

Catalytic Philanthropy

Despite spending vast amounts of money and helping to create the world's largest nonprofit sector, philanthropists have fallen far short of solving America's most pressing problems. What the nation needs is "catalytic philanthropy"—a new approach that is already being practiced by some of the most innovative donors.

TEXT BY MARK R. KRAMER

Thomas Siebel does philanthropy differently from other donors. As the founder of the software company Siebel Systems Inc., he is one of a handful of philanthropists who have the resources to devote substantial time and money to charity. His approach and the results he has achieved, however, dramatically distinguish him from most of his peers.

In 2005, while spending time on his Montana ranch, Siebel became concerned about the rampant local use of methamphetamine, or "meth." Meth is a highly addictive and physically destructive drug, and it is a particularly acute problem in rural America. In 2005, Montana had the fifth worst level of meth abuse among all U.S. states. Half of its inmates were imprisoned for meth-related crimes. The direct cost to the state was estimated at nearly \$300 million per year, and the cost in human lives and suffering was far greater.

Rather than writing a check to a local nonprofit, Siebel took the time to find out why people become addicted to meth. After

Award nominated film *Babel*. The ad campaign has won 43 awards in national and international advertising competitions.

The ads were gut-wrenching: Tested in focus groups to capture a teenager's attention, they were far more brutal than anything the community had seen on television before. The 30-second spots begin with an ordinary teen whom kids can relate to, and end by showing the badly scarred and disfigured ravages that come from using meth. Teens are shown attacking and robbing their own families, prostituting themselves, or dying from an overdose. In one ad, a boy describes how his mother has always been there for him, while the screen shows him stealing her purse, hitting her, and kicking her away as she screams and desperately tries to grab his leg while he runs out the door.

And the ads were pervasive: Because Montana is a small media market, Siebel's \$2 million annual advertising budget generated more than 45,000 television ads, 35,000 radio ads, and 1,000 bill-

boards in the first two years. The Meth Project became the largest purchaser of advertising in the state. The results have been stunning. Between 2005 and 2007, meth use in Montana dropped 45 percent among teens and 72 percent among adults, while meth-related crimes fell 62 percent. The percentage of teenagers who were aware of meth's dangers increased from 25 percent to 93 percent, and teenagers have even begun to dissuade their friends from trying meth. Montana's ranking among U.S. states in meth abuse fell from 5th to 39th.

*Without philanthropy, conditions would likely be even worse. Yet whatever **benefits philanthropy may provide**, it is not delivering the kind of social impact Siebel achieved. If philanthropy is to become **an effective way of solving pressing social problems**, donors must take a new approach.*

learning that first-time users were typically teenagers who were unaware of meth's risks, Siebel created the Meth Project to change teenage perceptions about the drug. He brought together experts and hired a major San Francisco advertising agency to develop a hard-hitting campaign that would reach 80 percent of Montana teens with at least three ads every week.

The ads were world-class: With production budgets of \$500,000 to \$1 million each, they were directed by leading Hollywood figures such as Alejandro González Iñárritu, director of the Academy

Siebel has continued the campaign, using teen focus groups to develop new advertising campaigns every 9 to 12 months. He has convinced other funders to support the campaign and encouraged schools and community organizations to sponsor anti-meth events. Siebel has also personally lobbied Congress to combat the meth problem. Six other states have adopted the Meth Project's program.

Siebel's success in fighting meth abuse stands in stark contrast to the modest and often indiscernible results that most philanthropists have achieved, whether individually or collectively. Between



Thomas Siebel

PHOTO: GETTY IMAGES

1980 and 2005, U.S. annual charitable giving in constant dollars grew by 255 percent and the number of nonprofits more than doubled to 1.3 million. Today, per capita giving in the United States is three times greater than any other country in the world. Yet, during this same 25-year time period, the United States dropped from 2nd to 12th among the 30 countries that are members of the Organisation for Economic Co-Operation and Development (OECD) in basic measures of health, education, and economic opportunity.

To be sure, philanthropy cannot be blamed for the persistence of childhood poverty and failed schools that result from much larger political and economic forces. Without philanthropy, conditions would likely be even worse. Yet whatever benefits philanthropy may provide, it is not delivering the kind of social impact Siebel achieved. If philanthropy is to become an effective way of solving pressing social problems, donors must take a new approach.

