're learning from your investments and your approach. You could also create collective learning opportunities for your grantees. This does not mean you need to be on the same page with every funder or partner you work with on every issue. Agendas of different organizations seldom perfectly overlap. We need to "redefine collaboration as working with and across a broad spectrum of organizations — and together, going after the common solutions by leveraging complementary strengths and honoring a diversity of viewpoints."[4]

4. Caryl M. Stern, Walton Family Foundation, https://fortune.com/2021/10/08/philanthropy-collaboration-common-solutions

> "We explored what others across the country were doing in philanthropy. We looked at different tools, social innovation models, approaches to grantmaking, and we also met with other teams within our company to better understand our strengths and how that could show up in our social impact."
>
> **— Shayna Hetzel, American Family Insurance, Community Impact Investment Director**

- Bring together stakeholders and build trusted relationships and coalitions across sectors. Map out key stakeholders for your focus area, which may include public sector representatives, businesses, nonprofits, and community-based organizations. Create a plan to engage and design solutions with your stakeholders and with the community or population you're aiming to help.

> "Invest in ecosystems and inspire collaboration and coalition-building, which is the relational component of systems change... Connect stakeholders across the nonprofit and for-profit space, as well as the public sector and other types of funders. Investing in collaboration is part of the innovation itself... It's not collaboration for collaboration's sake. Fund collaboration where it helps you to think more systemically about addressing the root cause of an issue."
>
> **— Stratton Lloyd, Executive VP & COO, Essex County Community Foundation**

George Kaiser Family Foundation's Tulsa Remote Program:

Philanthropy in partnership with the public sector

"Launched in 2018, **Tulsa Remote** is a program that offers a $10,000 grant and additional benefits to entrepreneurs and eligible remote workers who move to and work from Tulsa for at least one year. Tulsa Remote was spearheaded by the **George Kaiser Family Foundation**. It's essentially a pay-for-success contract with the state. The Foundation funds individuals to become residents and is reimbursed by the state based on these people staying in Tulsa for at least two years and ideally becoming long-term residents. A key to the program is that the team at Tulsa Remote partners with many community organizations to lend their support to ensure program participants are fully immersed and engaged in the community. In addition to the relocation stipend, the program also provides successful applicants with one year of free co-working space, workshops, networking events, and a range of other resources. This model was the first of its kind to develop and scale around the future of work and the revitalization of cities. Many similar programs have sprung up across the country since, especially during the pandemic. The vision behind this public-private partnership is one piece of a larger strategy and a constellation of endeavors at the Foundation, where 99% of its programs are place-based. For example, the Foundation also invests in workforce development training programs in the tech sector to promote more equitable opportunities for people from underrepresented backgrounds in Tulsa.

Impact-wise, since Tulsa Remote was launched in 2018, the program has brought nearly 2,000 people to Tulsa. For every one person that has moved, about 0.7 people have moved to Tulsa along with them. Ninety percent of the program participants stay beyond one year. Three out of ten people have purchased a home, and four out of ten are interested in starting their own business. A study published by the Economic Innovation Group (EIG) has shown that for every dollar spent on the relocation incentive, $13.6 was generated in local labor income. The report also found that for every two household members brought to Tulsa through the program, one new local job was created. In 2021 alone, Tulsa Remote contributed $62 million in new labor income to the local economy. The long-term impacts are very real for a city that, until recently, was experiencing a decline in population, but now has a net inflow of talent and new energy."

— Ben Stewart, Executive Director - Tulsa Remote, George Kaiser Family Foundation

Google.org "Balance Sheet For Good":

Innovative financing through an outcomes-based, pay-it-forward model

"At **Google.org**, one of our priorities is to make sure economic opportunities are available to all, and one way we do this is by investing in digital skills to help people get access to digital economy jobs. Because philanthropy can't do it alone, we experiment with and invest in new and innovative financing models that enable us to unlock additional sources of capital.

