

Funding Radical Experimentation

A toolkit for funders who want to catalyze transformative social change



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Nonprofit Pitfalls

Too often in the nonprofit sector, we are caught in a model that emphasizes:

- **Risk Aversion**
(instead of calculated risk-taking)
- **Slow, Large-scale Change Processes**
(instead of small, rapid testing)
- **Command & Control Operations**
(instead of empowering staff to experiment)
- **Multi-Year, Top-down Planning**
(instead of iterative strategy development)
- **Vanity Metrics**
(often driven by funders)

A Toolkit for Funding Radical Experimentation

This toolkit is for funders that want to break out of the traditional grant-making model and catalyze innovation and growth in their grantees.

Funders across the social sector working on a range of issues can make simple adjustments to their grant-making that will dramatically increase experimentation by grantees.

Radical experimentation can be used across the sector:

- **Direct Services**
- **Advocacy & Organizing**
- **Online Tools & Strategies**
- **Alternative Revenue Models**
- **Membership Building**
- **Scaling Organizations**

What's in this Toolkit

1) **What is Radical Experimentation**

- a) Rapid Experimentation Models
- b) Examples

2) **Funding Models for Radical Experimentation**

- a) Models (Challenges, Prototype Funds, Experimentation Funds, Fellowships)
- b) Adjusting grant processes to foster experimentation

3) **Requirements for Radical Experimentation**

- a) What organizations need to experiment
- b) Common pitfalls

I. What is Radical Experimentation

What's so Radical about Radical Experimentation?

Radical experimentation is the combination of two critical approaches:

Rapid Experimentation Models

+

Transformation, High-Risk Strategies

=

Radical Experimentation

Radical experimentation emphasizes different approaches than traditional nonprofit operations:

- **Transformative Goals**
- **Embracing Risk**
- **Rapid Iteration of Strategies**
- **Fast Failure**
- **No Vanity Metrics**

Experimentation vs. Innovation

Innovation: a new, more effective intervention for social change

Experimentation: a structured process for driving learning and innovation

Innovation is mercurial and tough to measure—everyone claims it and few truly achieve it. Innovation is best achieved through cycles of rigorous experimentation.

So, we focus on catalyzing *experimentation* by social change organizations. Experimentation is a rigorous, concrete process that funders can evaluate whether grantees are actually following.

Let's now take a look at “rapid experimentation” methodologies. Rapid experimentation models are transforming the scope and scale of experimentation in the business and nonprofit sectors.

The Rapid Experimentation Revolution

Rapid experimentation methodologies like “Lean” and “Human Centered Design” have transformed the for-profit sector over the past decade. Fortune 500 companies and high-growth startups alike have shifted to rapid experimentation across their operations.

Rapid experimentation has driven development cycles for *new products*, services, and technologies to shrink from years to months to weeks.

Twitter’s core platform was built and tested in two weeks.

Rapid experimentation has driven companies to dramatically increase their testing of new features and approaches to *existing products*.

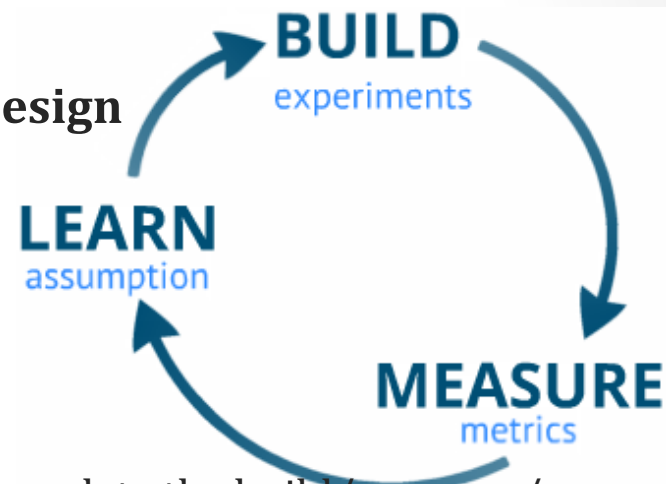
In 2006, Intuit (the Quickbooks company) made only a single change to its web platform during the 100 day tax season. Today, Intuit runs hundreds of simultaneous experiments during every tax season.

These rapid experimentation methodologies have begun to take hold in the nonprofit and healthcare sectors in the U.S and internationally. Funders can play a critical role in spurring adoption of rapid experimentation models.

