Stanford University Center on Philanthropy and Civil Society

# DRAFT - Design Thinking and Strategic Philanthropy Case Study

# Raikes Foundation

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# INTRODUCTION

This is a case study of how human centered design (HCD), also called design thinking, can be integrated with strategic planning to help philanthropists achieve greater impact. HCD, initially developed in the context of consumer products and services, is in the early stages of being applied to improve social interventions by governments, nonprofit organizations, and foundations. We believe that HCD can be combined with traditional strategic planning methods to help philanthropists and foundations develop strategies that are based on sound evidence, and informed by the needs of their intended beneficiaries.

We explore these issues through the example of a collaboration between the Stanford Center on Philanthropy and Civil Society (Stanford PACS) and the Seattle-based Raikes Foundation, which was co-founded by Jeff and Tricia Raikes.[1] This engagement was part of a yearlong project at Stanford PACS to explore the integration of Human Centered Design and strategic planning for foundations and nonprofit organizations.[2] The purpose of the particular engagement was to use HCD to help develop and explore a potential Foundation strategy to increase strategic orientation and ultimately impact among high net worth (HNW) donors.

This, in brief, is the problem that the Raikes Foundation and Stanford PACS were addressing. In 2014, Americans gave away approximately $350 billion dollars in charitable gifts.[3] While many of these dollars flowed to friends' and family causes, including their schools, colleges, and churches, many also went towards addressing poverty, environmental, health, and other social problems. When trying to tackle these problems, the most thoughtful philanthropists wrestle with questions of how to have the greatest impact and where to focus their contributions. But many others often lack the knowledge, time, and resources to effectively achieve their goals and intended impact. Could Jeff Raikes and the Raikes Foundation develop a strategy to help HNW donors have greater impact with their philanthropic giving?

[1] Jeff Raikes is former CEO of the Bill and Melinda Gates Foundation and former head of Microsoft's Business Division.

[2] The project made possible by generous fellowship support for Nadia Roumani from the William and Flora Hewlett Foundation. The Stanford PACS team was comprised of Nadia Roumani, Walter and Esther Hewlett Design Fellow and former Stanford Hasso Plattner Institute of Design ("d.school") Fellow; Paul Brest, emeritus professor at Stanford and Principal Investigator for the project; and Olivia Vagelos, Experience Designer at the d.school.

[3] *Giving USA 2015 Highlights*. Rep. Indianapolis: Lilly Family School of Philanthropy, Indiana U, 2015. Print.

## HUMAN CENTERED DESIGN AND PHILANTHROPY

This essay complements the longer article, *Problem Solving, Human-Centered Design, and Strategic Processes*, by Paul Brest, Nadia Roumani, and Jason Bade,[4] which outlines the process of integrating HCD with the overall strategic planning approach. Rather than describe HCD in detail, we refer readers to that article. In brief, however, HCD is comprised of these core practices:

- Tentatively defining the problem
- Identifying key stakeholders and using ethnography— i.e., observing, interviewing, and immersing oneself in their experiences—to uncover the stakeholders' deep, often unstated, needs.[5]
- Synthesizing findings in order to more precisely define the scope of the problem and the targeted beneficiary
- Brainstorming possible solutions, and then selecting from among possible solutions.
- Building prototypes of selected solutions, using inexpensive, adjustable, low-resolution materials
- Testing prototypes with beneficiaries and stakeholders to explore particular aspects of proposed solutions and test underlying assumptions.

For most of its roughly forty-year history, HCD has focused on the design of products and services, but more recently, the process has been employed to design interventions in the social sector, where it has a number of potential applications, including (1) shaping an organization's internal culture to be collaborative, creative, innovative, and iterative; (2) designing key services for beneficiaries or intermediaries (e.g., grantees); and (3) informing a foundation's strategic planning process.

This essay focuses on the third of these applications on the hypothesis that HCD can facilitate a foundation's strategic planning process in the following ways:

- Incorporating the perspectives of beneficiaries and other stakeholders to ensure that the foundation has framed the problem in ways that serve their needs.
- Narrowing the focus on specific beneficiaries and prioritizing specific needs.
- Understanding the relationships among key stakeholders to inform decisions about how to intervene effectively in a system.

[4] The article appears on the Stanford PACS website at http://pacscenter.stanford.edu/sites/all/files/Brest%20Roumani%20Bade%20Solving%20and%20Strategic%20Processes%20v%2015a.docx%205.17.15.pdf

[5] In the context of HCD, "empathy" means cognitive empathy—knowing how a stakeholder feels, thinks, behaves, and perceives the world—as distinguished from compassionate empathy.

- Aligning the foundation's objectives with other stakeholders' priorities.
- Incorporating low-cost ways of testing hypotheses using low-resolution prototypes.
- Creating an iterative learning process based on the continuous testing of assumptions and emerging strategies with the beneficiary and other stakeholders.

## BACKGROUND OF THE RAIKES FOUNDATION ENGAGEMENT

The collaboration between the Stanford PACS and the Raikes Foundation team arose shortly after the Foundation had begun to consider how to increase "strategic behavior" among high net worth donors – raising the impact and effectiveness of their philanthropy.

The engagement covered a span of six months, from January to June of 2015. The Raikes team was composed of trustees Jeff and Tricia Raikes; Erin Kahn, the executive director of the foundation; Katie Hong, the director of the youth homelessness program; and Tricia McKay, an outside philanthropic consultant. The Raikes and Stanford PACS teams met six times, mostly at the Foundation's Seattle office. The Stanford PACS team worked in the field between the meetings, mainly doing ethnographic interviews of various stakeholders, synthesizing the information, and building and testing prototypes. The engagement concluded with a presentation of the findings and a proposed strategy for advancing the learning and work.

