

# BOLD NEW WORLD

## THE NEW PHILANTHROPY AND ITS IMPERATIVES

Part 2: The Evolution of Philanthropy and Impact Investing

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## THE IDEAL PERSON IN HISTORY

Around 1500 BCE, the unknown authors of India's vast collection of Vedas, or spiritual scriptures, spoke of the importance of charity. Faraway, Confucius, in 500 BCE, spoke of generosity to fellow men as an intrinsic part of a well-functioning society.

Confucius was not in a traditional western sense a religious figure, rather a political and moral scholar who also served as a governor and teacher. His main interests were the ideal state and the skills of statecraft. He did however speak of laws of nature, human and otherwise, in a moral sense. I look upon him as a loftier, more refined precursor to Machiavelli, who in comparison is variously one or two-dimensional.

At about the same time, Socrates too spoke of charity as a poor man, noting that his charity was expressed in giving lessons, thus our Socratic teaching methods, still active and hugely valuable today. In a way obliquely similar to Confucius, Socrates did not view charity as a separate action, but—and this remains a lesson for today—as part of a “whole man” ideal: an individual well-rounded in arts, athletics, learning, giving, interacting.

The word philanthropy comes to us from ancient Greek meaning literally “loving (*phil*) mankind (*anthropos*).” The word and the theory of the “ideal man” was transmuted into ancient Rome as “humanitas”(Latin) from which comes our word humanities, in the sense of broad studies and activities, including a component of giving.

Virtually no religious system on Earth has overlooked the necessity or desirability of charity; whether we speak of ancient Zoroaster, or the modern Baha'i faith, the theme is constant.

And it was Islam which provided the most cogent and directly useful advice not only on charity but clear formats for tithing and especially the conduct of banks; one need not be a believer to appreciate the socio-cultural merit (in its time and place) of such prescriptions. How sad and demented are the times now, wherein a tiny minority of Muslims and Non choose to ignore or distort such texts to create mayhem and reprisal, loathing and fear.

Religions like cities, may rise and fall, wither or change. Yet even if they are fully rejected, their Books remain valuable, if for nothing else, as anthropological tools for the study of our cultures: us.

Of course those followers and transcribers of Christ's words noted many mentions of various forms of charity. Some of these from the Old Testament are characteristic of that more commanding, sometimes harsher book. The following New Testament verse has a delightful, almost modern chime, from 2 Corinthians 9:6-7(NIV):

**“Remember this: whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each of you should give what you have decided in your heart to give, not reluctantly or under compulsion, for God loves a cheerful giver.”**

**2 Corinthians 9:6-7(NIV)**

## DARKNESS AND RE-BIRTH

The fall of Rome brought the Dark Ages and delivered a virtual monopoly (or burden) of charity to the Catholic Church, in tandem with the occasional whims of local and regional leaders.

When the Renaissance, so aptly named, sprung forth, new institutions slowly began to form, and the royalty and aristocracy, now richer, began to partake (somewhat irregularly) in charity along with the Church. Their new wealth came from wider international trade (advances in shipbuilding, cartography, and navigation), the invention of merchant banking (Venice, circa 1450), and early technology such as Gutenberg's press (1439). But such charitable acts were whimsical, aimed most often at art patronage, with occasional nods to the poor. Personal enrichment remained a primary motive. It was a far cry from today's world where orderly structures function with some or much regularity.



*The Death of the Virgin, Caravaggio | Wikimedia Commons*  
Painted around 1640 by Caravaggio, the dark Italian genius, this masterpiece was rejected for “insufficient piety,” by the Catholic Church who commissioned it. It was a tough time for philanthropy a.k.a. patronage in the day. Do you think it sacrilegious? To be fully appreciated, it must be seen in full—it hangs in the Louvre today.

Yet the hardscrabble Middle Ages bequeathed us sublime Romanesque architecture and works by struggling masters such as Giotto and Donatello, and launched a commissioning tradition which extended later to Mozart, Bach, Verdi, and countless others. With a strangling hand, the Catholic Church leant its patronage efforts to painting, while the nobles favored music, apart from egotistical portraits. The dark genius Caravaggio had more than one commissioned painting rejected by the Church for insufficient piety.

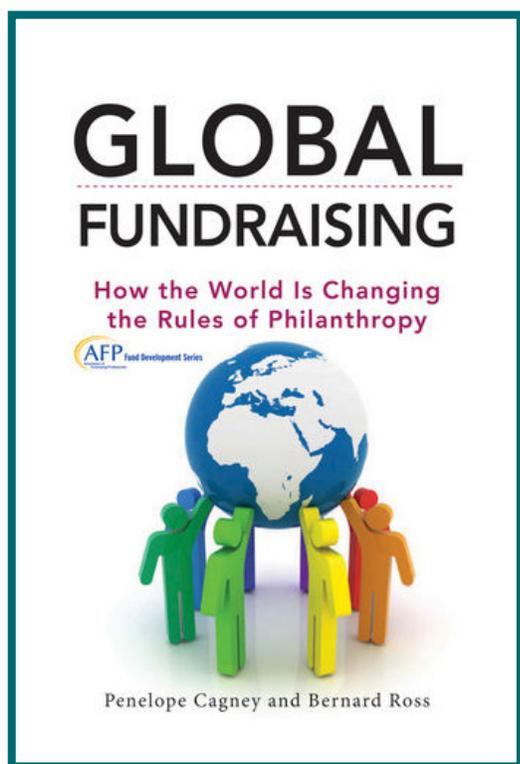
A particularly fascinating example of a Caravaggio reject, “**The Death of the Virgin,**” is actually a masterpiece of the highest order. It hangs in the Louvre today. The large canvas offers nuance, subtle intrigue, and wry apostasy beyond the reach of literature. Or was this just his honest, and then contemporary attempt? There are other such condemned paintings by Caravaggio throughout Italy. It was a tough time for patronage, a byword for philanthropy in the day. How different from our modern entities such as the remarkable MacArthur Foundation<sup>8</sup>!

## MODERN BOOMS

The great booms of the late 19th and early 20th centuries in minerals, railroads, petroleum, early communications (telephone and newspaper companies of large scale) and related share trading unleashed the beginnings of a modern era of philanthropy with names such as Carnegie and Rockefeller at the forefront. As the 20th century dawned, the sheer size of organizations demanded new forms of business management, which led to early governance systems in both philanthropy and business, and provided the roots for our systems in both realms today.

Curiously, the word philanthropy fell out of favor in the second half of the 20th century: it was widely perceived as pedantic and pompous, the province of the remote super-rich, until the 1990s when a rush of new, often younger, web enriched individuals intent on giving back began to innovate and refresh the landscape of charity. They were the early creators of the New Philanthropy. Today the word has been revived and taken on an unprecedented modern shine.

And though my narrative previously has dealt exclusively with the U.S., it is clear that this is a global phenomenon, this New Philanthropy, which involves countries on every continent in multiple and often new ways. A recent book, Global Fundraising, How the World is Changing the Rules of Philanthropy<sup>9</sup>(AFP, 2013) examines, through a variety of knowledgeable authors, every region on earth. Several of them write superbly.



*Book Cover: Global Fundraising | Wiley*  
*One aspect of the New Philanthropy is the increasing numbers of first rate writers and commentators coming on the scene. This book, Global Fundraising (2013) stands as the finest international title yet created on philanthropy and the social sector—worldwide—today. It is rich in cultural, and historical, as well as practical information. We rate it a must read for any leader in the sector. It is discussed both within the essay and the Annotated Bibliography.*

The appearance of such a fine and comparatively exhaustive collection (for this moment in philanthropic history) demonstrates new trends around the world, and the fact, not obvious to some, that sophisticated socially driven *indigenous* foundations and enterprises are nothing new overseas in countries such as China, Russia, across South America and Africa, and elsewhere.

The authors (and editors Penelope Cagney and Bernard Ross) embrace culture, language, and religion.

**They create an holistic view of each region with insight: for this they are endearing.**

They demonstrate the absolute variety of activities to be found around the globe, and most have a keen sense of history, as they need to deal accurately with their subject. As a source of ideas and perspective, this is a must read for anyone in philanthropic leadership.

## IN SEARCH OF A DEFINITION

Thus far we have examined only the surface of new developments, albeit through some of the best current sources. It's time to pin down some clear elements and actions which characterize this so-called New Philanthropy and form a working definition.

This list of aspects is drawn from my own reading and thinking; there is nothing supreme or exclusive about it. Anyone is free to add or subtract from it, and of course, freely debate it. But I stand by it as a well-considered start.

**First though, what is the point of a definition?** I believe it helps us learn and think better about the subject. In this case, a proper definition is really a demonstrative *list* of qualities or undertakings.

A simple sentence or two is not capable of capturing the whole of this kaleidoscope—it is too expansive. It is not like defining a single word but a major multi-sided phenomenon, or a prism with many glancing colored rays, for those of a poetic bent.

## THE NEW PHILANTHROPY DEFINITION LIST

1. It is bigger and more rapidly growing than in the past. For both accuracy and convenience, let's say the last 15 or 20 years. The Waldron-Evans survey shows within the last 18 years that: between 1995 and 2013 the number of registered foundations in the U.S. alone increased from 9,100 to 22,827. The number of (presumably larger) nonprofits increased from 12,665 to 30,113 in the same period.
2. It is not confined to new young enterprises labeled “social entrepreneurship,” or “venture philanthropy,” though some of the principles of these unquestionably influence philanthropy as a whole, and will continue to do so.

**N.B. Some or much of the new wealth earned in the private sector, but now directed to philanthropy, has arisen through collaboration with venture capitalists, who have created in the past 30 years a new business culture. It is unremarkable that many younger entrants to philanthropy are imbued with that spirit, and use its thinking and terminology.**

As regards the venture crowd and their influence, to my knowledge there is no study extant on this, and it would be damnably difficult to pin down these “transfers” of operational mode, but extensive reading repeatedly offers subtle or more pointed examples.

