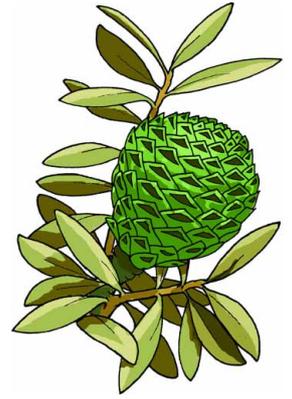


A GENEROUS DIFFERENCE



*“ And praise will come to those whose kindness
leaves you without debt
and bends the shape of things
that haven’t happened yet.”*

— Neil Finn, “Faster Than Light”

I have lived most of my working life within a social economy. My financial ability to run programmes and to foster innovations has come from an economy which is at the edge of our national economic consciousness, and yet it is at the heart of our family and community lives. This is an economy that says the starting point for addressing our most pressing social and environmental needs — is our generosity.

Sometimes I have been funded to do my work through various government departments, or from local authority or council contracts. At other times my projects have received funding from different philanthropic foundations, or the community banking trusts. But when I have wanted to create a real innovation, I have not always been successful in going to these mainstream institutions for financial support.

There are many reasons for this, and most are to do with the way trust boards set priorities amidst a genuine shortage of funds in the social sector. But there is often much more to it than this. Innovation, by definition includes embracing change and exploring the new. Yet grant-making by boards and funding agencies is more commonly addressed with a view to risk management and avoiding potential embarrassment.

A consequence of this is that most social innovators tend to personally live a fairly precarious financial existence. It is not unusual for the social entrepreneur to end up taking considerable personal and family risks in order to gather the resources they need to pursue the innovations they see possible.

This is something that is not just unique to social entrepreneurship. I have met many business entrepreneurs who have been compelled to take significant levels of personal financial risk before commercial funders will come along and get involved with the enterprise.

The *generative* stage — when ideas are researched, shaped, tested and prototyped — is a particularly difficult time to get funding. Lending or granting institutions are just not comfortable with failure, and they want to see the entrepreneur remove as much risk as possible before they make a commitment. Consequently, it is not unusual for social or business entrepreneurs to get their initial start-up funding from their own savings, or from friends and family.

In my own case, the money which has enabled me to create new projects has sometimes come from the surpluses accumulated from earlier successful initiatives. But more often than not, the start-up money has come from “creative” public servants (... who are often operating below the radar of their managers or politicians), or from individual philanthropists (...who have often done so against the advice of their foundations), or from my friends.

This money is quite different, because it comes with a whole different sense of *trust*. It also comes with an implicit relationship that says, “I share your intentions here. None of us are too sure about whether it will succeed or fail, but I’ll share that risk ... go for it.”

For an innovator, this sort of support that is the most valuable, because it is space-making. Within this space of trust it is more possible to reach beyond the cynicism, self-interests and factional bargaining of popular culture — and listen for the voice and strategies of a common good.

Neil Finn’s song “*Faster Than Light*” speaks to me of the generosity that creates such a space, especially where he describes the “... *kindness that leaves you without debt*” and “*bends the shape of things that haven’t happened yet.*”

This kindness-without-debt is what makes a generous difference. And I would never underestimate this difference — it is usually one of the first links in the chain of events that leads to the practical solutions and the fundamental changes we are looking for.

- All the major religious traditions have recognised the importance of philanthropy in creating the communities we want to live in. And it is worth remembering that the word philanthropy comes from Greek roots which literally mean the love of man. The derivation of this word does not mention money at all.

It is important to keep this in mind, because the concept of philanthropy in our culture has become so associated with grant-making and foundations that we often forget these deeper and more universal roots. In the light of this original definition, we get to recognise that the basic motivation behind almost every social entrepreneur is their own *philanthropy*.

It is a curious thing that groups of people who have taken the name and the legal structure of “Trust”, often find it very difficult to have an authentic conversation with one another about the nature of *trust*, and about that face of generosity which builds on that trust and is an expression of our kindness, and our love for each other and the earth.

Instead, we find ourselves at trust board meetings wrapping our hearts in the language of the marketplace — perhaps so the purpose of our hearts can have *currency* in this day



Kate Frykberg (Todd Foundation) and Jenny Gill (ASB Community Trust) with John Stansfield in a “threads of connection” workshop session at the NZSEF retreat.

and age. We speak of “social capital”, “social auditing”, “efficiencies”, “marketing”, “fundraising”, “stakeholders” and “donor needs” ... and while doing so, our *philanthropy* is reduced to becoming the “business” of giving money away.