### The Raikes Team's Starting Hypotheses and Plans

The project emerged from Jeff's observation that more philanthropic dollars could be allocated in ways that maximize effectiveness or have an impact on targeted goals. Data indicates that few donors do meaningful research on nonprofits, do competitive benchmarking to compare nonprofits, or follow rigorous methods of analyzing or addressing social problems.[6] He wanted to explore opportunities to increase strategic behavior among ultra-high net worth donors, defined as those with the capacity to give over one million annually.

The problem felt particularly urgent to Jeff because our society is experiencing an unprecedented influx of resources for philanthropy. During the first half of this century, there's likely to be more wealth transferred to philanthropy by a factor of 8-10 than in in the entire 20th century.[7] This combined with unprecedented public commitments of ultra-high net worth individuals to give away much of their wealth during their lifetime or upon their

[6] *Money for Good II: Hope Consulting, 2011. Print*
[7] Havens, John and Paul Schervish. 2014. "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy Technical Report." Center on Wealth and Philanthropy Boston College.

deaths[8] creates both an opportunity and a responsibility to figure out how to use this tremendous wealth as effectively as possible.

Over the past few years, Jeff has received many requests to advise individual philanthropists He believed his experiences as a leader in both the private and public sectors, developing strategies and significant businesses at Microsoft, leading the Bill and Melinda Gates Foundation, and establishing and leading the Raikes Foundation positioned him to connect with and advise current donors and influence the field of philanthropy. Jeff wished to increase his efficacy and efficiency in helping these donor. He wanted to explore what he and/or the Raikes Foundation could do to improve the way philanthropic dollars are spent, particularly by HNW donors.

The Raikes Foundation's starting assumption was that HNW donors, similar to all donors, tend to begin as "dabblers," giving to a range of topics and issues without specific strategies or intended outcomes. In their philanthropic lifecycles, donors dabble for a while until they hit a potential inflection point, often coincident with either an influx of new resources or having more time for their philanthropic work. Some donors inflect to become exponentially more strategic. Others continue to dabble and do not significantly increase their impact.

Jeff believed that just prior to the moment of inflection was the optimal time to intervene. Before this point, donors would not be ready to invest in the more challenging aspects of strategic philanthropy and if they did not change the way they gave at this "inflection point", this would be a missed opportunity. Our initial task was to better understand why some donors shifted their behavior to be more focused on impact and effectiveness and others did not, and seek to identify and effectively target those donors at that stage in their trajectory.

Jeff refers to the majority of giving as "checkbook philanthropy," which helps to fill gaps in society, but is often reactive giving done by donors without first defining the problem to be solved or determining the best way to intervene. His goal was to explore how he could encourage "strategic behavior" and:

- Greater giving: particularly to causes of social inequity,
- Higher impact giving: philanthropy that addresses problems in highly leveraged ways,
- More effective giving: channeling philanthropic dollars to organizations with the best evidence of impact.

[8] Frequently Asked Questions." The Giving Pledge, Givingpledge.org. Web. 25 August 2015. http://givingpledge.org/faq.aspx.

At the inception of the engagement, Jeff defined "increased strategic behavior" as: Increased time spent on philanthropy, risk-taking, an outcomes orientation, a willingness to look at a systemic approach and the aggregation of resources.

Jeff hypothesized that HNW donors might lack a strategic framework to truly be effective. However, he was not sure if this hypothesis was correct or what other resources or support donors might need to act more strategically.

## Earlier Research (June - August 2014)

During the summer of 2014, the Raikes Foundation engaged Catherine Vaughan, a Stanford Graduate School of Business student, to conduct research and make an initial set of recommendations on the opportunities for an intervention to increase HNW donor strategic behavior. Catherine worked with Jeff to interview both HNW donors and leading experts in the field. Her final report:

- Defined the target market as "high net worth donors (making or willing to give more than $1M per year) in the high tech and finance industries, as well as in the greater Seattle community, roughly in the 45-65 age range."
- Provided a thorough landscape analysis of the organizations working in the field.
- Provided a literature review on the work surrounding strategic, and catalytic philanthropy.
- Proposed a possible network model through which Jeff could share his frameworks and reach a broad set of people.

# THE HUMAN CENTERED DESIGN PROCESS (January - June 2015)

## Identifying Beneficiaries and Stakeholders

In product design, the beneficiary, also called, the "end user," is the person who will ultimately use a product. When applying HCD to interventions in the social sector, the truly ultimate beneficiaries are individuals and communities (e.g., the poor, the sick, those harmed by climate change) who will benefit from a social intervention. For purposes of the Raikes Foundation project, however, we characterize as "*beneficiaries*" the HNW donors targeted by the Foundation's strategy. Even though their philanthropy is ultimately intended to benefit others, they are the beneficiaries of the Raikes Foundation's proposed interventions.

HNW donors are by no means a homogeneous group, but reflect many motivations and interests. Thus, an important aspect of the project—discussed at length below—involved understanding major differences within this broad category.

Other *stakeholders* include anyone who could affect or be affected by the Foundation's strategy. An early and important aspect of the project involved identifying these stakeholders, including:

- Philanthropic and wealth advisors
- Philanthropic consulting firms
- Donor education providers
- Wealth managers
- Donor advised funds
- Organizations devoted to improving philanthropy
- Experts in the field

As the project developed, we also learned more about their interests.