3. Therefore, it may well include larger older foundations; **those which seek to learn and grow.**
4. **There is an emergence of much more emphasis on the private sector principles of Measurement, Innovation, and Leadership, specific to the sector.**
5. There is more robust commentary on the subject as a whole, and much of it is new in its analysis, approach, and subject matter. Novel, committed authors and analysts have arisen. The web has multiplied exponentially the quantity of writing and communication.
6. There is growing in-practice innovation, which will be defined for our terms later in this essay.

7. Methods of, and attitudes about, **talent selection** and **succession planning** receive more attention at board level, but this attention is incipient, and late, in the main.

8. To conclude with an attempt to package all of this neatly:

“The New Philanthropy is characterized by rapid growth and variety within an environment of accelerated competitiveness for funds. It adopts principles of modern business to varying though increasing degrees. It emphasizes mission statements, accountability, and is particularly concerned with measurement. It increasingly values and strives for innovation. It is beginning to grow in flexibility as to talent selection and structure(s).

In essence it is both a response to and a product of today’s environment. This response is made of attitudes, methods, and actions, thus is categorically not limited to new organizations, nor to small ones. It applies across the board.”

**“The social sector is in for a big jolt. We must respond by making a quantum change in the effectiveness and impact of our entire sector.”**

**Mario Morino, Leap of Reason**

## **MEASUREMENT: CAN WE REALLY DO WITHOUT IT?**

I have mentioned Mr. Morino previously, and the role of research in showing the nonprofit *Scared Straight* to be counterproductive. His monograph (technically a book as it contains five essays by other authors), the full title of which is Leap of Reason: Managing to Outcomes In an Era of Scarcity stands as a distinctly modern and major contribution which will resonate for decades.

**It is indispensable.** This volume is all about measurement within the social sector. His writing and reason are clear and direct. Unity within the social sector is one of his concerns, as I mentioned earlier in terms of “no need for a dichotomy.” He also makes salient observations on the importance of individual talent, leadership, and of innovation. He expresses his admiration for and the influence of Peter Drucker, which is, to me, a notably good sign. *Leap of Reason* is exceptionally well organized, with summaries at the end of each chapter and an excellent recommended reading list which is innovatively organized by sub-theme.

A rich benefit of the **online** version (**highly recommended**) is the instant access to dozens of linked websites, examples which illuminate his textual points. In fact he has done some of my work for me. Early on I promised a review of some quality mid-size entities which were “kicking goals.” No better place for exposure to a goodly number of these than his online version—immediate access to expressive websites, carefully chosen by Mr. Morino.

The essayists in Leap of Reason contribute with variation in substance but are largely very good; in a couple of cases one wishes they had written at greater length. It is the only volume devoted totally to the subject of measurement in the social sector, as far as I have been able to discover. Probably in large part sparked by Mr. Morino’s effort, this is destined to grow as a topic of concern and action. He declares, almost angrily, and with typical punch, on the subject of measurement. I paraphrase here: **with all the money, effort, and energy injected into an earnest not-for-profit, who wouldn’t want**

to know precisely what the results and outcomes were?

Exactly right. Is this what is meant as a no-brainer? Mr. Morino is passionate about precision and accurately applied knowledge, a legacy of his professional background. He draws continually on private sector thinking, bound with deep compassion for those in need, though he is not of the weepy sort. No, his voice is tinged more with frustration and occasional anger. And in this way he is one of the strongest voices in the New Philanthropy. He is in favor of rigorous management and measurement, intelligent unsentimental hiring practices which are effective, innovation as a studied process and not just an occasional event, clear goal setting and regular monitoring of those goals. And so on.

In terms of establishing very clear goals he cites Geoff Canada, who he describes as a hero to him, and they share an appealing workmanlike outlook. Mr. Canada is the founder of Harlem Children's Zone (HCZ), and in terms of his goals says, in my rendering: ***We get them out of high school and into college. That's it, that's the yardstick. Nothing else.*** He is very direct and pointed. The goal here is also the measurement tool, at one and the same time. It recalls Henry David Thoreau's admonition: "Simplicity, simplicity."

It's time for a number of organizations—of great good will no doubt—to “fess up.” That maybe measurement as outlined by Mr. Morino has *not* been pursued as thoroughly as it might have been. Then again, let's be fair. This is the New Philanthropy, and measurement in a serious way has not become a lead subject until...well, maybe until just a few years before the advent of this book, (2010) though surely some decent attempts at analysis of results have occurred here and there for decades.

The overriding importance of Leap of Reason is not simply the issue of measurement (its primary topic), but its overall spirit. The undertone, expressed subtly across the book, and in the author's self-descriptions, is a call for **review and modernity in all aspects of the social sector**. And I think because of this it deserves second and third readings (it is not so long) and a determination to put some of the many good ideas into practice.

My one fear about this terse, personal volume has to do much less with the book than with audience perception over time. Because it was developed and written during the immediate aftermath of the Global Financial Crisis (GFC), he stresses regularly the poor state of the economy. “The economy has taken a broadside hit,” he exclaims at one point, as an appeal for his rationale. This reminder is repeated in different ways throughout.

And though he effectively shows how government response to this will impact funding over the long term, I fear some (many?) of his readers will stray from the message as the economy improves. I have no doubt that at least a few, of his constructive suggestions will be viewed as draconian by a number of well established institutions, and probably, with reason, rejected. However, if there is any doubt that the directions discussed here are real and substantial, a fast read of pages 37-39 (timeline of significant events) in Leap of Reason shows through hard historical facts **which way the wind is blowing**.

His call for an ISO type of universal standards rating for the social sector *is* extreme in my mind, having reviewed ISO certification for one of my own companies and concluded the considerable effort (in my case only) outweighed any perceived benefit. As has occurred in the private sector, it might unfairly overshadow some great smaller companies capable of outstanding work and innovation yet deprived of revenue (support, donations, in the social sector), because resources can't cope with the

density and workload of the certification requirements.

But I wouldn't recommend toning down any of it. Mr. Morino may well believe, and rightly, that a strong cry for a leap of reason is better than a lighter approach. He's on the right track and he is an evangelist by personality, after all, with a pedigree extending to co-founder of Venture Philanthropy Partners (VPP) that acted as his publisher, a group also at the forefront of new thinking—and action—in the social sector.

The greatest users and beneficiaries of his book will probably be the newer entrants—some moneyed, some not—and in this way Leap of Reason will impact a new generation significantly at the very least. And I include **individuals and possibly (hopefully) board majorities within large established foundations.**

As a portrayal of the need for private sector thinking in the social sector (indeed far more comprehensively than this piece), it does a superb job, and validates some of my contentions here. It is the closest thing to a manifesto the social sector has thus far produced.

## THREE CHALLENGES POSED BY LEAP OF REASON

I have until now written my broad impressions about the book Leap of Reason with the occasional remark on the author, and its likely actual use. This is a guaranteed recipe for a *terrible* book review. But this is not a book review. It is an attempt to draw support for my thesis for the benefit of the reader. Also to share knowledge which has profoundly affected me, and which I think represents the future. I haven't passed on the *specifics* of Mr. Morino's thinking. This is not due to laziness of mind, but my strategy. I've read Leap of Reason three times, and hope to lure others to take a particularly careful look at it.

**This is one book that should be read and studied. I'm no schoolmarm, just a roll-up-your-sleeves bloke who can feel honest practicality when it grabs me by the neck and the brain!**

And since no one has encapsulated succinct points as well as Mr. Morino, I close by using three short summary quotes from his first chapter "Take home Tweets"—a neat little feature which closes each chapter. These are designed by him to challenge as well as explain. I hope this encourages you to buy the book and read it critically, with a view to potential adoption of some or many of its principles, and pass it on, should you be so inclined. Remember, **please, the online version gives instant link access to a world of examples.**

1. The vast majority of nonprofits have no reliable way to know whether they're on track to deliver what they promise to those they serve.
2. Managing to outcomes means investing in continuous collection and use of information to guide the organization's decisions and operations.
3. **Managing to outcomes requires a significant culture shift within an organization. It is primarily about culture and people—not numbers. (my emphasis)**

In the case of this seminal work, it would be (for me, and for Waldron-Evans), gratifying to receive response about this book, its use, perceived impact, or about my comments here, at [insights@waldronhr.com](mailto:insights@waldronhr.com). It is part of our ongoing study of the New Philanthropy. Thank You.

## IMPACT INVESTORS: PIONEERS OF CHANGE

As we scan the entire social sector vista, we find a number of organizations that are direct outgrowths of classical business philosophy and structure with the addition of social impact goals. They have been labeled “Impact Investors.” These people and their organizations are useful to our review for at least two major reasons.

First, they undoubtedly were amongst the earliest organizations to apply strictly private sector methodologies to achieve socially beneficial outcomes. Whereas their goals aimed at achieving beneficial social impact, the **attainment of profit has always been unabashedly of equal importance**. They unapologetically seek a well-defined profit motive, and utilize traditional management, sales and marketing, and governance systems. Their core ability business-wise is financial analysis combined with capital placement, or investment.

Second, their already great influence, will increase as the social sector diversifies and innovates. Indeed the attitudes and methodologies they introduced—and continue to—will echo and multiply in different forms over time. They can be traced back as early as the 1970s, and as a class are very active, diversifying at speed. The “not invented yet” community of activists and creative entrepreneurs owe a debt to this group of pioneers who lead the way. In many cases the impact investors are a part of the new vanguard. In fact, because of their skills, they seem to be drawn into a wide range of board positions within the social sector.

A brief note on terminology is in order. “Impact Investment” or “Impact Philanthropy” are used in both specific and general senses. Some regard these terms as broad adjectives referring to any organization that is committed to social good and has a well-defined system for achieving results. So the term is used loosely in some commentaries. In this usage, the implications of *how* such an organization performs falls directly in line with the themes of this paper—measurement, strong leadership, innovation, and so forth.

In a more specific, or in my view, proper, sense, the word “impact” categorizes a very specific breed of structures and approaches. The term “clinical” is applicable here, as the original organizations engaged in Impact Investment were almost exclusively fund managers whose work requires great exactitude. This is a long-standing industry of focused sophistication within the private sector.