In 2022, Google.org announced a partnership with **Social Finance**, a national impact finance and advisory nonprofit, to create a **$100M Fund** to bring the **Google Career Certificates** workforce training program to scale. Through its support of Social Finance, the Fund aims to drive $1 billion in aggregate wage gains for more than 20,000 Americans by providing the Google Career Certificates with wraparound support. The certificates prepare people for high-paying, high-growth jobs in fields like data analytics, digital marketing and e-commerce, IT support, project management, and user experience design — with no degree or experience required. This was funded in part by Google.org, our philanthropy arm, and by Google's balance sheet, to test our hypothesis that there's a role for both philanthropic and return-seeking dollars when investing in digital skills for job seekers.

Social Finance will work with nonprofit partners to provide wraparound services, including career coaching, living stipends, and job placement support. Google will connect students to an employer consortium of more than 150 companies who are looking to hire workers with these skills. The program is designed around student success. Students will receive the training, credentials, and wraparound support services at no upfront cost. They will only pay it back once they find a job earning at least $40,000 a year. Social Finance will then redistribute the repayments to future learners, making this model more sustainable.

As part of our funding, Social Finance is working with **MDRC** to rigorously assess the efficacy of the Fund, track the impact, and propose recommendations on how more sustainable, pay-it-forward models can play a role in scaling services to more jobseekers – potentially one day with public dollars. Google.org also hopes to leverage this $100M Fund as a test bed to evaluate the role of employer-backed credentials and outcomes-based loans more comprehensively to inform public policies regulating these mechanisms."

— Hector Mujica, Head of Economic Opportunity - Americas, Google.org

RECOMMENDATION 5:

Be nimble

Sometimes philanthropy is crippled by a fixation on process and analysis. For example, some funders abide strictly by, and do not deviate from, their annual call for grant applications, with the timing often dictated by a preset board meeting cycle for grant approvals. This does not allow for flexibility or responding quickly to crisis situations. At other times, funders spend most of their time collecting data and analyzing the issue area, trying to find a grantee that does exactly what they want it to do. To be clear, being nimble does not mean making hasty decisions without regard for rigor or structure; rather, it means being thoughtful, agile, creative, and responsive in order to accommodate external circumstances and the changing needs of grantees.

"Don't let analysis paralysis get in the way of acting fast, because by the time you get a strategy in place, a lot of time may have passed so that problem you were trying to solve has become a different one, and your strategy is now a bit dated."

— **Jenny Flores, Head of Small Business Growth Philanthropy, Wells Fargo**

CALL TO ACTION: CREATE MECHANISMS TO BE MORE RESPONSIVE IN YOUR GRANTMAKING

- Create a rapid response fund or set aside a special initiatives budget where philanthropic resources can be mobilized quickly to meet urgent needs.
- Apply rapid-prototyping and design thinking in philanthropy. Don't look for perfect solutions because issue areas and the needs of communities are constantly evolving. If need be, start small and adapt your philanthropic approach and investments as you see how grantee partners and beneficiaries are responding and integrate their feedback in the process.

Wells Fargo Open For Business Fund:

Rapid response and meeting community needs in the moment

"**Open for Business** (OFB) is a roughly $420 million small business recovery effort at Wells Fargo focusing on racially and ethnically diverse small business owners disproportionately impacted by the COVID-19 pandemic. Launched by the company's Social Impact team, we've been collaborating with community development financial institutions (CDFIs) and local nonprofits to distribute the funding across the nation. OFB was funded through the gross fees that Wells Fargo collected from the Paycheck Protection Program (PPP). We wanted to ensure that businesses owned by people of color would not be forced to close during the pandemic and that it would also provide support to diverse entrepreneurs who had been left out of PPP.

We decided fairly early in the pandemic in April 2020 that we were going to do this program and got funds out the door by July 2020. For a company as large as we are, we moved extremely fast. But we were also thoughtful while admitting that we will never know everything. With the data we had, we made the best-informed decision to support small businesses to stay open. At the time, the Black Chamber of Commerce told us 450,000 Black-owned businesses had closed indefinitely within 60 days of the pandemic hitting. So the philanthropy team at Wells Fargo brought urgency to the Bank to show our commitment to the small business community by acting immediately. We didn't know how much money we were going to have because we were doing the PPP lending concurrently, but we committed to pushing out whatever money we collected from the program. We also built up a whole resource center on our site and launched a marketing campaign so people across the country could know about and access the resources. We had to act fast because we knew businesses were hanging on by a thread. **If you want to truly lead, it means that you go first. It doesn't mean that you wait to see what others do to validate your actions**. In times of distress, you fully analyze as much as you can, talk to entrepreneurs and leaders on the ground, and do the right thing as fast as you can. Had we waited to put our Open For Business idea through the normal process, the small businesses we helped probably would not exist today.