## Ethnography, or Empathy

An essential aspect of human centered design involves an empathetic understanding of beneficiaries' and other stakeholders' explicit and implicit needs through ethnography. This work usually includes immersing oneself in the beneficiary's environment and experience, observing the beneficiary in a range of activities, and conducting ethnographic interviews.

In the context of our project, engaging with beneficiaries at the outset of the strategic planning process allowed us to learn how Jeff's framing of the problem meshed with the beneficiaries' perceptions and needs. For instance, Jeff began with the goal of increasing the number of donors practicing "effective" philanthropy, which he described as:

- **Clarity**: Effective donors are clear about their mission, intended outcomes, model of grantmaking, theory of change, and comparative advantage (vs. other donors and other funding sources).

- **Versatility**: Effective donors are flexible in their approach to supporting grantees. They deploy a variety of resources**,** from money to expertise to capacity-building resources, to reach their intended outcome.

- **Collaboration**: Effective donors achieve outcomes with and through partners, from grantees to co-funders. They solicit stakeholders' input to understand the problems they are trying to solve, and use their resources to build stakeholders' capacity to solve them.

- **Culture of learning:** Effective donors make evidence-based decisions, even while testing innovative, unproven models. They invest in learning and continuous improvement to continue refining their assumptions about what it will take to achieve intended outcomes.

An important component of our ethnographic interviews centered on learning the answers to questions such as: How do HNW donors define philanthropic success themselves? Are they aspirationally strategic? To what extent do their conceptions align with Jeff's goals? Can we help them be successful or else change their mindsets? Must Jeff's definition of the problem and vision for success be modified to meet the donors where they are?

The process also allowed us to explore the diversity of the beneficiary population. For example, how do donors' upbringings, careers, skills, working styles, and role models influence their approaches to philanthropy?

Conducting ethnographic research with stakeholders, in addition to beneficiaries, is important because it allows the funder to identify their motivations and interests. What relationships need to be in place for an intervention to succeed? For example, do the goals and practices of donor education providers or wealth managers align with those of the beneficiaries? If so, are there opportunities to collaborate? Who would welcome the Raikes Foundation's initiative and who would feel threatened by it?

*Interviews with donors*

Our ethnographic interviews tended to range between one to two hours, and tried to go much deeper than conventional interviews, focus groups, and surveys. To uncover the interviewee's motivations and needs, the questions often strayed from the primary topic (philanthropic practice) to matters of family, values, upbringing, work and the like, as these can inform strategies that are meaningful and effective.

The Stanford PACS team interviewed approximately 30 HNW donors over the six month period, including:

- Donors at various stages of their philanthropy, from those who were just starting out to experienced philanthropists
- Donors ranging in age from their twenties to their seventies
- Donors perceived by others to be "strategic" and those who were more engaged in "checkbook philanthropy"
- Donors who had created their own wealth and those with inherited wealth
- Donors who had participated in donor education programs, and those who had not taken advantage of any available philanthropic resources

Traditional research methods disregard "outliers" in order to avoid skewing results. Where possible, however, we followed the HCD approach of seeking out philanthropists at different ends of the various spectrums, believing that extreme examples could illuminate the behaviors and needs of all beneficiaries.

We asked the interviewees about family and legacy, how they solved problems, how they thought about their careers, their fears of failure, and who they looked to for support and advice. We asked how they perceived and addressed risks, about the most exciting donations

they made and any that they regretted. We also asked them to describe in their own words what kind of donor they are or wish to become. Finally, we asked them whether they strived to be 'strategic' funders and what that concept meant to them. By not starting the interview with a particular frame, but rather asking open-ended questions, our intention was to make interviewees feel that there were no right or wrong answers, or any specific philanthropic path we expected them to have pursued.[9]

*Interviews with experts and stakeholders*

The Stanford PACS team interviewed several experts in the field of strategic philanthropy and donor education. This helped us begin to develop a systems map and deepen the landscape analysis done by Catherine Vaughan. Most of the experts interviewed were service providers, including leaders of donor education providers and giving circles such as The Philanthropy Workshop (TPW), Silicon Valley Venture Partners (SV2) and Social Venture Partners (SVP). We also spoke to some wealth managers, university development staff, corporate giving managers, and organizations that convened millennial donors.

We asked these stakeholders to describe their own views of the most and least strategic donors. In addition to learning of their experiences, we inquired into their personal theories of change, motivations, high points, and setbacks. This helped us understand their role and motivation in changing donor behavior as well barriers that our strategies might encounter. It also set the stage for future collaboration. An open-ended interview process allowed the stakeholders to help us envision possibilities beyond any individual organization's activities.

*Interviews with Jeff Raikes*

A successful foundation strategy requires alignment between the beneficiaries' needs and the funder's values and core competencies. To this end, we conducted several interviews with Jeff Raikes himself. Jeff's own views on effective philanthropy continued to evolve during the process.

## Synthesis

The next stage of the HCD process involves synthesizing the information collected during the ethnography phase and identifying and articulating the beneficiaries' explicit and unarticulated underlying needs.

*Archetypes*

We were struck by the heterogeneity of the donors we interviewed, and ultimately created a number of different archetypes based on shared characteristics, behaviors, and motivations. This reflected our belief that strategies aimed at specific groups of beneficiaries would likely be more effective than a scattershot approach. For example, a strategy that might work for

[9] We intentionally did not include Jeff Raikes, Paul Brest, or other philanthropy experts in most of the interviews because of the concern that this would skew people's responses.

do-it-yourself type donors is unlikely to serve donors who want to follow someone else's lead and are unwilling to spend significant time on their philanthropic decisions.