Funds management as a profession has existed in some form for over a century and a half, at least (pension funds are hardly new). The industry and its methods have grown and diversified hugely since the latter quarter of the 20th century. Hedge funds, as but one recent example, is simply a new twist in a very wide industry, a clever tactical approach to funds management which has been wildly successful. Unfortunately, to date, its practitioners have largely preferred to drive up Manhattan real estate rather than delve into philanthropy.

Fund managers, with whom I have dealt extensively over years (through interviews, friendships, and investing my money with them), are a rarefied lot of generally very talented and specialized professionals. Their strengths lie in analysis, risk management, and the balancing of an immense amount of data and making critical decisions.

It is accurate to say they occupy the top tier of the share and financial instruments trading market; within the industry, the great ones attain a certain “rock star” status. They manage mixed portfolios comprising a large number of different shares or assets so as to minimize risk and maximize return. Though this subject appears dry at least initially to some, the more examination, the more

fascination it yields. Those who excel in it demonstrate a mathematical wizardry combined with superb business and forecasting competencies, along with that ethereal quality: business or financial instinct.

Some years ago, guided by a number of very astute bankers, I accepted their personal investing advice, which went like this: forget doing your own trading. Too hard. How can you possibly compete with a fund manager of excellence, and all of their team's access to data, their skills and experience? In the main you can't. Sure, there are fair, good, and excellent funds, a variation as in any field. But broadly, good fund managers will exceed general market performance year on year. Some funds achieve consistent annual returns in excess of 20%, even 30%, though these would be exceptional.

And, as anywhere, some go broke. Of course maniacally conceived funds comprised of subprime mortgages lay at the heart of the GFC; and there are crooks and idiots, as elsewhere. So there is no magic wand—simply a rigorous and proven business model, successful over many decades. This is all really Investment 101 for any seasoned business person, but I expand this description to aid our primary discussion.

Warren Buffett<sup>10</sup> is the supreme example of such a fund manager, along with his less visible but very intelligent long-term partner Charlie Munger. Berkshire Hathaway, their company, is essentially a strictly for-profit FUND, and his gargantuan—and more importantly, consistent—results are well known. The remarkable Mr. Buffett and Mr. Munger have chosen another pathway to philanthropy, but any examination into funds management, and its close cousin Impact Investment, would of necessity include a review of this pair's business behaviors, and the wide amount of stimulating literature about them.

A final point to make about funds is the immense variety of them. There are hundreds or thousands of flavors: Australia alone has over 7,000 individual funds at work presently. Specialty focal points might include an emphasis on small cap stocks, innovative companies, mixtures within mining, oil, and gas, or any other conceivable blend. The goal remains the same: minimize risk, maximize return.

This is one case where the cliché “an art and a science” actually applies. The science is constant measurement and analysis; the art, that elusive personal inspiration or instinct, a learned talent or gift of nature, or both. Mr. Buffett famously said, “I was hard-wired at birth to make capital placements.”

What is this cousinage or blood relationship between funds management and “Impact Investing?”

They are funds in exactly the same manner. They have generally the same structure, methods, goals, and require the same skilled management, but the impact “cousin” has one special feature.

**This is the addition of socially beneficial investments as *equally weighted criteria* for inclusion in the fund. Both pay dividends (or profits) to investors. The Impact cousin also very expertly chooses businesses to produce social results as well as profits.**

Impact Investing is a perfect embodiment of my overall thesis in this paper: the effective marriage of private sector rigor and social sector aims.

## A SMALL BUT REVOLUTIONARY QUESTION

Initially, imaginative investment managers asked a small but revolutionary question: Can we continue to offer strong returns to investors by including companies which are more mindful of the environment, or which produce products or services which we deem better for the world? The initial driver was environmental, hence their origination within the 1970s, an era of great awakening on that subject.

In Australia, the same concept is employed and is called ethical investing; it has enjoyed great success in attracting shareholders, building companies, earning competitive returns for shareholders, and accomplishing social good. The industry was founded by Australian Ethical Investments, which remains the market leader and has influenced a growing family of like financial operations.

Since the seventies, the entire worldwide category and their markets have expanded, new projects and products created or taken on. This has been a hotbed of creativity in the financial world and its pace has quickened. Three notable activist firms in this field today are Bamboo, Calvert, and Arabella Advisors.

Bamboo Finance bills itself as a Global Private Equity Group, a title with the familiar ring of the private sector. The company hosted an invitation only, elite forum at Davos in January 2013, which involved the Economist newspaper and a tasting session of rare single malt whiskies. In this world there is no anxiety about being wealthy, fully engaged in private sector methodologies, and doing good, all at once.

Bamboo's mode of operation is as I have described above. They maintain and manage three funds. Their Oasis Fund invests in essential goods and services fundamental to quality of life in poorer countries. Oasis (2007), was designed (note please: **designed**)—no doubt with considerable forethought—to impact provision of medical, pharmaceutical, and education availability in lesser-developed nations. So we find its logical investment targets in manufacturers or distributors of health care or learning products.

Bamboo Finance also runs two other funds; a Social Inclusion Fund (2007), which invests in microfinance specifically (see Annotated Bibliography and Muhammed Yunus<sup>5</sup>, Grameen Bank) and Solar for All Fund, which is based on partnerships with two foundations to invest in development of simple solar technologies applicable to remote or off-grid locations. And in this latter fund one sees a move into simple Jugaad technology, a newly defined innovation term to be discussed further on under Innovation. The funds range in size from \$195 to \$250 million U.S. dollars, small in a worldwide industry estimated in total (all funds of any description) at over \$80 trillion, but significant for the beneficiaries, and a reasonable start.

Calvert Investments, founded in 1976, is an example with a slightly different history. Whereas Bamboo was created from the beginning as a full Impact Investment firm, Calvert has evolved from a traditional platform of for-profit only funds management to include a minority of funds within their total group that offer eco-friendly and social impact funds. Given their age, this is not surprising. As well, it is a comfort for investors to know that the foundations of a firm lie in decades of successful returns on investments derived from purely commercial funds management—a history of expertise is on display. Across the 1990s the firm began a progressive movement toward socially responsible investment (SRI), leading to its status as one of the largest such firms in the U.S. today.

One of the primary catalysts for this enlarged and enlightened orientation was the entrance in 1997



© Brücke-Osteuropa | Wikimedia Commons  
 Bamboo Finance's work extends to solar for all. The yurt above, a traditional Mongolian nomadic structure, benefits from a light transportable solar device: Jugaad technology, and the small is beautiful concept at work, described later in this essay. Notably, the exterior fabric is also new-tech, replacing traditional use of animal hides.

of Barbara Krumsiek as CEO and President. Her solid private sector background coupled with a large basket of socially oriented causes and activities led to her nomination as one of Washington, D.C.'s 100 most powerful women. Ms. Krumsiek has guided the firm into involvement with the UN Global Compact (an agreement to encourage for-profit business to engage on social problems) and to an attractive partnership with the Ford and MacArthur Foundations aimed at microfinance. As well, new impact funds have been created.

Calvert's essential, if not only value to the individual investor is a combination of rigorous fund management and investment products with social impact

as the target. Here is a superb blend of the traditional and the new, achieved with careful stewardship. The new can be found in the rollout of SRI products; the old is evident in their constantly updated daily, even hourly reports on performance of each fund. Note that some of their funds have run year-to-date at double digit increases, the kind of proof any investor wants.

## ARABELLA: Creativity<sup>2</sup> + $\mathcal{E}$ x \$ = (S) Impact

(where  $\mathcal{E}$  is human energy and imagination, and (S) is social)

Arabella Advisors are not fund managers as the two above. They pertain to this exploration, though, as they may direct clients to Bamboo Finance or Calvert Investments, or a large list of others. And for many other reasons, including their striking versatility.

"Advisors" is the key word here, as Arabella comprises yet another creative variation in the burgeoning field of social impact work. Their staff of 60 in four cities holds an enticing range of skills and interests, though appropriate business and financial capabilities are widely present.

The company advises on strategy and tactics (two more private sector words which emerge ever more frequently in the social sector) to high net worth individuals, families, organizations, and corporations. Theirs is surely stimulating intellectual work: each case is different.

Their work broadly fits a simple description of my making: to evaluate impact desires and goals, analyze possibilities and models, recommend approaches and structures so as to fine-tune goals, and maximize outcome for clients and beneficiaries. The beneficiaries are the decided-upon recipients of their impact work: disadvantaged children who receive improved education, endangered species...the list is potentially endless. Thus informed creativity is a hallmark of the firm. Of course there is much more to it, undoubtedly.

For example, a large family reconstructed their impact portfolio, according to revised thinking and changing opportunities, with Arabella's hands-on assistance. Another client, Hyatt Corporation, structured a nonprofit to assist property agents and dealers specifically, a professional group closely allied to their core business. Other missions have been of a design-from-the-ground-up nature.

Currently amongst many positions being filled at Arabella is one for the Bill and Melinda Gates Foundation, a requirement to co-ordinate an important new program with emphasis on providing advocacy and driving a Research and Development effort. Their positions list suggests that Arabella is flowering and reaches now into evermore varied and exciting territories.

Arabella also runs a continuous tracking system which addresses both financial performance and social impact across asset classes *and issue areas* (my emphasis). Is there greater proof of the compatibility of commercial and social impact criteria—in this case modeled together?

Arabella appears to have the flexibility and the desire to regularly create new solutions. They help clients conceptualize new launches and measurement systems, emphasize innovation and change management, and develop the new to order. Another standout feature is their emphasis on training clients as to the more rudimentary possibilities of monetary allocation (funds, perhaps) to the creation of a mutually developed business plan and vision.

Whereas fund managers have always presented learning/teaching capabilities for clients, it is one area I have found uniformly deficient within traditional fund managers. In truth and in fairness, most Fund Managers appear ill-structured for actual knowledge transfer or teaching of depth. It isn't really their business, nor is it their strength. Arabella, with its different people, structure, and approaches, seems to have successfully tackled this area; it is put forth as one of their primary skill areas. A closer examination of their methodologies in teaching and training clients would at some point be worthwhile.