When the New Zealand Social Entrepreneur Fellowship was established, it was backed by a coalition of philanthropists, grant-makers and community leaders who took the name of the Social Innovation Investment Group. The group was seen as an opportunity for these leaders to learn more about social innovation and entrepreneurship by getting to know some of New Zealand’s leading practitioners.

This group of “social investors” was led by its questions: *How can we look anew at our grant-making processes? How can we be wiser and more effective in supporting and sustaining social innovation?*

Many philanthropists have spoken about how their grant-making is motivated by a principle of “*giving back*”— a way that they can personally return something to the society that has enabled them to become successful. This is an attitude that underpins much of society’s view of charitable purposes, but it is also a perspective that can be seen as paternalistic and limiting.

The grant-makers involved in the Social Innovation Investment Group were interested in a different conversation. They recognised that the job of funding real innovation requires a different type of generosity — one that involves getting a whole lot wiser about “*giving forward*”.

One of the key contributors to the establishment of the Social Innovation Investment Group was Jenny Gill, the chief executive of the ASB Community Trust and formerly chair of Philanthropy New Zealand. Gill has become well known for her advocacy of philanthropy as the “venture capital for social change” in democratic societies and she’s had a long track-record of supporting a more venturesome approach to grant-making.

Her philanthropic mentor, the late Sir Roy McKenzie, was inspirational in his own approach to supporting social innovation. McKenzie certainly practiced the art of “*giving forward*”, and he gave some of the first grants ever received in New Zealand by such groups as the women’s refuge, the hospice movement, Kohanga Reo, social workers in schools, disabled sports and Outward Bound.

Jenny Gill believes that the role of philanthropy is not to fund social services but to provide the venture capital that can support projects which focus on the issues that the government and the private sector are either unwilling or unable to address.

“We can be leaders in our communities precisely because we are not elected officers or public servants. We can provide a place where members of the community can bring their dreams, without having to measure their outputs. We can help the community to find new solutions to social problems while taking care that we are not swept up in emotion and rhetoric.”

During Jenny Gill's term as the chair of Philanthropy New Zealand, the organisation grew and matured so this more venturesome role for philanthropy was no longer just a voice on the margins. At the conferences of this network, it is now more common to hear the call for supporting social innovation and social entrepreneurship as an integral part of philanthropy. But the grant-makers and foundations still have a long way to go in this before this message really starts to come home to the inner workings of trust board meetings.

In 2009, the ASB Community Trust and the Tindall Foundation commissioned a report from Glen Saunders, who has wide experience with social lending at the European Triodos Bank. In one part of this report, Saunders describes the sort of hurdles that community sector organisations have to face when applying for funds in the current grant-making system:

“... Long-term operational sustainability is an endemic problem for the third sector. Their lot is often arduous. They must secure grants to provide the funds to achieve their objectives. The grants are almost always committed for a limited period, at best three or four years, often only for the current year though sometimes grants will be provided each year over several years. They are completely dependent on these and must return annually to foundations, government, donors in general, to raise this funding. The process is time-consuming. The difference in requirements of each funder can be substantial. Long-term strategies are a distraction and they have little hope of achieving any sort of financial or operational sustainability. This is highly dysfunctional ...”

This grant-making environment is particularly dysfunctional when dealing with social innovation. The problem here is that trust boards and their philanthropic managers have often had a very superficial understanding of the process of social innovation, and they struggle to have the longer-term attention span that can see an innovation through to real social change. And they also underestimate the importance of developing good relationships with the social entrepreneurs who make things happen.

- The importance of grant-makers matching their philanthropic intentions with social entrepreneurs was a key message given by Pamela Hartigan, the former director of the Geneva-based Schwab Foundation for Social Entrepreneurship, when she visited New Zealand in 2005. This visit was a catalyst in the establishment of the Social Innovation Investment Group, and the New Zealand Social Entrepreneur Fellowship.

Hartigan says that without social entrepreneurs, very few philanthropic grants can really result in significant and sustainable social change. Real social innovation is not just a matter of proving that a new idea works. The ideas need to be matched with the social entrepreneurs who have the energy and dedication to drive through change on a reluctant society.

When it comes to funding social innovation, many philanthropic initiatives embark on a similar strategy: fund an innovative and often complex social project for a year or two, conduct an academic evaluation, publish the results if it is successful ... and then expect the new idea to be replicated across the country or the world.