Running Rapid Experiments

The rapid experimentation model involves:

- **Deep user engagement & feedback in design**
- **Quick, time-sensitive tests**
- **Fast failure and iteration**
- **Constant data feedback loop**



Rapid experimentation pushes organizations to complete the build/measure/learn cycle (for new programs and improvements on existing programs) in weeks instead of months.

One of the keys to speeding up this cycle is developing a “Minimum Viable Product” (MVP) which could be no more than a printed mockup of your program or a single signup webpage for a service or a completely manual version of a service that will eventually be automated. MVPs help organizations test key hypotheses and iterate quickly and efficiently.

Fast Failure & Iteration

Lean Experiment

Fail Fast

Learn, Iterate, Experiment

Fail Again

More Learning & Iteration

More Failing

Iterate or Pivot until

Success

The path to
success is
through
structured
failure

Rapid Experimentation Models

For Developing & Testing New Ideas

Lean Startup

Developed in Silicon Valley

Lean Startup encourages iterative development to gain feedback quickly and shorten product development cycles. Educate! – a Ugandan workforce development group – uses this approach to rapidly test multiple designs for building curricula. Lean has fueled Educate’s growth from serving 50 schools to 250 schools.



Human Centered Design

Created by IDEO

Human-Centered Design creates sustainable solutions for people based on their lived experiences. By using HCD, VisionSpring figured out how to increase engagement rates in their eye screening exam. After testing multiple approaches, they figured out kids love the exam if they can role play as “doctor.”



Rapid Experimentation Models

For Transforming Existing Processes

Lean Production

Originally developed by Toyota

Lean Production emphasizes eliminating waste and maximizing resources that benefit customers. Kings County Hospital Center has shifted their entire operation to lean. Running monthly rapid experiments brought the hospital from being out of compliance in 220 areas to being in compliance across the board.

Six Sigma

Developed by Motorola

Six Sigma began as a process improvement tool to reduce production time for manufacturers by eliminating errors. Consumer Credit Counseling Services' wait-time for processing online counseling applications dropped from two weeks to one day by changing its intake methods.



II. Models for Funding Radical Experimentation

Calling for Experimentation

To fund experimentation, you have to either:

- a) Create a pool of funds dedicated to experimentation grants; or
- b) Call for “experimentation grants” in your existing portfolios

In either case, there are several keys to catalyzing experimentation amongst grantees:

- Explicitly signal that there are funds available for experimentation
- Adjust your grant processes for experimentation grants (see below)
- Provide grantees with resources and training in rapid experimentation models
- Allow for experimentation in programs, but also in revenue generation, membership, online engagement, and operations

Approaches for Funding Experimentation

Funders have developed a range of structured grantmaking processes to encourage experimentation. These include:

- **Challenges & Contests**
- **Prototype & Experimentation Funds**
- **Fellowships Supporting Experimentation**
- **Incorporating Experimentation into Existing Grants**

Challenges and Contests

- **Contests build on your existing priorities** – make your contests aligned with your current portfolio.
- **Provide many seed grants** – Don't do contests with just large grants for a few winners—these can discourage smaller players and new talent from entering the field. Seed grants usually are from \$30K-\$100K per grantee.
- **Create simple, quick funding cycles** – simplify the application as much as possible and make funding decisions in three months or less.
- **Don't rely on public voting** – these aren't popularity contests; you'll just end up wasting applicants' time.

BILL & MELINDA
GATES *foundation*

Bloomberg
Philanthropies

MacArthur
Foundation

THE
ROCKEFELLER
FOUNDATION

 Knight Foundation

Robert Wood Johnson
Foundation

Contest Example

Reinvent the Toilet Challenge

- Since 2011, the Bill & Melinda Gates Foundation has awarded 16 Reinvent the Toilet Challenge grants to researchers to build environmentally safe and sustainable toilets for the 2.5 billion people worldwide who don't have access to affordable sanitation. The first investment was \$3M and went to 8 universities to build toilets as stand-alone units without pipe-in-water for less than 5 cents a day.



Next Generation Condom Challenge

- Condoms have been in use for about 400 years, but haven't had technological improvement in the last 50 years. While they are great for multi-purpose prevention, they still aren't used enough worldwide. Gates is challenging groups to come up with a new condom that preserves or enhances pleasure to improve uptake and regular use.