The biographies of their staff reveal an eclectic group suggestive of cross-sectoral expertise and powerful brainstorming sessions.

Bruce Boyd, Managing Director, along with a substantial background in private sector work, performed for **The Nature Conservancy** for many years as an outside interest. He also sits on the board of the Environmental Grantmakers Association.

Indeed, many of the staff have a number of extracurricular projects and affiliations moving forward simultaneous to their core jobs. And a rare diversity of educational and background experience, from psychology, sociology, media, and others.

Founder Eric Kessler sits on many boards, beyond those of Arabella's clients, amongst which is the alluring James Beard Foundation, and Chefs Action Network. Who says renaissance men are not ideal for his sort of work? Mr. Kessler is co-owner of three restaurants of distinction, and on another plane, co-founder of the Center for Disaster Philanthropy, and is a member of the Clinton Global Initiative and The Bretton Woods Committee.

Early on he had the enviable position of training civic and political groups on organizational strategies and advising their donors—in the former Soviet Union, Middle East, and South East Asia.

Arabella Advisors epitomizes the upsurge of creativity in the sector today, this blend of the practical and the visionary, with an uncommon posture as to skills mix. Should Dr. Gary Hamel one day address innovative business models (see Annotated Bibliography) in the social sector, this organization calls

for his penetrating eye.

## INNOVATION

One of the reasons that the word “innovation” may have confused, or frightened some leaders in the social sector—as elsewhere—is that its popular origins, some 50 or more years ago, were confined primarily to technology research, and were associated with laboratories, white coats, scientists, and highly specialized work. This was true, and remains so today—in part. Over the past 20 years or so, though, the business community has seized upon the word and associated concepts so as to apply THEM to virtually any department within a company—whether HR, logistics, marketing or others; it has become a business concept, transcending its original strictly technical definition and relevance. It has broadened, very widely, in definition and in practice. Of course, the original pursuit continues as well in companies from Microsoft to Gore-Tex to Hewlett Packard.

**Innovation** has become one of those words of which too much has been asked, had too much heaped upon it. In a similar case, we have altogether lost the word “awesome” (for at least another 20 years), which used to mean something truly powerful and now is used to describe...well, anything, including the appearance of a new candy bar. The word innovation fortunately still has some potency if it is defined properly in terms of each organization’s particulars.<sup>11</sup>

My goals in this entry are to give the social sector reader an idea as to what has occurred in the private sector under the heading of Innovation—to provide a working definition for the social sector and to demystify the concept and show how it can be applied sensibly without huge effort—to make it less daunting.

I have many personal definitions of innovation, because I think it is paramount that **each organization work out an applicable definition for its particular objectives** as an important exercise, with specifics. It is not unlike working out a mission statement for the social sector (about which Peter Drucker has written so pointedly).

## IN SEARCH OF A USABLE DEFINITION FOR THE SOCIAL SECTOR

There are, then, about a dozen *basic* definitions of innovation, and myriad individualized ones. The word has actually been around at least a century, though it has earned constant usage—and large-scale private sector engagement—in about the same period we assign to the New Philanthropy (the last 15-20 years). It is useful to observe that serious productivity measurement also started about this time, and this is something that has become a continual operational tool in any good business, and as a government macro-management tool. The two have been said by a number of economic and statistical experts to be closely related. No surprise.

Peter Drucker<sup>12</sup> in his important book Managing the Nonprofit Organization (1990) uses the word to describe a leadership style. This is correct in the context of his book (which is very well worth reading), and an indication as to how widely the word can be used—sometimes obscuring its **core meanings current today**.

Others refer to it as a system of one kind or another. Various strands of innovation have come about, such as eco-innovation. About six or seven years ago the term *social innovation* popped up. I asked many people what they thought it meant. Some pointed to government reform, which made little sense to me. No one was actually sure, though some mentioned vaguely that it had to do with social programs, which might refer to the social sector. For our purposes let's just use the word innovation and work with it in terms of the social sector.

Creativity, new ideas, group discussions may all be *ingredients* for starting innovation, but they do not by themselves comprise a proper definition. Innovation should not be seen as overly complex, but it is made up of various actions and fundamentals; it needs to be approached in a methodical way, with an eye to continuity.

An acquaintance with Dr. Edward de Bono's<sup>13</sup> first and most famous book Lateral Thinking is certainly recommended. It can aid in the act of innovation as can a number of his other titles. His Six Thinking Hats book and program system for debate, discussion, and the management of board table politics and decision making is ingenious, and in the right hands, potentially highly effective.

When I published an article by him some years ago, a client said, "but he is yesterday's man." I responded that was a little like calling Edison yesterday's man, though it is easier to teach people to switch on a light than to help them think.

**To form a simple working definition specifically for the social sector I posit the following:**

Social sector innovation is any well-defined **system** developed to improve an outcome in an enterprise. Improvement can take many forms. A **system** means that it becomes a **permanent** if evolving activity made up of numerous people inputs within the organization. It may be based on entirely new ideas, but just as often it can be based on improving existing ones. Collaboration internally and/or externally is essential. The goal is to create a system or new product which is proven by its performance. **Performance** is determined only by success. This can be a **successful** new product or service, improvement of one already in place, better margins, or any efficiency which serves the organization. Whichever, it **must be measured** and proven; otherwise it's just a failed or insufficiently understood idea.

This is very general, and deliberately so. As mentioned above, an individualized definition should be created through collaboration, but **driven from the top**, to suit each particular social sector organization.

To make the process both easy and fun, motivational for staff, and to avoid taking on too much, I suggest an enterprise start with a single recognized problem or opportunity—to define it and then fashion a definition or a specific mission statement about an innovation issue to address an agreed-upon objective. The issue might be fundraising, brand building, or improvement of service delivery.

It is very important that an organization start simply and decide jointly on a first focal point within the organization. This can lead to enthusiasm and group input. This is why so much successful innovation is driven initially from the top. **Driven but not dominated—it should be inclusive.**

Two of the key words (based on much research in the private sector) are "**collaborative**" and "**system.**" A group of relevant individuals, which would vary in each case should be involved; in some circumstances the entire team should be encouraged to engage.

The creation of a "system" means that something has actually been put in place that forms a

regular activity or group of activities. A one-off event is not really innovation, though it may be a beginning step. **Results must be achieved for it to deserve the title “innovation.”** This also means monitoring or measurement—it is clearly important to assess whether it is working.

The best starting point may well be asking questions about the organization. “What can we improve most, and with least effort?” makes for a logical commencement.

**Perhaps this will involve surveying the recipients of the services offered by the philanthropy.** Maybe the goal is to improve cost control.

Or to identify enterprise goals which are perceived to be less important. Maybe these tasks, on inspection, are seen to reduce effectiveness and absorb funds better used elsewhere. This may lead to a narrowing of energies, but more positive results in crucial areas.

*The Waldron-Evans survey is a good example of an effective innovation. It involved collaboration with another suitable organization, it sought new practical knowledge, it was cost-effective. Most of all, it provides usable information to improve function and service for both organizations, and potentially the entire social sector, thus presumed measurable impact. But its impact must be monitored and recorded for the sake of improvement. And as a process it must continue.*

For innovation in the social sector to occur, I would recommend a top driven session perhaps preceded by a suggestion box offering, where individuals can (anonymously or not) write suggestions for review. Though innovation seems to work best when top driven, (specific staff) **members have invaluable firsthand knowledge** about particular aspects of the enterprise. Thus collaboration is essential, and often this occurs outside the organization as well as within.

## ALLIANCES WORK

For several years, I had a close association with InnovationXchange based in Melbourne. This nonprofit specialized in creating working alliances amongst large and small companies. Groups of four or five suitable partners were selected for each innovation unit. Each group, for an annual fee, received one day a week of intense group consultation with regular nominees from each company. The goal was interaction as a lead-in to sharing ideas and implementing an innovation, which would not occur without an alliance. This mix of skills approach performed very well.

Generally after a few months, a concrete idea for a new product or service would emerge. Within a year or so, actual manufacture or other forward movement would commence. Among the most fruitful outcomes was an alliance between a major state rail (train) operation and a smaller technology company. Together they developed new rail safety products with international sales potential.

Carefully planned alliances work to generate innovation. This approach relates to my comment on the Ford Foundation’s potential to work with some of the younger groups. As expressed by Arianna Huffington in a discussion panel, it is a question of putting wisdom and innovation together. And we see this to a major degree in Jeffrey Skoll’s remarkable Participant Media, to be visited shortly: collaborative projects worldwide are created on a regular basis.

Professor Richard Florida<sup>14</sup>, author of *Rise of the Creative Class* (2002) and other books, an urban planner and social philosopher known for his highly innovative statistical measurements of “people

types” and the cities they choose to live in, is one of America’s most stimulating commentators, and one of my personal favorite social writers. He gives us another expression of this idea:

**“So an important shift is occurring in the way we think about innovation. Human beings are particularly good at something much broader than innovation, something I just call creativity. And what you’re talking about is mobilizing this continuous creativity across the organization and looking for it outside the organization.”**

**Dr. Richard Florida**

## **PRIVATE VS. SOCIAL SECTOR INNOVATION**

There is no doubt that the private sector has grappled with innovation as an instrument for competitive advantage to a vastly greater degree than the social sector. The sheer quantity of literature and studies performed by the private sector attest to this. My purpose here is to share some of the sophistication of the private sector’s work. Most of all I do not want the nonprofit sector to be daunted. Creating a culture of innovation is a long-term affair. No nonprofit should feel that innovation is not applicable, nor that it is too difficult.

If there is any agreement that private sector methods may apply fruitfully to the social sector, then an understanding of what has occurred in for-profit organizations, often driven by tremendous competitive pressure, is essential, at least on a cursory level.

This can be accomplished by reading a couple of good books on the subject, as a start. There is a wide choice. Professor Gary Hamel is at the forefront, but he is not alone. Peter Drucker wrote Innovation and Entrepreneurship (1985), and his great sympathy for and understanding of the nonprofit sector is well known.