In an early discussion with Jeff, we clarified his desire to only focus on those donors with a demonstrated appetite to learn and practice more effective philanthropy. Therefore, our archetypes do not include donors who are satisfied with making their philanthropic donations in an ad-hoc manner.

The archetypes we created for our subset of donors are not mutually exclusive nor exhaustive. They are also not static. A donor might exhibit the characteristics of multiple archetypes and may move from one to another over time. Our archetypes included:

- *Active Seekers*: Curious, voracious consumers of knowledge who enjoy engaging in solving complex social issues. They seek the resources to help them tackle their philanthropy from a "build-to-learn" perspective and feel confident in their approach and feel like they are applying the appropriate amount of rigor to their work.
- *Personal Strategy Wrestlers*: Thoughtful and hungry philanthropists who lack a strong network of philanthropic peers or advisors. They seek a way to workshop and get feedback on their strategies, because they want to be active and intentional about creating a strategy that will have impact.
- *Huddlers*: Donors who have identified an issue area of importance to them, are actively thinking about strategies for that area, and are hungry for insights on their issue. They want to collaborate intellectually (but not necessarily by pooling resources) with others working on the same problems.
- *Investors*: Data savvy, risk-experienced donors with careers as financial professionals, who want to make calculated bets on organizations that are striving for impact.
- *Advisors*: Advanced practitioners of effective philanthropy, who would like to be more efficient in mentoring less experienced donors.

We developed much more detailed descriptions of the archetypes, but for reasons of space only describe one, *Active Seekers*, as an illustration. Active seekers are near the beginning of their philanthropic journey. Many of them are experienced entrepreneurs, often engineers, and this has fostered a "do-it-yourself" ethos and a desire to "build-to-learn." They are willing to do rigorous work, including wading through an organization's financial and social metrics. They are hungry for information, and desire resources that are practical but not prescriptive. But they are dissatisfied with what they have found online and are wary of being sold a particular point of view or of being the targets of business solicitations. While some have joined networks and attended in-person learning programs, others are skeptical whether they can be served by existing resources. They would like to see real examples from other HNW philanthropists—not large staffed foundations—to learn from their decision-making processes and successes and failures to inform their own philanthropy.

Finally, our interviews also included a number of *millennials*[10], for whom we have begun to create some preliminary archetypes. These include some younger HNW donors who have the capacity to make significant philanthropic contributions today, and also some who are likely to have significant resources in the near future. We believe that a strategic investment in their learning process now may lead to a more outcome-oriented life-long philanthropic approach. Our preliminary archetypes for millennials include:

- *The lonely family philanthropist* - A relatively young person who has been charged with administering the family's philanthropy earlier than expected, and may not feel they have full agency because of the need to fulfill the original donor's intent.
- *Slow-burn employee* - Employee at a successful tech company who is accumulating significant resources; does not self-define as a philanthropist but desires to be charitable.
- *Nickels to Millionaire* – First generation entrepreneur who will gain significant wealth overnight by selling her company. Has not previously thought about philanthropy but urgently wants to decide on a tax-beneficial philanthropic structure.
- *Culturally obligated entrepreneur* – Expat engineer (for example from countries like India or China) turned entrepreneur with strong cultural and familial obligations back home, who wants to give but is more risk-averse.
- *Financial bet maker* - VC/finance millennial who is now financially and professionally secure. She thinks in terms of portfolios, and is comfortable making bets, but doesn't know where to make the right bet in the social sector and doesn't have time to do research.
- *Risk-taking serial entrepreneur* - Experienced serial entrepreneur who has a high appetite for risk because he can always just start a new company. Feels confident in his ability to solve a social problem and then move on.
- *Bootstrapping engineer entrepreneur* – Engineer-turned-entrepreneur who sees a problem and approaches it systemically as an engineering problem with a mixture of humility and self-confidence.

The archetypes helped us to synthesize and organize donor behaviors and needs. They were challenged, validated, and refined in interviews with experts and service providers.

### *Insights from Interviews*

Here are some general insights gleaned from the interviews.

***There is demand*** from donors for education and resources on impact-oriented philanthropy, although the extent of that demand is still unclear. HNW donors are looking for information and resources readily applicable to their own philanthropic goals, rather than general frameworks. They seek information that is appropriate to the scale of their philanthropy rather than that of foundations with large staff and considerably more resources.

[10] Jeff's observation, after attending a millennials session at the Independent Sector conference in Seattle, November 2014, was that "…millennials will be in the prime of their career during this major transfer of wealth… we may need to 'skate to where the puck will be'." So he requested that we include millennials in our target market.

***Lack of clear resources and support for effective philanthropy*:** The resources currently available to assist high net worth donors in practicing effective philanthropy vary widely in quality, are poorly organized, and are not readily accessible to HNW donors. Our interviews indicated that donors are not aware of existing resources or find them too generic to suit their particular goals or too "academic." Consulting services come at what individual donors feel to be an unreasonable cost.

There are organizations—including the Philanthropy Workshop (TPW), Social Venture Partners (SVP), and Silicon Valley Social Venture Fund (SV2)—dedicated to educating donors on effective philanthropic practices. Among other things, these groups offer philanthropists an opportunity to learn the fundamentals of strategic philanthropy and discuss common issues. While those who have participated in these organizations value their experiences, many others are unwilling or unable to commit the time or the $6,000-$30,000 in costs to participate. They desire educational experiences with a lower barrier to entry, both in cost and level of engagement. Additionally, many donors do not know who to turn to for expertise or validation. Almost every donor commented on the lack of peers to discuss, engage, get feedback and collaborate.