Siebel is one of the exemplars of this new approach, but there are others. These exceptional donors—whether foundations, corporations, or individuals—do not write the largest checks, but they do act differently from other donors. They have expanded the tool kit of strategic philanthropy beyond even the most recent thinking of venture philan-

thropists and social entrepreneurs, creating a new approach to bringing about social change that I call “catalytic philanthropy.”

LIMITATIONS OF TRADITIONAL PHILANTHROPY

For most donors, philanthropy is about deciding which nonprofits to support and how much money to give them. These donors effectively delegate to nonprofits all responsibility for devising and implementing solutions to social problems. Despite the sincere dedication and best efforts of those who work in the nonprofit sector, there is little reason to assume that they have the ability to solve society’s large-scale problems.

The overwhelming majority of the 1.3 million U.S. nonprofits are extremely small: 90 percent of their annual budgets are under \$500,000 and only 1 percent have budgets greater than \$10 million. Each nonprofit is capable of helping hundreds or even thousands of people in need, and many of them do so in creative and highly effective ways. Despite their often heroic efforts, these nonprofits face severe limitations.

Each nonprofit functions alone, pursuing the strategies that it

deems best, lacking the infrastructure to learn from one another's best practices, the clout to influence government, or the scale to achieve national impact. A majority of the very largest nonprofits that might have the resources to effect national change are hospitals, universities, and cultural organizations that focus primarily on their own institutional sustainability. Collaboration throughout the sector is almost impossible, as each nonprofit competes for funding by trying to persuade donors that its approach is better than that of any other organization addressing the same issue. Very few systematically track their own impact.

However generous the donors or hardworking the nonprofit staff, there is no assurance—nor even any likelihood—that supporting the underfunded, non-collaborative, and unaccountable ap-

proaches of the countless small nonprofits struggling to tackle an issue will actually lead to workable solutions for large-scale social problems. The contributions of conventional donors and the good work of effective nonprofits may temporarily improve matters at a particular place and time, but they are unlikely to create the lasting reform that society so urgently requires.

achieved. They gave large sums to many different organizations and were viewed as prominent philanthropists in their communities, but had not yet distinguished themselves as highly effective donors. After some time, these donors became involved in an issue of great personal significance: A donor's child was diagnosed with a rare disease; a wilderness preserve a donor hiked in as a child was about to be sold to a developer; or a donor went on a trip to a developing country and was exposed firsthand to a level of poverty and disease that she had never imagined. The urgency of the cause and the intensity of their commitment compelled each of these donors to take an active role in solving the problem.

These newly energized donors became deeply knowledgeable about the issue and actively recruited collaborators, sometimes even

*By becoming **directly involved** and **taking personal responsibility** for their results, these donors can **leverage** their personal and professional relationships, **initiate** public-private partnerships, **import** projects that have proved successful elsewhere, **create** new business models, **influence** government, **draw** public attention to an issue, **coordinate** the activities of different nonprofits, and **attract** fellow funders from around the globe.*

proaches of the countless small nonprofits struggling to tackle an issue will actually lead to workable solutions for large-scale social problems. The contributions of conventional donors and the good work of effective nonprofits may temporarily improve matters at a particular place and time, but they are unlikely to create the lasting reform that society so urgently requires.

FOUR PRACTICES OF CATALYTIC PHILANTHROPY

What is needed is a new approach to philanthropy, one that catalyzes the kind of social change exemplified by Siebel's Meth Project. Over the past decade, the consulting firm that I co-founded, FSG Social Impact Advisors, has studied many examples of this new approach to social change. We have distilled what makes catalytic philanthropists so effective into four distinct practices.

1 TAKE RESPONSIBILITY FOR ACHIEVING RESULTS

Two years ago, the Bill & Melinda Gates Foundation asked FSG to explore why some donors are more effective than others. We interviewed several dozen wealthy donors of different ages and backgrounds, all of whom had been identified by their peers as highly effective, and we found a surprisingly common theme. When these donors first began giving away money, they followed conventional philanthropic practice, responding to those who asked them for funds with little awareness of what impact they actually

creating a new nonprofit to further the cause. The donors stopped thinking about which organizations to support, and started to think about how to solve a specific problem, using every skill, connection, and resource they possessed. The donors took responsibility for finding solutions to the problem instead of waiting for the nonprofit sector to approach them with a proposal. Like Siebel's campaign against meth abuse, the difference in impact was remarkable.