To my knowledge however, no one has written an innovation book specifically aimed at the social sector. Even Peter C. Brinckerhoff’s<sup>15</sup> practical volume Social Entrepreneurship (2000) gives the subject of innovation only half a page, in very general terms, assuming as so many do that everyone knows what innovation really is, and knows how to create, measure, and sustain it.

## **PRIVATE SECTOR INNOVATION: MODELS FOR THOUGHT IN THE SOCIAL SECTOR**

So any move into innovation in the social sector must begin with at least a superficial review of the private sector activities in this arena. Many are advanced and complex, but this should not discourage the social sector leader. Remember, these companies have been working at it hard for 20 years or more. My only goal is to encourage social sector leaders to put it on the agenda, if it is not there already, and self-educate as necessary.

In late 2007 I convinced IBM to produce a book based on their Global CEO survey, an annual

undertaking by that company with different themes each year. IBM has the reach and the muscle to produce world-class surveys which are very well done, and eagerly awaited by executives around the world each year.

In this case, 2007 was the year of an IBM “**Global Survey on Innovation,**” based on 765 lengthy CEO interviews in 13 countries, including India and China. IBM had produced what in my mind was a rather limited brochure (they do this purely as a service) and I insisted that the depth and importance of the survey deserved much more exposition.

As I have found in two separate instances of collaboration with IBM (one technology based and this publishing example), they are uncommonly cooperative, generous, and receptive to new ideas. They crave innovation and have built it into the company’s structure. This project was quickly adopted, and published as a Fast Thinking book, Rethinking Innovation: Insights from the World’s Leading CEOs. I acted as editor-in-chief.

The first sentence of the introduction I believe applies to the social and public sectors as much to the private, if in different ways:

**“INNOVATION IS THE CENTRAL PILLAR FOR CORPORATE GROWTH IN THE 21st CENTURY.”**

In the **IBM/Fast Thinking** book, there are some crisp definitions pertaining to the private sector that are helpful. These identify specific areas which can receive attention, at least for initial thinking. The book breaks up innovative thinking into “compartments” which may be useful for social sector leaders to examine efforts within their own organizations.

- **Organizational**—structures, methods of intra-communication, collaboration.
- **Business Model Formation**—building in processes and accountability from the start or adaptations along the way.
- **Operational**—the balance of a business structure’s efficiency and effectiveness while driving continuous innovation throughout an extended enterprise.
- **Product or Service**—an analysis of these in terms of competition, and ways for improvement.
- **Technology**—in the social sector this category would most often apply to data collection and measurement, thus IT infrastructure and the people directly involved.

Another quote from the book comes from Rupert Murdoch, who remains controversial, though as a lifelong practical innovator and with a record of some stupendous business achievements, he is still going very strong at age 82 as of this writing. Having just split his company in two—basically film (healthy) and newspapers (presumed dying by most)—his self-assigned *personal* task is to reinvent newspapers and drive them back to profitability. That will certainly take some innovation!

**“The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.”**

**Rupert Murdoch, CEO and Chairman, News Corporation**

Though “beating” is not coded into the social sector DNA, the challenges ahead require a competitive—or call it diligent—spirit and method. In this way Mr. Murdoch’s words offer encouragement, especially to social sector start-ups or any philanthropic organization seeking self-improvement.

Another pointed quote, full of the underlying spirit that drives innovation in the private sector, comes from one of the world’s great companies, Toyota. One of the reasons it is great is that Toyota has continually sought to encourage creativity throughout the company, by everyone within it and also its customers. And then applied this knowledge rigorously. Dr. Florida also propounds this view on harnessing creativity across an entire company.

If one believes the social sector is destined and determined to do ever greater work in the future, as I do, then these words should both inform and inspire:

**“Everyone should be dissatisfied with the present situation...that’s what needs to be recognized by every individual. When you’re growing you’re satisfied with the status quo and that’s no good.”**

**Katsuai Watanabe, President, Toyota**

One finds increasing demonstrations of innovation within the social sector. I refer to six examples (of hundreds current today), which have impressed me. The first is Jeffrey Skoll’s Participant Media (PM), which produces films with broad appeal such as “Charlie Wilson’s War,” “Syriana,” and Al Gore’s “An Inconvenient Truth.”

Yet the guiding innovation principle is that all films produced are aimed to create social awareness, to teach and inspire audiences about real and vital concerns.

PM creates deeply exciting, entertaining films which project social and cultural values, important historical perspectives (Brown vs. Board of Education, the Supreme Court case on segregation in schools), and analysis of serious national and global problems.

They have done this without **sacrificing a single degree of acting or production value**. PM is neither preachy nor didactic. They have won an Academy Award, and have had many nominations. The seamless marriage of high quality filmmaking with social messages is itself a superior innovation, a balancing act of rare proportions.

What’s to observe here? A lot of self-education by Mr. Skoll who sought advice widely from, amongst others, the President of Columbia Pictures, later head of Sony Entertainment. Vast networking. Intense collaboration. From these, other innovations naturally flowed. Such things as alliances with activist groups for promotion not only of the films themselves, but the ideas that drive them. Thus the conception of a film not just as an actor’s triumph or money-maker (both good), **but as an orchestrated and ongoing social campaign**.

A unique aspect of this intense and expansive work—which has grown to include book publishing and cable TV—is that like it or not, PM is judged not only by social sector criteria of impact, but naturally by the media and Hollywood *as to its business performance*. **Probably no other social business is subjected—automatically—to as much private sector performance scrutiny.**

After some typical cases of “development hell” as filmland calls it, and some box office disappointment (also utterly typical of the industry) in 2011, after seven years of operation a New York Times article cited that “*the company was performing slightly above the median*” for the industry as a whole. Mr. Skoll remains ready to inject much more. It appears he is on the road, partly through intelligent diversification and international collaboration, to building a self-sustaining entity.

## ART, FUN, AND LOW OVERHEADS

Actor Leonardo DiCaprio recently hosted an art auction for charity. He intelligently leveraged his screen fame and apparent love of painting into a very efficient auction, which succeeded in raising money *and* served to promote worthy if lesser-known artists, some of whom gained much needed exposure, and record prices. He nominated a specific objective and beneficiary: preservation of wild spaces for endangered species. He did not create, but possibly enhanced, and certainly restated, a model that can be repeated by others.

Some will say this activity is common; philanthropic art auctions are, indeed. But the principles are attractive and can be applied elsewhere in different ways. Mr. DiCaprio has combined high efficiency (with two beneficiaries) and collaboration with many parties, including the media. This demonstrates the value of collaboration in innovation: it doesn’t have to be difficult. It can be fun. And though I do not know the specifics, this was likely accomplished with *very little money, only cooperation*.

These two examples come from the glamorous side of life, but the principles of personal education (art, film-making), collaboration, networking, engagement of appropriate talent, and passion for results are all transferable features of innovation applicable to the social sector. Think about transference, with reference to Dr. de Bono!

Here’s another from the grittier side of life, in no way less impressive. To me, more so, as the leader in this case took on an intractable, tough objective, one which had long ago been sidelined by politicians. He tackled deep cyclical inner-city poverty in the Twin Cities. His name is Steve Rothchild<sup>6</sup>, formerly a senior executive at General Mills, on an upward trajectory. He left, founded *Twin Cities RISE!*, and later wrote a book The Non Nonprofit: For-Profit Thinking for Nonprofit Success (2012).

The book’s recurring theme is the applicability of private sector methodologies to the social sector. It stands as one of the recent treasures in this category, rich in practical example. And from a great deal of practical experimentation in Mr. Rothchild’s case, innovations have resulted. He updates an old axiom: “*Necessity is the Mother of Innovation.*” What are his?

- He codified a “**Seven Principles**” framework which is in fact a full-blooded system for nonprofit operations. Adherence to these principles can only result in innovation.
- He introduced, or better defined than anyone, a vital idea in Principle Six: “**Create Economic Value from Social Benefit.**” His take on economic analyses lead inevitably to innovation in fund-raising and the finance of social sector enterprises.
- He continually reads and asks questions and studies. None of these are innovation in themselves. Yet the methods to his thinking, which must be read to be fully appreciated, *inexorably lead to the formation of innovative thinking.*

- Specific innovations at RISE! include but are not limited to: training in personal accountability, creating an Empowerment Institute to earn money within *a separate but related entity* that markets their empowerment training to *customers outside the purview of the RISE! mission itself*.
- Formulation of an accountability and empowerment ethos—a specific innovation needed in the circumstances of RISE!—derived from examination of a problem area. A classic example of practical combination of two factors to solve a problem; (Dr. de Bono again—see Annotated Bibliography) and
- Constant collaboration, in one case with psychologists delving into Cognitive Behavior Therapy, to produce a model of a person’s belief systems so as to work with and help them grow. This is called the *Empowerment Framework, and it is not arcane. Purely practical*.
- There are many more innovations of this sort...you need only order the book.

In Seattle Joseph Diehl has leveraged his Accounting and Law degrees in the philanthropic sector across many organizations over the past twenty years. Formerly he held a corporate job with high pay but dwindling satisfaction. He chose some of the toughest and most neglected areas (HIV/AIDS for People of Color and inner city housing) across his wide social sector career. He offers his services free or at very low cost from a nonprofit he founded to a wide and varied group—an innovative business model which maximized his outreach. He is thus CEO, guide, accountant, lawyer, chairman, and all-around helper to a wide number of fledgling groups. At one point he had at least a dozen clients. He slept little. And innovation of necessity has been a regular tool in his hands.