***Importance of the information's messenger:*** Most of the *active seeker* donors interviewed commented that the nature of the organizations delivering the information was important. They both demanded a degree of impartiality and wanted experts to articulate a clear point of view about their approach to effective philanthropy.

***Counterproductive dynamics of the donor education landscape***: Organizations currently in this space rarely share learnings publicly or coordinate efforts to expand the market. The experts we interviewed were willing to collaborate in this learning process, and interested in future engagement.

***Absence of visible sector leaders:*** The donors we interviewed did not know to whom to look for guidance. Apart from a small circle of practitioners and academics, donors were unaware of the current discourse and the relevant thought leaders. Standards have not been widely or publicly set for the practice of effective philanthropy.

***Jeff Raikes' role as a spokesman for effective philanthropy:*** We asked HNW donors about their familiarity with Jeff Raikes. Many of those interviewed in Seattle knew of Jeff, but others were less familiar. Additionally, regardless of whether they knew of Jeff or not, donors were more interested in learning about his personal experiences and decision making processes at the Gates Foundation and with his own philanthropy than in learning about a framework.

## Reframing the Problem and Focusing on a Target Beneficiary

Reconsidering the problem in the light of the ethnography is an important step in the HCD process. In our case, this also entailed deciding to focus on some groups/archetypes of beneficiaries rather than others. As the project developed, Jeff moved from focusing only on

ultra-high net worth donors to focusing on donors with considerable financial capacity who might not meet the $1million/year bar for current giving capacity, but who (in his words) have an "appetite for more effective behavior." Investing in these donors may lead to more impact at scale down the road. This entailed a change of focus from donors who are roughly 46-65 years old to donors who have a certain outlook on their philanthropy, irrespective of age, including millennials. Because of his desire for continued, longer-term impact and relevance in the space, Jeff asked the Stanford PACS team to explore the millennial donor population. With the scale of the impending wealth transfer, and the lack of resources addressing millennials' generationally unique comfort with technology and networks, Jeff put great value on insight into the behaviors of this contingent of current and future donors.

## Clarifying the Desired Behavior Changes

During this process, we discovered the set of effective philanthropy principles and practices developed by the Donor Education Network's.[11] These appeared to align with Jeff's and our vision of effective philanthropy, and are listed below.

*Principles*

- An orientation towards solving problems
- Clear goals
- A logical strategy for how one's efforts can help achieve those goals, based on a sound analysis of the problem and an evidence-based theory of how one's efforts can lead to the desired change
- A commitment to continuous learning, including assessing progress and making changes accordingly
- A strong moral and ethical compass, including a commitment to uphold legal and ethical standards and to build respectful relationships with applicants and grantees

*Recommended Practices*

- Focus on relatively few philanthropic issues or geographical regions.
- Align goals and strategies with financial and human resources – both individual and aggregated.
- Engage other funders who may have shared goals.
- Seek the input of those who are closest to the problem when developing and refining strategies.
- When initiating a new program, strategy or grant, be prepared to stick with it for a time period that is consistent with the goal, considering the potential impact of a

[11] A group of providers and experts on donor education originally convened and supported by the William and Flora Hewlett Foundation in 2008-2012,

donor's entrance and exit, and his/her role in ensuring the sustainability of his/her investment.

- Gather good information about organizations before investing.
- Understand how a grant fits into the organization's revenue mix. Do not require more of the organization than the grant size warrants.
- Be transparent with a donor's goals, strategies, and results; communicate clearly and respectfully with applicants and grantees.
- Collect feedback from grantees, beneficiaries, and other stakeholders.
- Assess the potential unintended consequences of a donor's efforts
- Build a network of peers and experts who can help problem solve, course correct, and get better results over time.

To this list, Jeff added the importance of a systems-level understanding of the issue that philanthropists were addressing.

The process also highlighted a difference in language used by Jeff and the Stanford PACS team on the one hand, and donors themselves on the other. We learned that donors seldom aspire to something named "strategic philanthropy." In fact, some donors reacted negatively to the term, saying that practice felt unachievable. They favored "having impact," "being effective," and "making a difference." Understanding what language resonates with donors will prove important in engaging them.

## Designing Solutions

Our interviews with donors revealed that there are promising ways to assist donors in being more strategic.

***Different archetypes calling for different solutions****:* We learned that different donor archetypes require different solutions and that the strategy needs to be tailored to the specific beneficiary. We discuss this in the sections on ideation and prototyping.

***Multiple Intervention Points: challenging the single inflection point:*** We also learned that there are multiple possible intervention points. Our interviews revealed that contrary to the initial assumption, donors do not always have a single inflection point. Rather, some donors experience a number of openings where interventions or new resources could have impact.

***Incorporating More Interactive Experiences Rather Than One-Way Information Sharing:*** We learned that many donors are seeking interactive environments in which they can learn from peers and tap into additional resources targeted to their substantive interests, funding levels, and capacities.

***Finding ways to provide feedback and validation from peers and experts:*** Donors expressed the desire for validation of their philanthropic practices. We heard donors say "I don't know

if what I'm doing is right," demonstrating the wish for feedback and opportunities to learn from experts as well as other philanthropists working at their scale or in their issue area.

## Ideate

Ideation is a method of generating ideas for solutions. With the problem redefined and the beneficiaries identified, we engaged in a series of How Might We (HMW) Solve this Problem questions in brainstorming sessions. We created a long list of HMWs for each of our donor archetypes, eventually selecting one or two of the most compelling to use. For instance, for the Active Seekers, we created the following HMW questions:

- HMW make the work of large foundations feel relatable to small or unstaffed foundations and donors?
- HMW make philanthropy feel do-it-yourself (DIY)?
- HMW make philanthropy feel like a start-up?