Pamela Hartigan argues that every step of that chain of logic is misguided:

“First, no matter how great the idea is, the notion that a better approach can be found, tested and replicated after a single trial and a few years of funding seems improbable ... There are no overnight successes among social entrepreneurs, as with dot.com entrepreneurs. It often takes a social entrepreneur five to ten years before their idea takes shape into a viable and scalable solution. Even then, the approach must be constantly modified to respond to unforeseen obstacles or dynamics along the way, only to hit still more barriers. Every setback means modifying the idea or the implementation, yet the social entrepreneur continuously adapts and persists. To paraphrase Albert Einstein, ‘It is not that they’re so smart ... it is that they stay with problems longer.’”



Pamela Hartigan

If we want to transform the culture of grant-making and philanthropy so it leads to real innovation and sustainable social change — then social entrepreneurs and their funders need to get a whole lot wiser about creating more effective partnerships with one another. These partnerships need to be based on a greater understanding of the process of social innovation, and its longer-term requirements.

There are also some attitude changes needed here. A path to wisdom perhaps needs to start with a shared humility and a recognition that everyone — grant-maker, philanthropist, public servant, social entrepreneur or active citizen — is trying to work for a common good ... and they each hold a part of the solutions we need.

It is in this humility that we might also begin to recognise that, with grant-making, gratitude can be a two-way street. As the writers of *Getting to Maybe* have pointed out:

“Funders rightfully expect those they fund to be grateful, and they are grateful ... but funders should likewise be grateful to those willing to work on the front lines of social transformation. Funders often talk about the risks they are taking with their funds, not seeming to fully register the risks social entrepreneurs take in putting their careers and often their lives on the line. The sacrifices, the psychological stresses, the doubts, the burnout, the dark nights of despair — who should be grateful to whom?”



Workshop sessions with social entrepreneurs at the 2009 Philanthropy New Zealand Conference, held at Te Papa, Wellington.

- In March 2009, several members of the New Zealand Social Entrepreneur Fellowship were invited to participate in a Philanthropy New Zealand conference workshop called “*Philanthropy and Social Innovation — New Approaches in a Changing World*”.

The workshop included grant-makers and philanthropists, and it was an opportunity to open up a wider dialogue about the experience that social entrepreneurs have had in dealing with current funding processes. At the end of the workshop, the participants recorded a summary of their insights and advice to each other on how they could be more effective in supporting and sustaining social innovation.

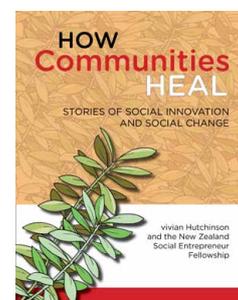
The summary points included:

1. *Go beyond the application process.* Look for creative ways to stimulate, engage, and empower social entrepreneurs.
2. *Clarify for yourselves just what social change you seek to foster... and then look for the social innovators in this field.* As a grant-maker, see yourself as a player rather than a funder. Be proactive rather than waiting for applications.
3. *Build relationships with a person or people over time; then offer flexible, untagged funding to individuals or organisations you trust.* Don't have predetermined ideas about what they should be doing. Offer mentoring if it might be valuable.
4. *If possible, be flexible about your desired outcomes — don't predetermine the results.* Often the programmes that are truly innovative will relate to more than one outcome and often across sectors. Outcomes can end up being much broader than initially anticipated. For example, there might be positive spin-offs into many other areas, and the individuals involved in a particular initiative may go off and act as mentors to a wider community.
5. *Be bold — and don't let the politics scare you off.* Take advantage of the fact that you don't have to back winners, and put money into innovative ideas. Philanthropy is in a unique position to fund where the gaps are. If you want to be socially innovative, it can require an element of lobbying and political advocacy.
6. *Talk to other grant-makers and social innovators to see what other work is being done on an issue, and look at the existing research to prevent doubling up of programmes.* Listen to the people who've been working in the field and acknowledge that they might have some idea of what works and what doesn't.

7. *If you can't fund an applicant, re-direct them if you know someone who might be interested.* One size doesn't fit all. It may not fit your funding priorities but could sit well with another trust's work.
8. *When it comes to evaluation — move away from ticking boxes of success.* Social innovators need room to fail. When evaluating an initiative, ask "What have you learned? What mistakes did you make? What would you do differently next time?"