To date, Wells Fargo Open For Business has impacted 155,000 small businesses and protected 255,000 jobs. Of the small businesses served by our grants, 86% are owned by people of color and 52% by women. Moreover, 74% are from low-and-moderate income (LMI) communities and nearly two-thirds have less than $1M of annual revenue. It was a matter of responding to the moment and articulating the dire need and the opportunity we had as a bank with a massive small business portfolio to make a difference for small business owners, local communities, and the economy."

— Jenny Flores, Head of Small Business Growth Philanthropy, Wells Fargo

RECOMMENDATION 6:

Be patient

Philanthropy can afford to be patient. There are no shareholders or market forces demanding a financial return, so philanthropy is able to provide patient capital. This long-term mindset spurs greater innovation and fills the gap of risk capital that other investors aren't willing to provide upfront before proof of concept.

"Go big, but have the patience to get there... Innovation takes time. Big ideas aren't born in a day."

— **Scott Heimlich, Executive Director of Corporate Affairs, Amgen; President, Amgen Foundation**

"Too often projects fail because they're under-funded or their funders constrain their use of money to the extent that they don't have room to make changes when a project takes an unexpected turn. Philanthropy can put impact first and have some patience in creating the right conditions within the funding to allow for pivots, adaptations, and true innovation."

— **Hector Mujica, Head of Economic Opportunity - Americas, Google.org**

CALL TO ACTION: PROVIDE FLEXIBLE FUNDING

Restricted funding gives funders a sense of control. It allows them to see short-term results in the form of immediate outputs from a specific program that is often established, tried, and true. However, what is often most needed, especially for organizations doing new things or smaller organizations with less track record, is flexible funding. For funders, this could mean:

- Investing in planning or design grants to help organizations in their strategy development
- Investing in pilot grants that allow organizations to experiment with new approaches
- Investing in multi-year funding and general operating support to provide maximum flexibility in how the funds will be used, acknowledging that organizational needs may change over time

Amgen Foundation and LabXchange:

Philanthropy can take calculated risks and go long to yield real innovation

"**Amgen Foundation** just made the largest grant in its history: **$30 million** to support and advance **LabXchange** to democratize access to high-quality science education across the globe. Our vision is to inspire and engage young people in science at scale on a virtual platform that is free and accessible to anyone with an internet connection. In just two and a half years, LabXchange has gone from a few hundred curated, **online assets** to over 17,000 through collaborations with 140 **partner organizations**. LabXchange is not just focused on making cutting-edge content such as virtual **lab simulations** and **scrollable interactives**, but also on making that content available globally by translating into **many languages**. Our playlist feature allows educators to customize content, reordering it and personalizing the experience for their learners and their specific learning needs. LabXchange has now reached over 20 million people across the US and the world.

Although the Foundation announced the $30M commitment in the summer of 2022, the story goes back to 2015. It's a story about patient capital. It started as a phone conversation with a truly **visionary professor** at Harvard University who had a bold idea on how to best leverage technology to accelerate learning and engagement in science in particular. That led to ideas on paper, more phone calls, important early hires to the team, and ultimately to the virtual platform that LabXchange is today. The Foundation approved multiple planning grants over many years and in the millions of dollars before LabXchange formally launched in January of 2020 on the United Nations International Day of Education.

All of this gets back to being patient and thinking long-term, something philanthropy is uniquely suited for. Big, bold ideas — be it a great product or a great organization — aren't born in a day, and you have to be willing to take risks and fail. To invest in people you believe in and give them the time and space to imagine a different way — otherwise you would never fund something like this. That's how Amgen and the biotech industry came about in the first place — the Foundation was inspired by our origins and able to adopt the same mindset in our philanthropic work by going all in on supporting something new and innovative and big. Something big that's now being leveraged from Africa to America to Asia and beyond."

— Scott Heimlich, Executive Director of Corporate Affairs, Amgen; President, Amgen Foundation

RECOMMENDATION 7:

Build trust

We've all heard about things "moving at the speed of trust," and making progress through philanthropy is no different.