Given our time constraints, we were not able to delve as deeply as we would have liked into exploring a wide range of possible solutions. We drafted a generative set of HMW questions for each archetype and would recommend spending more time on brainstorming solutions to these questions in order to identify more innovative ways to address this problem.

## Prototype

Prototyping is the creation of low-resolution versions of potential solutions. Prototyping allows you to test the implicit assumptions in a theory of change and identify obstacles before significant time or effort is sunk into a full-bodied solution or pilot. A prototype inevitably contains a set of embedded assumptions about the needs and desires of the beneficiary for whom you designed it. By showing prototypes to the beneficiaries and stakeholders you can learn what resonates, test embedded assumptions, and discover previously unidentified needs (and barriers) that are applicable to a broader range of strategies.

Low-resolution physical prototypes, made from materials such as paper, markers, and tape, elicit more useful and honest feedback than abstract ideas or high-fidelity realizations. When it is clear that you aren't overly tied to what you have built, beneficiaries and other stakeholders are more willing to critique your core ideas. Prototypes presented in early and unfinished stages also will encourage your testers to help co-create even better solutions.

Building in low resolution also allows you to make quick changes based on feedback, testing new ideas with no sunk costs. For example, rather than organizing and executing a full TEDx experience, we drafted a mock flyer to test initial reactions to speakers, format, and guest list. Instead of hiring developers to create a working website portal, we created low-resolution wireframes in Balsamiq, a program that allows you to create pages with links and basic content, but requires no coding or user-interface design. This allowed us to quickly test the

user's interest in the content and format rather than investing time and resources in building a working site.

We created prototypes for every donor archetype. Each solution was built to test an articulated hypothesis about the needs and behaviors of the associated archetype. Here is a sample:

*Prototype 1:* ***The Effective Philanthropy Portal***

*Target Archetype:* ***Active Seeker***

*HMW* create and curate resources on philanthropy, provided by a neutral and trusted source?

*Hypothesis*: If we offer *active seekers* free resources from neutral resources their philanthropy will be more effective.

*Description*: A free web portal hosted by a university and foundation partner. The site would curate and create resources for donors. It would both aggregate the existing literature and resources and provide new resources targeted to smaller foundations and individual donors. The portal could also lead to interpersonal interaction by connecting advisors to advisees, highlighting convenings, and facilitating working groups.

*Prototype 2:* ***TEDx Philanthropy***

*Target Archetype:* ***Active Seeker***

*HMW* connect and leverage leaders in effective philanthropy in order to raise the topic's visibility?

*Hypothesis:* Increasing the public discourse on effective philanthropy will increase interest in and demand for the practice. It might do for "effective philanthropy" what Bill Drayton did for "social entrepreneurship."

*Description*: Speaker series where highly strategic philanthropists speak about their own learnings, successes and failures. The event also had an opportunity for small group engagement after the event.

*Prototype 3:* ***TestBed Workshop***

*Target Archetype:* ***Personal Strategy Wrestler***

*HMW* Create spaces for donors to conduct conversations about effective philanthropy along with workshopping of their own strategies, with a lower barrier to entry than the existing workshops and resources?

*Hypothesis:* If we offer collaborative *problem wrestlers* opportunities to workshop their strategies with others, they will create more effective strategies.

Description: Opportunity for HNW donors to workshop their own strategies and receive critical feedback from peer philanthropists.

*Prototype 4:* ***Sidecar/Mirror Funds***

*Target Archetype:* ***Investor***

*HMW* Help HNW philanthropists follow trusted foundations and individual philanthropists in making donations?

*Hypothesis:* There are donors who would like to be impactful but lack the time or other resources to do their own due diligence, and who would give to nonprofit organizations supported by trusted funders.

*Description*: Funds that either mirror foundation portfolios or are curated by respected outcome-oriented philanthropists

*Prototype 5:* ***Group of Elders/Experts***

*Target Archetype:* ***Personal Strategy Wrestler***

*HMW* leverage thought leaders' and experts' collective knowledge and perspectives to help elevate and publicize standards of "effective philanthropists" and assist those donors with highest capacity for impact?

*Hypothesis*: If donors with "skin in the game" and potential for exceptional impact can access the knowledge of experts, the donors can greatly increase their impact.

*Description*: A group of effective philanthropy scholars and seasoned practitioners who could provide guidance to emerging outcome-oriented and impact-focused philanthropists. The group could provide personal mentorship to those donors who are committed to allocating resources in a more effective way. The group could also provide public commentary on the state of the field and the different approaches within the effective philanthropy landscape.

*Prototype 6:* ***Collective Investment Simulation***

*Target Archetype:* ***Millennial Family Philanthropist***

Millennial family philanthropists are young people charged with administering the family's philanthropy earlier than expected, who may not feel they have full agency because of the need to fulfill the original donor's intent.

*HMW* provide a safe space that is not highly visible and can be used to learn how to go beyond the tactical to the strategic.

*Hypothesis*: If we provide these funders a safe space to learn about the philanthropic schools of thought then they will learn about how to be strategic and may also be interested in aggregating their resources towards a collective strategy.

*Description*: A three-day workshop for approximately 20 young family philanthropists, where they can come together in a safe space to learn and offer their expertise. The simulation could take an issue and explore how to address it philanthropically using different approaches.

## RESEARCH THAT INFORMS THE PROTOTYPES

In creating prototypes we looked both at existing competition and analogous ideas in other industries for inspiration. For example, when looking at the mirror funds, we spent time on websites and looking at services that provide online portfolio funds that help people be more strategic investors with their non-philanthropic dollars. We spent time with Wealthfront, Morningstar, Bloomberg Data, and Schwab Intelligent portfolios.