Prototype and Experimentation Funds

- **Prototype & Experimentation Funds** support groups that have a new idea or product that needs to be rigorously tested for proof of concept
- These funds usually support individuals or organizations for a short period of time
- **Prototype Funds** are usually small amounts of seed money (\$30K-\$50K), while **Experimentation Funds** are larger pots of money for cohorts of experiments (\$50K-\$300K)
- These experimentation funds have an independent grant process that emphasizes speed and flexibility

 Knight Foundation

 new media ventures

Robert Wood Johnson
Foundation

Prototype Fund Example

The Knight Media Prototype Fund

- The Fund helps media makers and technologists take ideas from concept to demo. Grants are \$35,000 each, and innovators are given 6 months to research, test assumptions, and iterate before building the project out in full.
- With the dropping cost of experimentation, the fund encourages innovators to test lots of ideas, options, and models before deciding on a path to take. Knight Foundation helps successful projects scale.
- The Knight Foundation requires all grantees to go through a Human Centered Design training that steeps participants in rapid experimentation models.
- Applications are accepted on a quarterly basis, and grants are made to non-profit organizations, for-profit organizations, and individuals.

Fellowships for Experimentation

Fellowships support innovative leaders to develop or test new ideas for social change.

With no-strings-attached support, fellowship programs can encourage recipients to explore new approaches to social change.

Fellowship programs like Acumen, which runs a fellowship for global change leaders, are starting to incorporate rapid experimentation training (e.g. Lean or Human Centered Design”) into their programs.



MacArthur
Foundation



Incorporating Experimentation into Existing Grants

The easiest way to support experimentation is to open up your existing grant portfolios to experimentation grants. You don't necessarily need a new grant pool for experimentation. In order to encourage experimentation in your current portfolio:

1. Ask grantees what they want to experiment with—make this a standard question in your discussions with grantees.
2. Signal in your RFPs and grant guidelines that you are open to “experimentation” proposals that are testing new ideas.
3. Point grantees to resources about rapid experimentation models (see resources section)
4. Shift proposal format for experimentation grants (see below)
5. Be open to providing quicker, smaller prototype grants

What Experimentation Proposals Should Look Like

Traditional grant proposals usually involve a detailed plan that lays out linear activities, outputs, and outcomes. Experimentation grant proposals, on the other hand, require a bit different structure.

- 1. Initial Hypotheses:** A set of initial hypotheses about the efficacy of proposed strategies; these are expected to change over time.
- 2. Nonlinear Experimentation Process:** Ask grantees to state their experimentation methodology. You cannot predict what hypotheses will be tested three months into the grant—every week of testing should generate learning that changes the trajectory. So, **don't require grantees to predict all of the experiments they will run. Have a clear end goal and allow grantees to test many strategies.**
- 3. Experimental Activities, Outputs, and Outcomes:** For experimentation proposals, grant activities should be experiments, grant outputs are validating/invalidating hypotheses, and intermediate grant outcomes are validated learning (towards a larger long-term outcome, which may take several grant cycles).

Experimentation Proposal Example

Here is an example from a one-year experimentation grant proposal to a funder for building a new national immigrants association (by the Center for Community Change and FIRM, a coalition of 30 immigrant-serving organizations).

Long-term goal: Develop a scalable (deep, lasting, financially self-sustaining) model for organizing immigrants around social justice issues.

Intermediate Strategy: Develop services for immigrants that create deep, lasting member relationships and are financially self-sustainable.

Initial Hypotheses: Based on 200 member interviews, secondary market research, and staff feedback, CCC and FIRM have identified and prioritized **testing of more than 20 possible services** for immigrants including legal services, English classes, health debt reduction, & financial services.

Grant Activities: Over a one year period, **complete experiments** of at least 12 possible services for immigrants in three regions using the lean startup methodology.

Grant Output: Validate or invalidate 12 possible services based on criteria of a) demand from immigrants; b) impact on immigrants' lives; c) depth of member relationship development; and d) financial sustainability.

Grant Outcome: Identify 1-2 scalable services for immigrants that will be further tested.

Role of PRIs and Impact Investments

Although PRIs and impact investments can play a role in supporting radical experimentation, they are best as a tool for scaling proven models (rather than supporting new model development).

PRIs and impact investments are inherently limited in their risk tolerance because they need some return on investments. In their early stages, **radical experiments are incredibly risky (8 out of 10 will fail), so grants are best suited for these stages.** And those that do succeed won't give investors the kinds of returns that allow venture capitalists to absorb high loss rates.

For those experiments that demonstrate revenue generation, PRIs and impact investments can be a good follow-on financing tool. In these cases, equity investments (or convertible debt instruments) are usually preferable to straight debt financing.