"Perspectives have shifted on what it means to be a funder of innovation, especially with respect to equity… To be truly innovative, make a commitment to fund equity, and engage in the deep work it takes to build those relationships and credibility with the community."

— Sarah Koch, Interim Executive Director, Entrepreneurship Funders Network

"Trust and risk are interwoven… If philanthropy wants to be more risk-taking and innovative, this means engaging communities that we don't typically engage with, and it's going to feel risky and uncomfortable. Being community-centric and risk-taking have to go hand in hand."

— Sarah Koch, Interim Executive Director at the Entrepreneurship Funders Network

"We often underestimate the impact of building trusted relationships, which can ultimately change and transform mindsets."

— Stratton Lloyd, Executive VP & COO, Essex County Community Foundation

CALL TO ACTION: TAKE A RELATIONAL APPROACH THAT GENUINELY EMPOWERS COMMUNITIES

Recognize that there are inherent power dynamics at play in funder and grantee relationships, so it is important to proactively build trust and share power with partner organizations and their communities.

- Involve communities: Listen to the communities that you're aiming to serve in order to ensure that their voices and needs are truly reflected in your work. Try not to be prescriptive and entrust the implementation of solutions to your partner organizations and community and grassroots leaders who are most proximate to the challenges.

"Seek to understand the lived experiences of the people that you would like to serve so that you can then design solutions and services authentically. Suspend any assumptions you may have about why they can or cannot access services and co-design your products and services with the communities."

— Jenny Flores, Head of Small Business Growth Philanthropy, Wells Fargo

- Be a true ally and funding partner that adapts timelines and reporting requirements accordingly. Don't penalize partner organizations that come to you with unexpected challenges. Instead, have regular check-ins with your partner organizations, not just when grant renewals come up.

- Reflect on and think about how to make your philanthropic practices, grantmaking processes, and solution designing more equitable. Fund organizations led by non-white leaders that often suffer from chronic underinvestment.

"As we think about our commitment to racial equality and justice, we know that organizations led by people of color receive 76% less unrestricted funding than those led by white individuals. To help address that, we recently launched an initiative called the Catalyst Fund. This fund provides unrestricted capital to small nonprofits led by underrepresented leaders, who have a less extensive network or may lack the track record that a traditional funder looks for. By investing in these organizations, we're empowering leaders closest to the communities we serve and ultimately helping these organizations attract capital from other funders"

— Naomi Morenzoni, SVP of Philanthropy, Salesforce

- Provide, as the ultimate act of trust, adequate, unrestricted funding and general operating support that can be used flexibly by partner organizations. and general operating support that can be used flexibly by partner organizations.

> "Funding that insists on low overhead costs or no overhead and staff development perpetuates low margin, low salary, and intense hours for community workers. It continues to place the burden on underrepresented, underestimated, under-resourced communities."
>
> **— Shayna Hetzel, Community Impact Investment Director, American Family Insurance**

RECOMMENDATION 8:

Apply a venture capital approach

The venture capital industry sometimes carries a stigma given its association with the elite and exclusive networks in the Silicon Valley and New York City, as well as the lack of diversity reflected, not just in the investors but also in the investees. However, there are redeeming qualities and practices in the venture capital space that we can extend and apply to philanthropy and social impact.