Mr. Diehl exhibits both innovative sales-of-services and collaboration in his comments here:

“Nonprofits negotiate with the for-profit sector to provide specific services, for which they are very accomplished at doing. For example, I serve as the president of a nonprofit organization known as Digital Promise. Its mission is to support computer learning centers in low income, subsidized housing. Low income residents do not have the funds to purchase a computer—let alone, connect to the internet. So we help owners and managers of these buildings, to set aside space to create a computer learning center. **We decided that our organization could not survive on donations alone; so we entered into a contract with the Seattle Housing Authority** to manage two of their existing computer centers. While the contract is small (\$50,000 per year), it does provide us with a steady cash flow and experience-building in the area of our expertise.” (my emphasis)

Amidst the steeped charm of Melbourne sits a large building called Kindness House, which encloses one of the many innovative activities of the Winsome Constance Kindness Foundation, created by an Indian/Australian former banker, now philanthropist, Philip Wollen. Kindness House is an “incubator” (another venture capitalist term) for NGOs primarily focused on the goal and vision created by Mr. Wollen. Its objective is spiritual and sweeping:

**“To promote kindness towards all other living beings and enshrine it as a recognizable trait in the Australian character and consciousness.”**

**Philip Wollen, Founder, Constance Winsome Kindness**

His mission statement however shows a banker's practicality, with clear focus on defined objectives: prevention of cruelty to animals, children's education, and care of the environment. The innovation here is the establishment of an incubator, which provides capital and support—in some cases simply an operational infrastructure—for new social ventures. Certainly there is intense if informal collaboration occurring naturally here.

Mr. Wollen prefers to attract small energetic efforts with the potential to “punch above their weight.” The mix of present incubator members exhibit a wide variety: Australian Student Environmental Network, Peace Brigades, Artists for Kid's Culture, and Greenpeace (the latter serving as a kind of mentor, one imagines, from its long experience of struggle and dramatic clashes). “We want to assist organizations which can do what we cannot,” he explains, and his creation of a “first step” assistance, now measured or proven in many instances, is surely an innovation without which some very good ideas might have lain dormant, possibly forever.

Like philanthropy, innovation is neither a fad nor a trend. As in the case of productivity measurement it has become an ingrained if evolving constant in the private sector, and increasingly within the nonprofit universe. In addition, in the last decade we can observe new hybrid business models (yes, business) designed for charitable ends which place innovation at the center of the plan from day one, clearly another influence of our venture capital era. So the term social business has arisen to describe these new forms. Many like Mr. Wollen's are innovative through and through. So whichever social sector aim we consider, of this we can all be absolutely sure: innovation will continue apace. Those who ignore it will be left behind.

## SMALL IS BEAUTIFUL—IMPROVISATION GIVES AMAZING FRUIT!

In 1975, I was working in a developing country as an urban planner and was strongly influenced by an important book by economist E.F. Schumacher, Small is Beautiful: A Study of Economics as if People Mattered (1973). His theories speak eloquently and originally about innovation systems in developing countries, and equally have relevance in the developed world. He denied the need for and success of many large expensive projects (usually aid driven) in addressing economic problems in what was then called the Third World. He dwelt on small low-cost “**appropriate technology**” such as individual home generators or simple village water purification systems.

Dr. Schumacher also with clear common sense spoke of—his term—Buddhist economics, basically the idea that simple solutions which perform and require less money and toil are preferable in a lifestyle which favors more time for artistic or pleasurable ventures, as opposed to consumption as an ultimate purpose in life. His impact has carried on over the forty years since the book's publication.

Recently in India, I was drawn to a teeming bookstore with stacks of a new volume titled Jugaad Innovation (2012) by Simone Ahuja, Jaideep Prabhu, and Navi Radjou, which I read immediately. Clearly they have been influenced by Dr. Schumacher (though make no mention) in producing what has rapidly become a very well received and reviewed volume. Very quickly they have attracted global attention. Their considerable research as economists and sociologists has led to an espousal of improvisation as a cornerstone of simple but effective innovation, particularly within low income environments.

The authors cite an ingenious \$50 dollar refrigerator, self-powered, developed in a remote Indian

village and now widely available. Jugaad, the name, is taken from homemade jalopies common in India. Their approach is not top down, but bottom up. Frugality as an imposed condition is also seen as a virtue, a driver of creativity and invention. As in Dr. Schumacher's work, many principles are relevant to thinking in large corporations and developed countries.

These two examples illustrate the breadth of possible innovative thinking: simple practicality, ground up, small scale, ingenuity. Implicit too in their work are solutions pertinent to problems examined in Dead Aid, the application of Lateral Thinking, Bamboo Finance's Solar For All Fund, Dr. Florida's call for creativity mobilization, widely, and in Dr. Schumacher's case, the worth of religious precepts to the examination of socio-economic issues. Innovation, as we see here, is boundless yet very tangible.

And the world of ideas is interconnected in often surprising ways! Such is innovation.

*In the first and second chapters of BOLD NEW WORLD we covered a range of ideas and authors within the social sector, including lively debates, Innovation, Measurement and Talent; we looked at Lucy Bernholz's new economy model, met with Warren Buffett, criticized the media, examined Dambisa Moyo and her Dead Aid book, and much more. In part three we tackle two of the biggest subjects—Leadership with the great Peter Drucker, the FUTURE OF THE SECTOR AS A WHOLE, and its promise to transform capitalism itself.*

## ANNOTATED BIBLIOGRAPHY

The following is meant to highlight and expand on some individuals and occurrences noted, not in specific relation to, or delineation of, a single point made within the essay. It is meant as a reading and comment list for further thought. It is my hope that readers will send their own reading contributions and recommendations, and indeed their responses to ideas within the piece; or their own freewheeling riffs on any subject of relevance. Certainly I have engaged in a few riffs here, but that's just an assumption that the readers are innately curious, and do not mind a bit of related, if extra-curricular, fact and opinion.

1. **ANDY GROVE.** My reference to Mr. Grove pertained to his book Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company (1996), a lively and pertinent management book. Among his many quotable remarks is: “*Success breeds complacency. Complacency breeds failure. Only the paranoid survive.*” Mr. Grove was a Hungarian refugee arriving in the U.S. at age 20, with a passion for learning. He was Intel’s third employee and rose to be CEO for two decades, responsible for immense growth—stock gains of 2,400%. His 1967 book Physics and Technology of Semiconductor Devices is still used in leading universities. Steve Jobs, along with many of his generation, looked upon him as a hero for his business and technological acumen, and status as a founder of Silicon Valley. He wrote other books of note.
2. **JIM COLLINS.** Jim Collins was a hugely popular professor of business at Stanford before returning to his home state of Colorado to found an institute, and remains very active today on the lecture and advisory circuit. His website offers a number of short, often penetrating, usually amusing (he’s big on body language) video clips on various subjects, including his passionate riff on the value of the paranoid neurotic personality in business. It is unknown but possible that he borrowed Andy Grove’s inspiration. His Good to Great: Why Some Companies Make the Leap...And Others Don’t business book is widely popular today and referenced by many, including Mario Morino.
3. **GARY HAMEL.** Gary Hamel is an American professor of business, located since 1983 at the London Business School. In 2012, he was named by the Wall Street Journal the “World’s most influential business thinker”. He has consulted with numerous Fortune 100 companies and written a number of books. He is also the highest reprinted Harvard Business Review author, due to articles such as “**Waking up IBM.**” Innovation has been one of the cornerstones of his work. I attended a full day seminar which he led, based on his then current book The Future of Management (2007) which dealt extensively with innovative business structures, and found him a quietly dynamic presenter of considerable depth. The chapter devoted to the W.L. Gore Company, which invented Gore-tex amongst many other items and patents, is particularly fascinating. The company can allow and afford—or in their rarefied creative atmosphere, not afford NOT—to encourage talented employees to work with absolute freedom on anything they choose, in many cases. This is very similar to the program of the Santa Fe Institute, which harbors Nobel Laureates only, permitting them to work on anything they want, often outside their field (e.g. a biochemist studying the origins of human language). Dr. Hamel, as indicated in the essay, is essential reading for those wishing to delve into innovation within management.
4. **LUCY BERNHOLZ.** Lucy Bernholz is among the most prominent voices in the New Philanthropy. She describes herself as a “philanthropy wonk,” and is the writer/owner of Philanthropy 2173 (a regular free e-blog), an author, consultant, and visiting scholar at the Stanford University Center on Philanthropy and Civil Society, and a Fellow of the Hybrid Reality Institute. She is a board

member on several national and international philanthropic organizations. Clearly she is a futurist, judging from the title of her book Creating Philanthropic Capital Markets: The Deliberate Evolution which I look forward to reading and commenting upon at another time. Her blog is a rapid-fire commentary on a wide variety of interrelated subjects surrounding philanthropy. It is unique in its content and perspective primarily for its sheer variety and pep! I thank her for providing the “Not Invented Yet” category, which played an obvious inspirational role in this essay.

5. **MUHAMMED YUNUS.** Muhammed Yunus was born in then East Pakistan, now Bangladesh, and studied economics, ultimately earning a Ph.D. at Vanderbilt University. After teaching economics and building a successful packaging business, displaying hands-on commercial acumen, he founded Grameen Bank and developed the concept of microfinance, which has largely proven to be an outstanding success. Given that this model was based on making loans to the very poor, he struggled initially for several years to convince established banks to cooperate, finally breaking through and proving that the poor were very reliable in their repayments. Grameen has spread its own operations and influenced many other similar programs around the world. In 2006 Yunus was awarded the Nobel Peace Prize. In addition to Banker to the Poor: Micro-Lending and the Battle Against World Poverty mentioned in the essay, his two subsequent books exhibit both his own and the social sector’s evolution. These are Creating a World Without Poverty: Social Business and the Future of Capitalism and Building Social Business: The New Kind of Capitalism that Serves Humanity’s Most Pressing Needs. He stands unquestionably among the greatest and most innovative drivers of practical philanthropy in the 20th and early 21st centuries. Due to overtly political motives (he once considered creating a political party and naturally had enemies) he was progressively driven out of Grameen and displayed only gracious concern for the bank’s welfare during his dénouement. He remains active as a writer and in other capacities.
6. **STANFORD SOCIAL INNOVATION REVIEW (SSIR).** As a professional editor and founder of numerous print and other media outlets, a magazine junkie of the first water, I cannot praise SSIR more highly. Among many other things, it proves that it is still possible to produce and apparently sell successfully very high quality commentary in our refashioned (distorted, if enhanced and enlarged) web world.