## TEST

We tested some of our hypotheses by asking beneficiaries and other stakeholders to respond to these low-resolution prototypes. We placed the flyer or mock wireframes in front of the targeted beneficiaries and asked them to respond to the flyer or site with little direction and guidance from us. We would ask them to share their first impressions. We followed up most of their comments with a simple "why" in order to ensure that we understood the value behind their reactions. We used this testing process to continue to learn more about our targeted beneficiary's motivations, beliefs, and values rather than testing for functionality of the proposed solution. The testing yielded specific insights for each of the archetypes, for example:

***Different Solutions for different Archetypes:*** Presenting prototypes to different archetypes reinforced some of the patterns we had begun to see, with different beneficiaries wanting to absorb information and put it into practice in different ways. For example, *Investor* Donors had little interest in applicable strategic planning tools or templates (found on the *Effective Philanthropy Portal*), but were excited about the *Mirror Funds*. *Active Seeker* Donors were not comfortable matching others' portfolios (*Mirror Funds*) without going through their own decision making processes, but were more interested in the Effective Philanthropy Portal and the TEDx Philanthropy event.

***The source of information matters:*** Having a university on the byline of published materials was critical. When the only source was a consulting firm, or even a foundation, donors were wary of being someone's next business opportunity. The university offered both neutrality and validation of quality.

***Online interactions are not easily transitioned to in-person engagements:*** Successfully engaging users online does not mean that they will be open to subsequent interactions offline.

Converting online to in-person interactions must transcend barriers such as requiring donors to give up the anonymity, placing trust in the service provider, and risking wasted time.

***Skepticism about the existence of good resource*s**: It became clear that outside of a small number of books, articles, and websites, donors were frustrated by the dearth of useful readings, media and tools. This highlighted both the lack of useful resources and the difficulty of finding those that do exist.

***The difference between a place to get information and a place to engage*:** Some donors wanted resources for passive consumption while others desired active experiential learning or engagement with peers. Needless to say, these call for quite different service providers.

***Focusing on issues vs. process*:** For example, some donors who use advocacy strategies cared more about workshopping with other funders using the same approach than with those having similar substantive interests, while other funders wanted to workshop around substantive issues.

***Willingness to engage in the process*:** Most of the donors we interviewed were eager to help test our prototypes, brainstorm solutions, and participate in pilots. This seemed to reflect a broader interest in being part of the growing conversation about strategic philanthropy.

## TRANSLATING USER FEEDBACK INTO STRATEGIC DESIGN PRINCIPLES

The user feedback to the prototypes was documented and synthesized into a series of design principles. For example, an RFP for online or in-person initiative to educate donors about effective philanthropy practices might suggest the following design principles:

The initiative

- Is curated by trusted, neutral sources
- Helps inform a donor's practice
- Feels current
- Is interactive and open to engagement
- Can be targeted to the donor's needs, e.g. filtered by foundation size, number of staff, geography, issue area, type of grant
- Helps the donor understand other philanthropists' or foundations' decision making process through case studies, decision making structures, and grantmaking and evaluation methods
- Is not overly prescriptive
- Includes specific narratives
- Clear how it is curating the content
- Allows for peer engagement, e.g., ranking and commenting on articles and resources

Of course, a funder should invite grantees to challenge or modify the design principles based on their own experience.

## STANFORD PACS TEAM'S PROPOSED STRATEGIES MOVING FORWARD

Based on Jeff's articulated vision of a long-term (fifteen year) commitment to building the field of effective philanthropy, the Stanford PACS team made a recommendation for a two-year initiative with a strong learning agenda. The PACS team encouraged the Foundation to deepen their understanding of donor behavior with the final goal of selecting a target beneficiary or a group of beneficiaries.

The recommendation is to pursue parallel efforts; one to support and increase the current infrastructure of the effective philanthropy field, through the convening of leading experts and practitioners, the curating of existing resources, and the making of grants to advance the sector's understanding of donor behavior, and the other to experiment with new ways to engage donors in order to advance the uptake of the principles and practices delineated by the Donor Education Network.

Specific recommendations for the strategies included the following activities.

***Aggregate, Curate, and Disseminate Resources***:

- Collect existing materials on effective philanthropy —books, articles, tools, interactive materials, lectures, public talks, courses, webinars, MOOCs, etc.— and review them for quality and usability.

- Organize these resources through an online portal or a software application that would enable high net worth donors to easily access materials deemed useful for improving their philanthropy.

- Provide research grants and contracts to support existing work in the field. The Initiative would make several targeted grants to obtain insights into donor behavior around strategic and effective philanthropy. An example of a possible grant or contract that emerged during our research would be for a longitudinal study of the graduates of the Philanthropy Workshop-West to determine what participants learned during the program and how they applied their insights following the workshop.

- Publish articles and op-eds to increase the visibility of effective philanthropy methods and attract users to the Initiative's many resources and activities.

***Build, Test and Learn:***

- Create an online portal or software application to test various resources and user engagement.

- Host public events on effective philanthropy, exploring a range of programs such as TED-style talks, intimate gatherings, online videos, webcasts, etc., to bring greater visibility to effective philanthropy. These events would leverage Jeff's ideas, as well

those of other high net worth donor role models that the Initiative identifies along the way.

- Launch a series of collaborative experiments to gain a deeper understanding of user behaviors and barriers to applying effective philanthropy practices. The experiments could take the form of workshops, public events, online resources, e-mails, simulations, programs, multi-media products, etc.