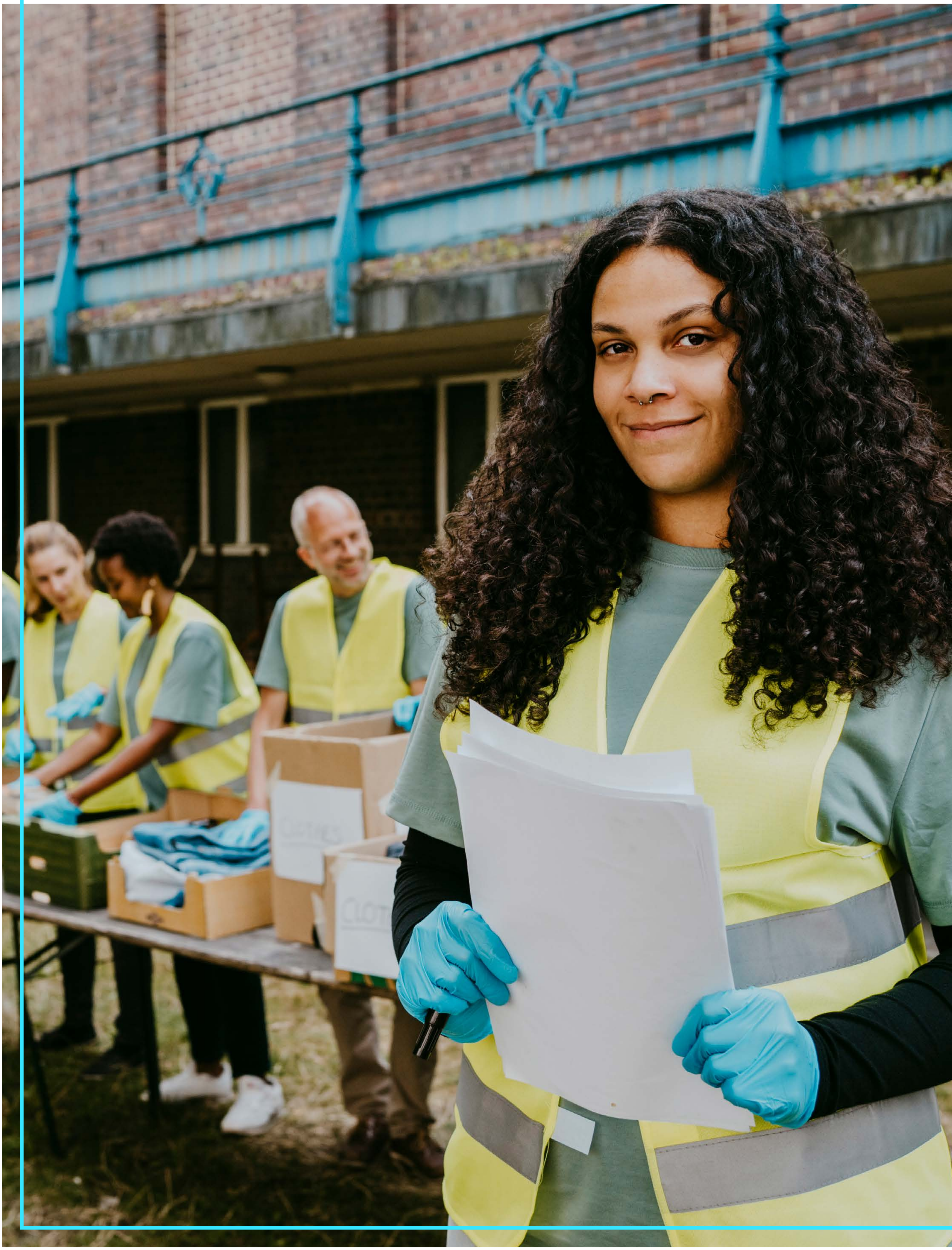
> "So much of entrepreneurship and philanthropy are about who you know and who seems credible. So much of that space is relational."
>
> — **Sarah Koch, Interim Executive Director, Entrepreneurship Funders Network**