A quarterly magazine accompanied by a website, online newsletter, blogs, and other features, it was founded in 2003 by a division of the Stanford Business School (SBS). Its concerns range widely, but in proportion, across the social sector, and it is not in any sense a “business” magazine, in spite of its origins. Apart from its rigor when business analysis is brought to a subject. Articles appear each quarter on topics such as foreign aid, developments within environmental legislation, human rights, measurement in the sector, role of government, and importantly, new trends, developments, and styles of operation. In this latter category, its connection with the SBS is no doubt helpful. SSIR has won many awards. When compared against most of the offerings on the social sector, online or off, it is clear that a commitment to quality expression, good editing, choice of pertinent ideas, accent on innovation, choice of informed writers and above all, a reliably high respect for facts and the ordered argument, set it atop the Mount Olympus of social sector writing today. It is inconceivable that anyone seriously engaged in the sector not be a regular reader. A guess only, but those unable to pay might receive some support from this committed organization. Clearly there is commitment at work here.

7. **MARIO MORINO.** Mario Morino spent many years in the software business with some specialization in measurement a facet of the man which is translated into his book Leap of

Reason: Managing to Outcomes In an Era of Scarcity, discussed extensively in the essay. Formerly working in Washington, D.C., he has now returned to Cleveland where he works full time in philanthropy, in part as co-founder of VPP (Venture Philanthropy Partners) which focuses on youth education and assists in funding start up philanthropy ventures. His book has received wide attention within philanthropic circles throughout the U.S. and Europe. Since selling his company, he has distributed \$40 million to charities, which no doubt has been managed with precision. Newspaper coverage, including a recent mention in *The Economist*, indicates that the uptake of his ideas are both surging in the social sector community and successful, and according to various units of press coverage, ecstatically received. Of course, not all reviewers or sector leaders agree with him.

8. **The MacARTHUR FOUNDATION.** In years of publishing on foundations, The MacArthur Foundation struck me as especially innovative, imaginative in comparison to many, and importantly, a source of knowledge and inspiration for other institutes and foundations, for which it runs an Advisory Service. Appropriate, given their long tenure and variety of programs. Created in 1978, it has consistently grown and evolved. It is perhaps best known for its so-called “genius grants” but in fact embraces a wide number of causes, including justice, medical, and sustainability issues worldwide. Its endowment is \$5.7 billion. As an example of innovation, their relatively recent Badge awards, aimed at youth for the achievement of skills relevant to their lives and a better society, is notable. There are presently over 370 videos available online which present a superabundance of activities by TMF and the appearance of quality management throughout.

My initial exposure and enquiry into TMF resulted from my two book publications on the Nobel Prizes; I came to view TMF as a uniquely American and 20th century counterpart to the Nobel tradition. Clearly TMF devotes time to making awards beyond its “genius grants,” most of which are of a more traditional bent, such as the “Award for Creative and Effective Institutions.” These are directed worldwide and address health, environment, education, and other areas.

The “genius grants” are perhaps their best-known awards. And a fascinating cultural counterpoint to the Nobel Prize, which I hold in the highest esteem: its status as the world’s most recognized award is fully deserved, and its contribution to the promulgation of science indisputable, a vital necessity. TMF awards a higher sum in its grants than the Nobel Prize, and for a different purpose. The Nobel Committee honors past and groundbreaking advances. Their later-instituted Economics and Peace Prizes operate similarly.

TMF’s genius grants do not seek to award past performance, but rather originality, potential, and imagination. Though it must be noted that certain recipients, such as author Cormac McCarthy—an outstanding choice in my opinion, who coincidentally is the only non-Nobel Laureate allowed regular access to the Santa Fe Institute, mentioned previously in the Annotated Bibliography—had established an original literary style over at least six books prior to his award. His grant allowed him to complete what some (myself included) consider his finest work, Blood Meridian: Or the Evening Redness in the West. But now we are on literary ground, and...

Alfred Nobel, a stern engineer and businessman, was not as the record shows particularly interested in or knowledgeable about literature, and an approximate recount of his edict on author selection was “no books of a negative tone.” A loose and subjective opinion and mandate, to be sure. A literary Nobel award debate, however gripping, is uncalled for here, except to note in fairness that one doesn’t read many bad books on the Nobel list. Equally, if literary style were

a criterion, Nabokov would have won, not Solzhenitsyn. The serious Norwegians, bless them, seek social purpose, or their version of it, as literature. It is useful for society though, to have another Institute with a different ethos. And a more adventurous search for quality. TMF is surely not known for choosing “negative” writers, but the contrast in perception of grant placement remains fascinating. TMF has sought out generally little known (including McCarthy at the time) but gifted artists of various sorts. The obscure composer/musician, Conlon Nancarrow, a 40 year American expatriate (for political reasons) in Mexico, at age of about 80 became a grantee: he subsequently created several notable works. Some commentators have criticized TMF for a minority of their genius awards, so be it. My interest is in the contrast of styles, nationally and era wise, and the “personality” of various institutes.

On matters as to how the arts community ought be awarded, at least in polite company, I am not the best person to ask, as I also regard Frank Zappa as a unbridled and raucous American genius; this a stance which requires careful review of his over 75 recordings, his evolution, his various quotes and comments on music, and a study of music and its 20th century history, to fully comprehend. Apart from his immense cache of compositions still unperformed, his orchestral recordings, (esp. Yellow Shark) and endless synclavier, digital and music editing innovations, (listen to Civilization Phaze 3) his contribution to all-American satire and social criticism, and late in a foreshortened life (53, prostate cancer, not drugs—he took none), an effective dabble in politics, and appearance before a Senate Special Enquiry. (**Listen to Zappa’s “Mothers of Prevention” album featuring among others, Al Gore.**)

Such an exciting music history adventure is enhanced mightily by **only one of his many biographies**, “**The Negative Dialectics of Poodle Play**” by Englishman, Ben Watson. Others range from the moderately boring but factual, as in Zappa’s autobiography, to the cheerleader vapidness of others. “**Poodle Play**” is the finest (only?) intellectual rock biography of all time. And vastly more: a history of ideas, musical and otherwise. Mr. Watson is of the caliber of a future TMF genius award himself, in my opinion. And it is this sort of extraordinarily “different” kind of candidate, which makes The MacArthur awards so compelling. Long live the great Nobel Prizes! Long live The MacArthur Foundation and American imagination and its search for talent!

9. **GLOBAL FUNDRAISING**. Editors Penelope Cagney and Bernard Ross have provided what is at present, the most expansive “bible” of activity in the world of international fundraising, and it deserves more exposition than space allowed in the initial draft of this essay. Of its numerous exceptional aspects are its case studies that present individuals and their undertakings in depth. Its depth of detail and scope are impressive. They provide information such as the fact that there are approximately 114,000 volunteer organizations in Russia, of which 1,665 are listed as charities; that the heir to Dubai’s world’s largest Toyota Dealership has embarked with \$75 million on an enlightened philanthropic pathway; the largely obscure but remarkable stories of burgeoning philanthropies in Asia, which in today’s press have received virtually no mention against vast amounts concerning economic growth generally; a wide survey of activity in India, which includes religious and cultural attitudes as well as significant data. In all, a very ambitious and successful effort which as a wellspring of ideas and inspiration is indispensable. Published by AFP (afpnet.org), this book is apparently one of a series, which warrants further investigation. No other international volume I have reviewed is as comprehensive or culturally attuned. The choice of authors for each section is exemplary and the volume’s organization, with introductions, case studies, data charts, and summaries, is superior. Highly recommended.
10. **WARREN BUFFETT**. Iconoclastic? Complex? Certainly. His interest here in our context is how

another form of philanthropic urge can take form and the differences of style that make him stand out. His large non-egotistical donation to the Gates Foundation is the supreme example. I write this in mind of some individuals I have met who mistakenly lump him together with “rabid capitalists.” Their ignorance shows. Apart from his adherence to a comparatively ascetic lifestyle, living in the same unspectacular home for decades, insistence upon a continued base in Omaha, and the rest, he has used his immense credibility to exert some influence on political thinking. If only through short meetings, letters, and his precious quips. But perhaps more profoundly, he is not the sort to boast.

As a midwesterner with a gift for poetic plain speak, he falls in a line of men of letters which would include Mark Twain and Will Rogers; his output may be smaller but impact equal or greater. (There were presumably women of letters of this ilk too; I considered Harriett Beecher Stowe, but determined she was cut from different, if equally good, cloth. Any suggestions? The winner will receive a photo of me burning, in a public place, 10 copies of Atlas Shrugged, which I will purchase, unless her Institute is giving them away free.)

I am touched by his meeting with then Senator Obama, whom he had invited to his office which one reporter described as resembling a used tire store, or similar. Anyway, he pointed out a recent arithmetical realization: my secretary, he said, seems to be paying proportionately more tax than I am. How can a country progress like this? (My approximation, but accurate). Obama obviously agreed in some fashion.

Mr. Buffett nearly always sees the ultimate big picture, surely in business but in life as well. And it is invaluable to have a very wealthy money/business genius speak up for the populace on an occasional basis. This is part of his iconoclasm, and fully believable, now that he has put his money where his mouth is, via the Gates Foundation donation.

Indirectly, and sometimes pointedly, Mr. Buffett has addressed the central issue: no society can prosper without a strong middle class, which includes a lower middle class, and indeed a working class, and their ability to move ahead. Why then is this vital fact seemingly ignored by a significant proportion of the very well off? At least for the sake of their grandchildren?

Two things make any country great, a fact which the United States (and Australia, both successful countries composed largely of immigrants it should be noted) have proven across two centuries: the ability to make money, indeed its enjoyment, and thus create a buoyant middle class; and the ability and willingness to distribute money, or make it justly accessible to the wider whole. The two are inextricably tied. Though a decline in either, thus both, occurs and can be measured over decades not years. Perhaps those still unseeing are looking only at the ocean and not the many drops that make it up. Two of Mr. Buffett’s axioms sum up his non-contradictory position, and define for our terms the heart of the issue—that of a healthy society:

The rich are always going to say that, you know, just give us more money and we’ll go out and spend more and then it will all trickle down to the rest of you. But that has not worked the last 10 years, and I hope the American public is catching on.