Notes and Links

- This article by vivian Hutchinson is part of the [HOW COMMUNITIES HEAL project](#) — stories of social innovation and social change featuring members of the New Zealand Social Entrepreneur Fellowship. It is available online at tinyurl.com/hchgenerous
- *Neil Finn lyric ...* is from his song "Faster Than Light" from his solo album "Try Whistling This" (1998). A live version, recorded at Abbey Road, can be heard on Neil Finn's charity CD single "I Can See Clearly Now". which was released to raise funds to help the sight-restoring work of the Fred Hollows Foundation. See also www.youtube.com/watch?v=niPeGafYCMl.
- "A Generous Nation — some thoughts on personal and community philanthropy" by vivian Hutchinson (2002) paper based on his keynote speech to the Community Philanthropy in New Zealand workshop held in Tauranga March 2002, available at tinyurl.com/viviangenerous02
- "A Generous Difference — some thoughts on philanthropy and social innovation" by vivian Hutchinson (2009) paper based on his workshop at the Philanthropy New Zealand Conference workshop held at Te Papa, Wellington in March 2009, available at tinyurl.com/viviangenerous09
- *Social Innovation Investment Group ...* for more information, see www.nzsef.org.nz/SIIG. This group (2006-2009) has included Dame Sukhi Turner, Rodger Smith, Simon Mortlock, George Salmond, Sir Stephen Tindall, Peter Menzies, Alan Broadbent, Jenny Gill, Trevor Gray, Iain Hines, and Kate Frykberg.
- *Jenny Gill ...* quote is from her speech to the Philanthropy New Zealand Funders Forum (May 2006)
- "A new funding paradigm — Prospects for social lending and investment by foundations in New Zealand" report by Glen Saunders (October 2009) for the ASB Community Trust and the Tindall Foundation available at tinyurl.com/y8kflz7. *Glen Saunders* is currently board member of *Prometheus Finance*, a New Zealand-based finance company focusing on social and environmental lending. This report has encouraged many philanthropic trust boards to look at putting some of their base capital into local social investments, such as these affordable housing schemes, rather than investing all their capital funds into an increasingly speculative international marketplace. This enables these foundations and trusts to extend their philanthropic impact well beyond their usual grants and donations.
- "Social Lending: A Tool for Grantmakers, an Opportunity for Communities" report by Laura Benedict August 2010 can be found at tinyurl.com/Benedict2010



- *social lending* ... see also Radio New Zealand *Ideas* programme with Chris Laidlaw 26 September 2010 for interview with Glen Saunders and Laura Benedict at tinyurl.com/RNZIdeas20100926
- *Schwab Foundation for Social Entrepreneurship* ... this foundation had been established by Klaus Schwab, who was also the founder of the annual World Economic Forum which has been held in Davos, Switzerland, since 1971. Schwab and Pamela Hartigan set up an international fellowship of social entrepreneurs, who they also invited to the Davos meetings to share their perspectives and experiences in workshops with government and business leaders.
- *Pamela Hartigan* ... visited New Zealand in 2005 at the invitation of the Tindall Foundation. Her comments here are directly quoted from her keynote address to the Summit on Social Entrepreneurship Toronto Canada in December 2007.
- *innovation in philanthropy* ... for a more global perspective, see “*You are the Future of Philanthropy*” a TED talk by Katherine Fulton of the Monitor Institute at tinyurl.com/TEDFulton07
- *gratitude is a two-way street* ... the quotation here is taken from the *Getting to Maybe* chapter “*How to Survive Cold Heaven*”.
- “*Philanthropy and Social Innovation — New Approaches in a Changing World*” workshop convened by Kate Frykberg and Vivian Hutchinson at the Philanthropy New Zealand’s Conference 2009. These workshop summary notes were originally recorded by Elizabeth McLeod.
- More articles in this series, and further information on the HOW COMMUNITIES HEAL project can be found at www.nzsef.org.nz/howcommunitiesheal
- If you want to be notified of future releases of articles in this series, you can sign-up for our mailing list at tinyurl.com/HCHsign-up
- Comments and conversations on this project are encouraged on our Facebook page at www.facebook.com/howcommunitiesheal
- This project is on Twitter at [@HowCommHeal](https://twitter.com/HowCommHeal) using the tags [#HowCH](https://twitter.com/hashtag/HowCH) and [#socent](https://twitter.com/hashtag/socent)
- The online publication of the HOW COMMUNITIES HEAL project has been made possible by the Bishop’s Action Foundation.
- Funding for this project has also come from several individual donors, the Jobs Research Trust, the Social Innovation Investment Group, and the Tindall Foundation.
- ISBN 978-1-927176-16-0 . The HOW COMMUNITIES HEAL project is a not-for-profit resource that is licensed for distribution under a Creative Commons Attribution-Noncommercial 3.0 New Zealand License creativecommons.org/licenses/by-nc/3.0/nz/