The PACS team encountered a number of organizations interested in collaborating to expand the field and further the learnings of this case study. The following is a list of potential partners and associated experiments:

- *Fidelity Charitable* - Work with Fidelity Charitable's pool of 1,000 high net worth donors who give more than $1 million a year to test methods of peer huddling, resource dissemination, and issue-specific coaching, and test newly created resources and tools.

- *The Philanthropy Workshop* - Partner with TPW to develop a much shorter version of the six-month TPW experience. TPW has received many requests to do this from community foundations, conferences, and workshops but does not currently have the capacity to develop the abbreviated version.

- *The Giving Pledge* - Explore ways to engage the now 140-strong community of Pledgers in more active discussions around effective philanthropy.

- *Nexus Global Youth Summit* – Develop a strategy-focused session for the Nexus annual global convening of millennial donors.

- *Stanford Next Gen Giving* – Run a series of workshops or events and test new materials with Stanford Alumni Association's concentrated portfolio of wealthy millennial alumni.

- *Young Family Philanthropists* - Work with a group of millennial family philanthropists to organize a "Collective Investment Simulation." This event would test community building methods and a rigorous, intellectually stimulating, and applied learning experience.

## REFLECTIONS FROM JEFF RAIKES

After the completion of the case, Jeff articulated the following as his primary takeaways. Included are direct quotes from our exit interview with Jeff on August 24th, 2015.

***Value of Archetypes:*** Jeff acknowledged that gaining a deeper understanding of donor needs and mapping the diversity within the donor population will guide the Foundation's strategy moving forward. He said, "The archetypes will point me toward having a more segmented approach [in order to] really understand where the product's going to fit… I think we

definitely got smarter about the target market. I was reminded that some of the things we might come up with might appeal to only one archetype and not be broadly applicable to all archetypes."

***Necessity of defining success***: Jeff initially struggled with the tension of defining success, and recognized that the HCD process helped him clarify this. Several of our discussions focused on defining the desired behavior changes. "I wasn't sure whether I should be reaching philanthropists where they are… or whether I should take a stance with a stronger point of view." Through the process he concluded that both are necessary. He needs to meet donors where they are today and address their current needs and mindsets, but at the same time define what effective philanthropic behavior should entail and raise the bar on the conversation.

***Positive tension in being pushed to make choices:*** The process included several discussions in which the PACS team pushed Jeff to choose a target beneficiary. Jeff appreciated the "healthy tension" in being pressed to make choices. Jeff said that he appreciated the process of focusing on a deeper engagement that could lead to a scalable model, rather than rolling out a broader solution at scale that attempts to solve a range of systemic needs all at once.

***Ideation led to unexpected solutions:*** Engaging in ideation allowed Jeff to consider solutions and vehicles, like a software and services enterprise, that would otherwise not have been conceived. "I would never have considered a software solution before."

***Importance of not sticking to the first solution but staying open to possibilities:*** Jeff remarked about how easy it is to get excited about a new idea, which can close off other possibilities. Jeff recognizes that he might have gotten stuck on the idea of an online portal/software intervention because it leveraged his unique experience with Microsoft. The HCD process of testing the prototypes and getting feedback from stakeholders ensured that he did not invest all of his energy and resources in the first exciting idea, but rather he integrated the other possibilities throughout the process.

***Value of ongoing experiments with beneficiaries***: The HCD process helped him appreciate the benefit of using created experiences, rather than a more passive sharing of information, as a way of expediting the learning about donor behavior and needs. The insights obtained from these donor experiences can then inform the design of interventions. "I would now say we are going to lead with experiential learning events in order to figure out who we engage. Then we will get sharper about what are the services [those donors] need and the role that [our Foundation and others] can provide in meeting those needs."

***Opportunities for partnership:*** The interviews with existing service providers and experts in the field elucidated for Jeff those individuals' theories of change around effective philanthropy and their definitions of success. Having clarified his own vision of success, he was able to better recognize alignment and areas of difference with these organizations. "They were on my radar screen, but it certainly enhanced my view of the opportunity to work with them."

## PACS Team Reflections

In the engagement with the Raikes Foundation, as well as another engagement with Guidestar in San Francisco, the PACS team learned a great deal about the efficacy and practicality of integrating HCD in the strategic planning process for nonprofits and foundations. Here are some hypotheses and remaining questions:

*The HCD process can be effective in helping foundations and nonprofit organization fine-tune existing strategies or create new ones.*

*The process is time consuming and requires time, energy and resources:* In both of these cases, the PACS team essentially served as a consulting arm for the institution. Arranging and conducting the interviews, synthesizing the information, and building and testing prototypes took many hours. It is unclear how many foundations can integrate this with their existing work, and to what extent a scaled-down version is possible.

*Difficulty and value in accessing beneficiaries not plugged-in to current resources:* In searching for beneficiaries at the ends of the spectrum of behaviors, we sought philanthropists who had appetite for increased strategic practice but had not used any of the existing resources or communities. These were important people to understand because they could provide insights into the limitations of the existing marketplace. They were difficult to locate, however, because they were not connected with any of our contacts in the field. This pressed us to consider other pipelines for identifying donors, such as graduates of start-up incubators or high-rolling clients of wealth managers. These pipelines then became potential places for future intervention.

*HCD/strategic planning processes may be better suited for new organizations than existing ones.* It can be difficult for established organizations to make changes based on the new information. While there seems to be considerable interest in learning about the HCD process, it remains to be seen how many organizations are willing to set aside the time, resources, and human capital to carry it out.