Rule No.1: Never lose money. Rule No. 2: Never forget rule No. 1.

11. **LANGUAGE ABUSE.** I refer to the overuse, thus denigration of fine words in our beautiful language as mentioned briefly in the essay. Perhaps there is a way for a nonprofit to impact such a social problem as language improvement, and in fact there are literacy programs of various

sorts, though these do not tackle this problem directly. The French government actually attempted to eliminate “Franglais” (intrusion of English words such as “weekend,” “snack,” and “hot dog,” for which there were no equivalent or desirable ones. “Cool” has recently fallen on the list), spending millions of dollars in the 1980s to no effect and becoming something of a laughingstock. However, English, in the United States in particular, is regressing noticeably as exemplified by a singularly strange incident. A Claude Pollie, of Elko, Nevada, known variously as “Doc” and “The Judge” was imprisoned for impersonating both of these professional roles for financial gain, and related offenses. It was revealed in court that he had also sent a submission to The Guinness Book of World Records claiming to have created a sentence using the F word as a personal pronoun, noun, adjective, adverb, verb (both transitive and intransitive, no small feat), conjunction and preposition, in a sentence of 12 words, and claiming a world record. His defense of this disgraceful conduct was that “I was at the time under the influence of Hollywood B-script writers.” The Guinness Corporation was quick to react with its attempt to ban him for life from entering Ireland. “This is an insult to Eire, the land of poets, lovers of language and good humor, but this outrage constitutes neither language nor humor,” a Guinness spokesman stated.

12. **PETER DRUCKER.** Apart from what is said of the great Drucker in the essay, it should also be observed that he had a resounding wit and a way with words. Peter Drucker’s numerous instructive quotes can be found on the web. A few of those I find particularly pertinent to this essay:

“The most important thing in communication is to hear what isn’t being said.”

“If you want something new, you have to stop doing something old.”

“What’s measured improves.”

“This defines entrepreneur and entrepreneurship—the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

**And this last one which goes to the depths of leadership, I believe:**

“Leadership is not magnetic personality that can just as well be a glib tongue. It is not ‘making friends and influencing people,’ that is flattery. Leadership is lifting a person’s vision to higher sights, the raising of a person’s performance to a higher standard, the building of a personality beyond its normal limitations.”

13. **DR. EDWARD de BONO.** Since his first title Lateral Thinking: Creativity Step by Step exploded onto both the personal and corporate booklists in the late 60s this medical doctor has authored well over another 30 books on thinking, creativity, and perception, and consulted with many multinationals. He also created educational programs for school-age children at use in several countries today. While widely popular, his work never falls into the dreaded “self-help” category and much of it remains highly pertinent to business as well as individual endeavor; no one has delved into nor presented the art of thinking as well, nor as simply. I had the pleasure of taking tea with him in Sydney; though he is of Maltese birth, his demeanor is quite English.

During a lively conversation we spoke of many subjects, including Japanese culture and their ability at miniaturization, and how he felt restaurants should be more active in selling books. He always comes up with innovative little ideas with commercial “bounce”. Innovation by combining

things differently. When enlisted by a local government in Australia to assist in a constant problem of overly long parking meter users, in spite of fines, his solution was: “Make it a posted law that all those who park must leave their lights on.”

14. **DR. RICHARD FLORIDA.** Dr. Richard Florida has taught and lectured at numerous universities including George Mason in Washington D.C.. After authoring four or more academic books on his primary field, urban planning, he wrote The Rise of the Creative Class which surprisingly to all, became a best seller, at least within the circles of avid readers and those interested in cities. He is a disciple, as I am, of the great Lewis Mumford (The City in History) and Jane Jacobs, who wrote the then (and still) stunning The Death and Life of Great American Cities, in the 1960s. He studied directly under the latter.

He has, in original fashion, continued their lineage of effective and imaginative thought about urbanism, as expressed in The Rise. In this work and subsequent ones—though The Rise remains his most important in my opinion—he innovated remarkably, viewing cities from a people or talent perspective, this, a major paradigm shift in the field, and in hindsight a very obvious, if completely overlooked one.

Partnering with a statistician, he performed many studies pertaining to types of people and the cities they choose to live in, focusing controversially on, amongst others, the gay and so-called bohemian sectors, and their measurable contributions to a city’s economy, industries, growth, evolution and vitality. The operative word, was and is “chose” or “choose” to live in, as he demonstrated trends which indicated that certain cities attracted people first, not jobs themselves. People would then move to their favoured city and create jobs for themselves. So, what Dr. Florida terms a “virtuous cycle” occurs, people bringing talent, and in turn, attracting more, like-minded or similarly motivated people who bring more talent. Thus creating not only jobs, but whole new industries, and wider socio-political trends.

Clearly, some cities have fared much better than others. On his “creativity index” Seattle and Portland are near the top of the list, actually ahead of San Francisco in recent years. Interestingly, in a correspondence with him, he pointed out to me that were Sydney or Melbourne included in his study, they both would have rated “near the top.” His city rankings embrace all major cities in the U.S. and are deeply instructive, particularly if one uses them as a tool for further thinking and examination. Naturally, not everyone agreed with him.

However, far-sighted local and state leaders have hired him as a consultant to their governments, including then Premier (Governor) John Brumby of Melbourne, Australia who ran an innovative and effective state government for several years, and prompted me to create and publish a volume entitled Melbourne: Global Smart City, based on some of Dr. Florida’s precepts, but also expanding widely into the area of future and long term planning, both those extant, and others which were formulated as a function of the book’s production. This book was and is meant to be the first in a delayed series, and a somewhat new genre within the field.

In a wider sense Dr. Florida’s work is very important—apart from the fact that he has made urban planning an upfront issue again, after years of popular neglect or disinterest—because he expands the field as a whole to its proper place. Urban planning, is NOT any longer simply the province of infrastructure and engineering—IT IS REALLY AND PROPERLY ABOUT THE GROWTH OF CIVILIZATION AS A WHOLE, IN ALL ITS FULLNESS, AND HOW TO IMPROVE AND MAKE IT EVOLVE. The Rise, in which he quotes from a huge array of sources, some literary, and many outside of the field traditionally observed to be mere urban planning is therefore a cornerstone work of

great importance for thinkers in the social sector at large. This because it embraces all human activity from the arts to education, health, and much more—an holistic view based on human talent. It should also be noted that this book, would appear to be a must read for search consultants—and is a delightful and profound read for anyone who cares about people, culture, cities, and human endeavour.

15. **PETER C. BRINCKERHOFF.** This writer was slightly ahead of the curve with his 2000 book Social Entrepreneurship: The Art of Mission-Based Venture Development, at least by title. It is part of the respected John Wiley and Sons publishing group's Nonprofit Series, which comprises a very lengthy list, deserving review particularly by those seeking knowledge of law and taxation and other sub-specialties within philanthropy. The list has a "how-to" feel to it, which may explain some of my reactions to SE: it is an elementary sort of book which has begun to show its age—or maybe it is ideal for a quick read as a checklist exercise by someone inexperienced in business. At the beginning the author throws the word "risk" around like a basketball player on fire, apparently not understanding that venture capitalists and entrepreneurs (good ones anyway) hate risk and work to avoid it, whereas he treats it as both virtuous and something we should get used to. Nonetheless, there is so much by way of simple step-by-step process that would benefit any newcomer to philanthropy or even the practiced hand, that it is difficult to dismiss so abruptly. Or maybe my problem with SE stems from it being, probably deliberately, a textbook with a lot of stern boy scoutish advice and no real-life examples. So, for some people, it may be just the right instruction manual. Or one good read in a longer, varied list. In one important sense, the book demonstrates how rapidly the quality and sophistication of the literature in the social sector has matured, when compared with Morino's Leap of Reason or Rothschild's The Non Nonprofit.
16. **STEVE ROTHSCHILD.** Apart from the numerous innovations cited in his book and his work at Twin Cities RISE!, of particular interest to many social sector activists is his slate of activity in working with local and state government. In discussions with and subsequent proposals made to the State Economist, Mr. Rothschild quite logically explained that success in his nonprofit mission would transform inactive individuals into tax paying citizens, and moreover, remove them as dependents of government subsistence payments. He progressed this idea with others and the result was the passing of a Human Capital Bond in his state, Minnesota. A \$10 million pilot fund has now been passed, and is in early stages of implementation. Mr. Rothschild is especially adept at both working with governments and observing likely trends, which will impact the social sector. It's clear that, as mentioned within the essay, what has increasingly come to be called discretionary spending—a euphemism for "we don't have a lot of money in this government"—will continue to be a problem regardless of improvement within the economy at large. Some problems are simply too large, and governments generally are overburdened. So approaches based on the thinking of Mr. Rothschild, which could be carried out with almost infinite variety, make up a major avenue for growth amongst certain nonprofits. The broad proposition is simple: How can a nonprofit legitimately, and within a results focused manner, form a government alliance for fundraising? The basic criterion must be satisfied however: the raising of a bond or similar instrument which attacks the problem, presumably along with one or more nonprofits working on the SAME or closely related problems, must offer detailed explanations and forecasts, statements of capability. This serves as an example of cross-sectoral solutions and innovative approaches. The given, which Mr. Rothschild clearly believes in, is that governments (as presaged by Mr. Drucker decades ago) will continue to re-trench. Interestingly, and in some part no doubt due to Mr. Rothschild's efforts, the Minnesota unemployment figures as of this writing have returned to pre-recession levels—a hopeful

statistic, but surely no guarantee whatever that government coffers for new programs will at any time achieve their long-ago levels. Nor, with sufficient innovation of the sort practiced at Twin Cities RISE!, should they. The future beckons.

Readers may wish to send valuable reading material suggestions to [insights@waldronhr.com](mailto:insights@waldronhr.com).



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