

Unlocking scalability for New Zealand - by Bill Kermode

Philanthropic foundations are everywhere in the US. Many have high profile, big names attached to them – Gates, Clinton, Zuckerberg, Rockefeller, Bloomberg . And the amounts given are eye watering. More than \$80b was distributed by philanthropic foundations in 2015, up by more than 5% on the previous year.

But it was a relative newcomer that stood out on a philanthropic tour I had the privilege of making in September with NEXT Chairman, Chris Liddell. Our visits were primarily learning ones; to further our knowledge of strategic philanthropic best practice in the States, and to find ways for NEXT to do more, better.

The US has a long history of institutional philanthropy going back to the Carnegies and the Rockefellers. And over the last 30 to 40 years, the tremendous wealth created in sectors such as technology has meant there are a large number of relatively young people with significant wealth – and in the US, setting up a foundation is what many naturally do with it. The sector is very well established, and growing strongly.

The relative newcomer that particularly interested me was Boston’s New Profit. Founded 15 years ago, New Profit’s focus is on what they call ‘venture philanthropy’, and they are very hands-on compared to many of the other foundations we met. They were a bit like NEXT in many ways, but New Profit’s point of difference is what makes them really interesting.

New Profit’s founder and CEO, Vanessa Kirsch was recognised by Forbes as one of “15 innovators who will change the world”. She co-founded Public Allies, a program that links youth volunteers with non-profit organisations in their communities. She started to see that the non-profit sector didn’t have the supporting infrastructure for scaling up organisations – the funders, financial partners, advisors, and networks – that exist in the commercial world to help smaller companies grow. So she started work on bringing the disciplines and learnings from one into the other, to provide the infrastructure to enable non-profit organisations to scale successfully.

New Profit’s system scaling capability is particularly relevant to the NEXT Foundation. When we’re assessing projects to support here in New Zealand, we’re looking at organisations that have a track record, capability, and evidence of success. We’re trying to help them take that success to scale – and I would describe Next Profit as system scaling experts.

Vanessa coined the phrase ‘new profit’ as an outcome of scaling success – not “for profit”, not “not for profit”, but “new profit”. It’s what others call ‘impact’ – impact is the philanthropic equivalent of profit in the commercial world. New Profit looks at the system, or ecosystem, a particular social problem is operating in (for example, leadership in education), maps it, works out the “market failure” or barriers to success, then identifies the organisations that can transform that system and helps them to scale. It’s what we hope to do too.

The issues around scaling here in New Zealand are similar to those in the US. Take education as an example. Our education system, quite rightly, has a reputation for quality and innovation. At NEXT

we believe we don't have to scour the world for good educational 'product'; we have it here already. What our system hasn't been so good at is taking those good 'products' to scale.

A big challenge for educational organisations looking to grow is that, traditionally, the Government has been the only significant funding partner available, and three year electoral cycles make it hard for organisations to get a 5-year or 8-year run at things, because Governments change, Ministers change, and policies shift. NEXT Foundation, by comparison, can back initiatives for 5 years or more, and increase their chances of achieving significant enough scale to ultimately have a national impact.

A great example is the Springboard Trust, who we support along with four other philanthropic and corporate funders. Springboard provides strategic leadership development and support for primary school principals. McKinsey has been a foundation partner from the beginning. Springboard has been successfully delivering its programme for 5 years (following 3-4 years of developing and testing it). Funding from NEXT has allowed it to expand more quickly. When NEXT came in, Springboard had worked with 90 principals, all in South Auckland; that number is now up to 150 and spread to Northland, Waikato, and East Cape, and at least one more region next year. And our support won't disappear when the next election rolls around.

The second challenge New Zealand faces is the same one that brought New Profit into existence: there's just not enough of the right experience, or the infrastructure and systems, for not-for-profits to tap into. Vanessa Kirsch told Chris Liddell and I that the same was true in the States 15 years ago.

One of the most interesting stories we heard from New Profit was about their relationship with Ireland's ONE Foundation, started by Declan Ryan, one of the sons of RyanAir founder, Tony Ryan.

ONE Foundation was very similar to NEXT – a 10-year limited life foundation with €100 million to give, and a desire to fund a small number of projects that would have a real impact. ONE was named after the U2 song - Ryan said he believed in the line from the song "We've got to carry each other."

Ryan investigated how US foundations worked because he believed "the Americans are the best when it comes to philanthropy". He travelled the States and talked to various parties, including New Profit, and chose them to help him get it established. Vanessa's people were with ONE from the very beginning, providing strategy, training and support. A representative from New Profit joined the ONE board and, later, Declan Ryan joined the New Profit board. This unique relationship gave ONE an experienced, capable strategic partner who was both "external and in-house".

ONE has now completed its ten year life (and produced an excellent report on their journey and learnings). I hope we can develop an ongoing relationship with New Profit. There is a lot we can learn from them, and having seen the relationship they had with ONE, I think they could be a good cultural fit for us here in New Zealand. I liked the fact that they had fun - giving people money to do good things should be fun!

Chris and I were very privileged to meet a number of high calibre people on our tour. Even with hundreds of philanthropic foundations across the US, there aren't many organisations like New Profit, working right at that venture philanthropy, hands-on end of the scale. Yes, we're different from them, but the knowledge and capability they have could greatly benefit the organisations we support. And most importantly, if we get the scalability working, like New Profit has; NEXT could really make a difference in New Zealand for our land, and our people.