Example: New Media Ventures (NMV), a matchmaker between donors and promising media ventures, uses a mix of grant and investment funds to support experimentation. NMV has a prototype fund (\$30K grants), growth grants (\$100K-\$500K), and impact investments (\$100K-\$1M) that it can use for projects in different stages of development.

ACCELERATE
CHANGE 



new media ventures

Rapid Randomized Control Trials

With verified data on the effectiveness of program interventions, Randomized Controlled Trials (RCT) are critical for advancing social change. Over the past decade, increased investment from foundations in RCT has helped spur a growth in program experiments.

However, RCT has traditionally been an incredibly slow process, requiring millions of dollars and multiple years to run experiments for well-developed programs. This continues to limit the range of organizations that can take advantage of RCT.

Recently, academics like Todd Rogers at Harvard, are pioneering new “Rapid Randomized Controlled Trial” methods. For example, Rogers, who studies interventions with parents to improve student outcomes, is running almost a dozen RCT trials simultaneously across 150 schools. **Each RCT takes less than a year and about \$100K to complete.**

Rogers speeds up the traditional RCT process by a) focusing on evaluating a single intervention (e.g. texting parents when their child is absent from school) instead of an entire program; b) utilizing low-cost communications systems (e.g. email, text, Facebook, etc.) to conduct trials; and c) using pre-existing outcome measures (e.g. Student attendance, behavior, performance in school, and standardized test scores).

III. Requirements for Radical Experimentation

What Organizations Need to Radically Experiment

1. Clear ultimate outcome ripe for experimentation
2. Many ideas for path to outcome
3. Dedicated experimentation funding for 12-24 months
4. Buy-in from executive team for experimentation
5. Lead entrepreneur firewalled from main org (for new ventures) OR an entire team trained in rapid experimentation (for transforming existing programs)
6. Lean experiment expertise (consultants or entrepreneur)

Pitfalls of Radical Experimentation

- Some grantees aren't ready to immediately jump into radical experimentation. Consider capacity grants to help grantees train staff in rapid experimentation, hire a lead entrepreneur, or start market research process.
- Many problems can't be solved by rapid experimentation (too long-term; complex metrics).
- Experimenting in communities requires trust, transparency, and careful design.
- Before experimenting, organizations should do secondary market research to understand the context—build on the lessons of previous efforts and programs in other parts of the country/world.
- Prepare your staff and board for high “failure” rates of experiments. When the outcome is learning, these failures can be a part of achieving ultimate success.

Resources

Challenges and Contests

- Knight Foundation “Why Contests Improve Philanthropy: <http://knightfoundation.org/opencontests/>
- Gates Grand Challenges: <http://www.grandchallenges.org>

Prototype and Experimentation Funds

- Robert Wood Johnson Pioneer Portfolio: <http://www.rwjf.org/en/grants/what-we-fund/submit-a-proposal/strategy.html>
- Knight Media Prototype Fund: <http://www.knightfoundation.org/funding-initiatives/knight-prototype-fund/>

Fellowships

- Echoing Green: <http://www.echoinggreen.org/fellowship>
- Acumen: <http://acumen.org/leaders/global-fellows/>
- MacArthur Foundation: <http://www.macfound.org/pages/about-macarthur-fellows-program/>

Lean Startup

- The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Business: <http://theleanstartup.com/book>

Resources

Six Sigma

- Six Sigma Demystified - Hard Stuff Made Easy:
<http://www.amazon.com/Six-Sigma-Demystified-2nd-Edition/dp/007174679X>
- Lean Six Sigma for Services: http://anvari.net/24_LSS/LSS_Training/LSS%20for%20Service.pdf
- Lean Six Sigma for the Public Sector :
<http://rube.asq.org/gov/improving-service-delivery-in-in-government-with-lean-six-sigma.pdf>

Human-Centered Design

- IDEO Toolkit: <http://www.ideo.com/work/human-centered-design-toolkit/>

Lean Production/Toyota

- Lean Behavioral Health - The Kings County Hospital Story: <http://amzn.com/0199989524>
- Online Resource for Lean-Based Information & Tools:
<http://www.leanproduction.com/index.html>
- Virginia Mason Institute (Lean for Healthcare): <http://www.virginiamasoninstitute.org/>

Additional Resources

- Social Innovation Toolkit: <http://www.socialinnovationtoolkit.com/home.html>
- Capacity to Innovate: <http://capacitytoinnovate.org/>
- DIY Toolkit: <http://diytoolkit.org/>