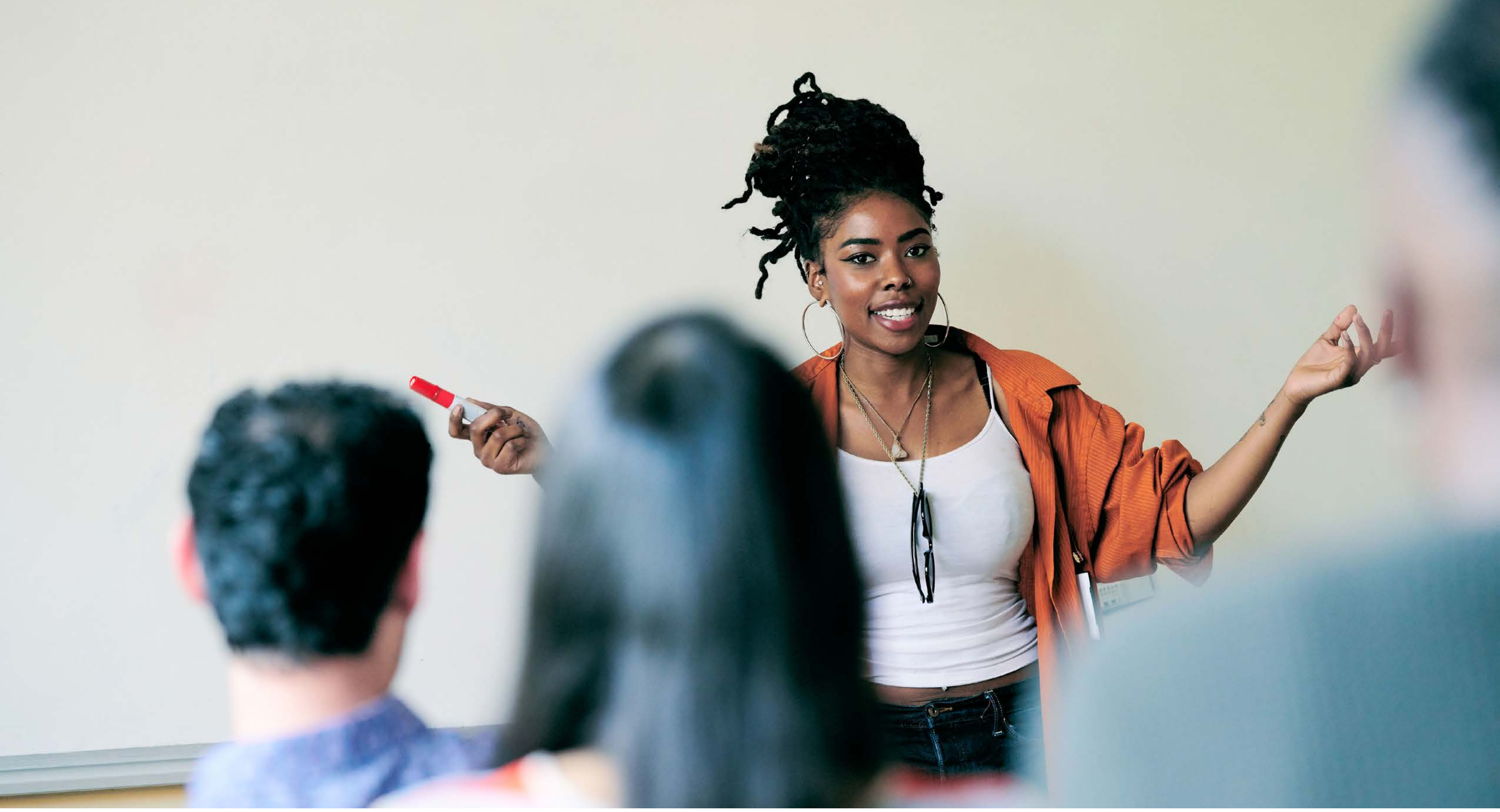
CALLS TO ACTION: INVEST IN PEOPLE AND ORGANIZATIONAL CAPACITY

- Invest in the people behind the ideas as much as the organization, program, or project itself. The quality of the team, the leadership, and the board lends credibility to the work; these people are ultimately great thought partners as you learn about and problem solve for the issue area.

> "Bet on the team behind the ideas. Even good ideas fail, but a strong, motivated team will roll with the punches and continue iterating to find success."
>
> — **Hector Mujica, Head of Economic Opportunity - Americas, Google.org**

- Invest in organizational capacity and provide "financing plus." Beyond the check, be generous in your support of both time and resources. For example, provide your partner organizations with access to networks, mentorship, media visibility, backend operational support, as well as other capacity building support. Early-stage innovations often benefit from a more hands-on approach to help prototype new concepts and shape emergent strategies.





Closing Thoughts

While it may feel daunting to put all of these insights into practice, many business and foundation leaders in philanthropy are making headway in many of these areas. We acknowledge that it's more of a journey than a matter of arrival regarding a clearer sense of shared purpose and greater impact on the issues and the communities we care about. We hope our insights have inspired you to take bolder steps as both humble and effective agents of change, with a renewed conviction to commit the necessary risk capital to experiment, innovate, and learn through new approaches and strategies in philanthropy.

Contributors

We would like to thank the following leaders and experts for their time and insights.

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