2 MOBILIZE A CAMPAIGN FOR CHANGE

In "Leading Boldly," an article that Ron Heifetz, John Kania, and I wrote for the winter 2004 issue of the Stanford Social Innovation Review, we suggested that many of the problems foundations tackle are adaptive in nature: The people with the problem have to become engaged in solving it for themselves. Teenagers, for example, need to dissuade other teenagers from using meth. In other cases, effective solutions may already be known but cannot be externally imposed on the existing system. It is well known, for example, that better qualified teachers produce better educated students, but the systemic changes needed to act on that simple solution are mindbogglingly complex. The obstacle isn't that no one knows any answers, but rather that the uncoordinated actions, narrow constraints, and conflicting incentives of different stakeholders and different sectors of society perpetuate the status quo.

Catalytic philanthropy cuts through these divisions by stimulating cross-sector collaborations and mobilizing stakeholders to create shared solutions. Building alliances that create the condi-

BEFORE METH I HAD A SISTER. NOW I HAVE A RUNAWAY.



Gut-wrenching ads were a successful part of Tom Siebel's catalytic philanthropy efforts.

MONTANA METH PROJECT



MontanaMeth.org

tions for a solution to emerge and take hold is a very different pursuit from the usual grantmaking process of trying to direct funds to the one organization that offers the most appealing approach.

3 USE ALL AVAILABLE TOOLS

The prominence of the U.S. nonprofit sector and the tax deductibility of donations have lulled people into thinking that IRS-sanctioned philanthropy is the only way to solve social problems. Donors have the freedom, however, to complement traditional grantmaking with a wide array of other tools from outside the nonprofit sector, including many that can influence social, economic, and political forces in ways that traditional charitable giving cannot.

Catalytic philanthropists have used a variety of unconventional tools for social change, including corporate resources, investment capital, advocacy, litigation, and even lobbying.

4 CREATE ACTIONABLE KNOWLEDGE

Most donors rely on their grant applicants and recipients to provide them with information about the social problems the nonprofit is tackling, focusing their inquiries narrowly on the program to be funded without researching the issue more broadly. Catalytic philanthropists, by contrast, gather knowledge about the problem they are tackling and use this knowledge to inform their own actions and motivate the actions of others. Making knowledge actionable requires more than just gathering and reporting data. The information must also carry emotional appeal to capture people's attention and practical recommendations that can inspire them to action.

MOVING FORWARD

Social change is a messy process in which the willpower of a determined and influential person can often tip the balance. Donors who are serious about solving social problems must take a catalytic role, mounting a campaign and

knitting together the pieces of a solution in ways that the fragmented nonprofit sector cannot do for itself.

This is not to suggest that catalytic philanthropy is appropriate for all donors, or that other types of philanthropic engagement are ineffective. Most individual donors have neither the time nor the resources to do more than contribute to deserving organizations. Conventional philanthropy serves an essential function in supporting major nonprofit institutions, enriching many lives, and providing assistance to countless individuals in need. Venture philanthropy and social entrepreneurship also play important roles by helping effective organizations and talented leaders expand the scale of their impact. The variety in types of philanthropy is one of the reasons for the nonprofit sector's vitality, and society would be dramatically worse off were it not for the billions of dollars in annual charitable contributions from conventional donors.

We should not pretend, however, that conventional contributions will change the status quo. Instead, the much smaller set of donors who have the desire and opportunity to achieve change—whether professionals at foundations and corporations or individual philanthropists with the time and resources to become personally involved—must step forward to become catalytic philanthropists. If they do, they will begin to see measurable impact from their efforts and the potential to change social conditions meaningfully. Philanthropy is indeed a powerful tool for social progress, but only when donors make it so. ■

Mark R. Kramer is the cofounder and managing director of FSG Social Impact Advisors. He is also the cofounder and the initial board chair of the Center for Effective Philanthropy, and a senior fellow at Harvard University's John F. Kennedy School of Government. Kramer is the coauthor of three Stanford Social Innovation Review articles: "The Power of Strategic Mission Investing" (fall 2007), "Changing the Game" (spring 2006), and "Leading Boldly" (winter 2004). This abridged version of "Catalytic Philanthropy" is reprinted with permission from the Stanford Social Innovation Review (www.ssireview.org) © Leland Stanford Jr. University. To listen to a webinar on "Catalytic Philanthropy," and to read the entire article by Kramer, visit www.ssireview.org/webinars.