

Draper backs 'big idea' social entrepreneurs

Venture capitalist wants high impact

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For William Draper, philanthropy is much like a business investment.

He identifies game-changing ideas, backs them financially, then throws his energy behind ensuring their success. But instead of expecting a return, Draper demands impact — a lot of impact.

"We want someone with a vision to make a significant difference in the world," Draper said. "They must have an idea that's big enough to scale and make our little bit of money go a long way. If we don't make a difference with our money, what's the point?"

Through the Draper Richards Kaplan foundation, which he founded alongside Robin Richards Donohoe and Jenny Shilling Stein in 2002, Draper is helping transform innovative ideas into socially beneficial organizations that are indeed changing the world — one small nonprofit at a time.

To date the foundation has funded 47 successful nonprofits, including San Francisco-based Kiva.org, the personal micro-lending website that has facilitated \$360 million in loans, and Room to Read, which promotes literacy around the world and has grown its budget to nearly \$50 million a year in just more than five years.

Taking big risks

Little do people know that without Draper's generosity and the talent of his foundation's staff, these remarkable organizations might never have grown beyond struggling nonprofits with good ideas. That's because Draper knows that to have a big impact, you have to take a big risk.

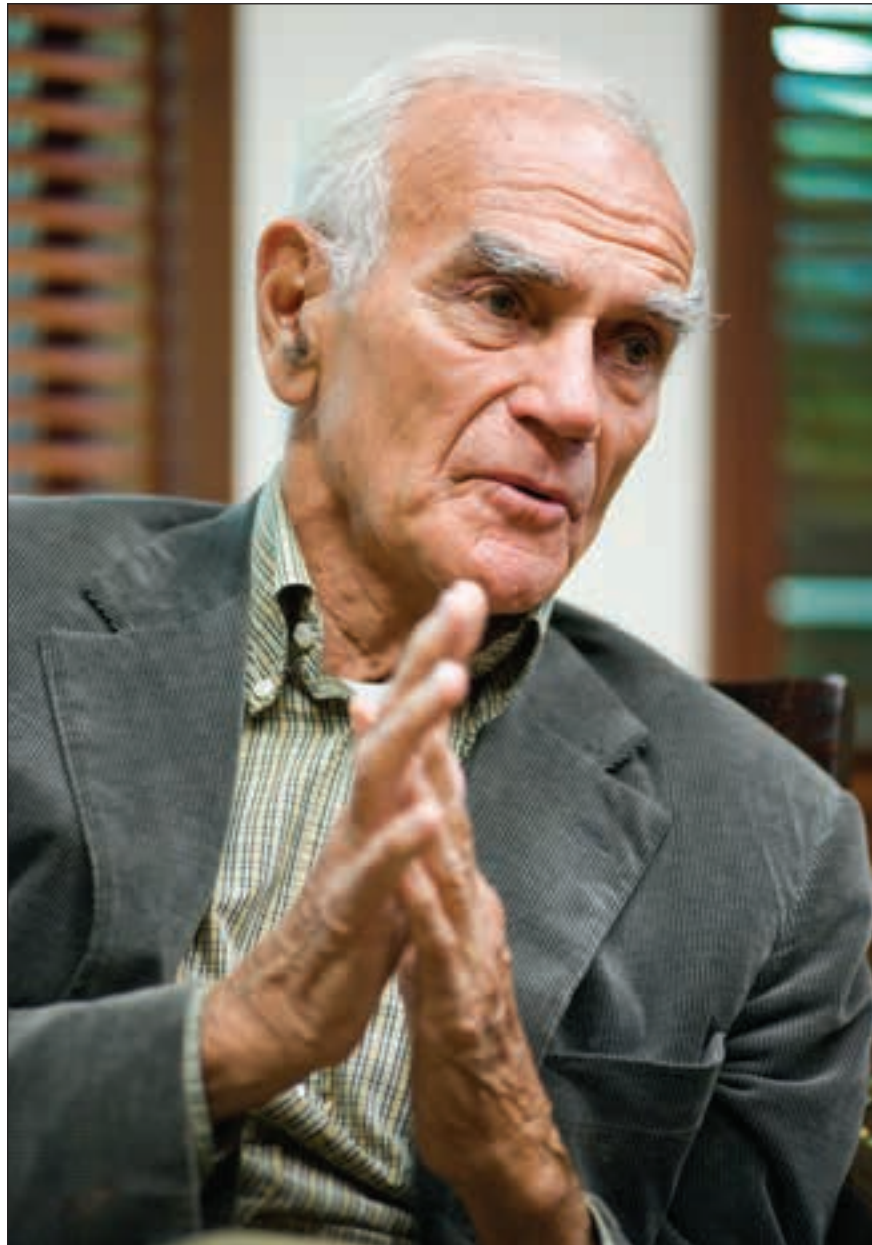
As the founder of Sutter Hill Ventures in Palo Alto and now the general partner of Draper Richards L.P. and Draper International, Draper is known by many as one of the West Coast's first venture capitalists. He has led the way in his field, supporting early-stage companies for half a century, and he has made a fortune doing so.

Now he's putting that money to work for charity. Just as he was a revolutionary in the VC world, Draper is now blazing a trail in the nonprofit world.

"Every donor wants to make a difference, but Draper stands out in being able to articulate why each of their grants are designed to make the most impact," said Sean Stannard-Stockton, director of investments for Ensemble Capital, an investment management and philanthropic planning firm. "They are focused on making the most difference possible, not just funding nonprofits that happen to work in the areas they care about."

Two things have made the foundation stand out: its focus on early-stage funding and high engagement with grantees.

The foundation awards early-stage grants of \$300,000 over three years to select startup entrepreneurs with big ideas. As with a venture capital seed investment, the foundation guides organizations, giving them business know-



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how to operate well, scale quickly and become successful ventures.

Organizations get significant one-on-one time with foundation leaders and Draper himself — not to mention access to his impressive list of contacts.

For a nonprofit, this deeply involved support is paramount.

"The grant is three years, but the relationship is far beyond that," said Toni Heineman, executive director of A Home Within, which the foundation nominated for multiple awards long after their official relationship was over. Draper Richards also recently helped connect the organization with another foundation that does not accept unsolicited proposals.

"What is different about them is the hands-on nature of their relationship with the grantee," Heineman said. "It's not, 'Here's a check, tell us what you did.' It's, 'Here's a check and tell us what else you need.'"

Convincing other donors

Perhaps the most unusual aspect of the foundation is the way in which Draper has been able to grow it with more than just his money and money from his partners and board members. The foundation has been able to raise \$17 million from a pool of about 20 deep-pocketed donors who could have decided to start their own foundations.

"What Draper is doing is bringing funding at scale to these nonprofits," Stannard-Stockton said. "By helping other donors piggyback on the research they've already completed,

they're helping make the philanthropic capital markets more efficient."

The foundation has a \$31 million second fund that it plans to use to support dozens of new organizations within the next six years. It already gave out \$14 million from its first fund.

Draper attributes much of the model's success to his staff and the individuals he backs. "Just like in venture capital, the entrepreneur is the one who's the hero," Draper said. "But in the nonprofit world we have a greater success rate than in the venture capital world because the leaders are so determined."

Draper makes no effort to hide how inspired he is by the entrepreneurs he works with. But they're just as moved by him.

"One thing we hear time and time again from entrepreneurs is how inspired and welcomed they feel by Bill," said Shilling Stein, who co-founded the foundation and now serves as its executive director. "There is something about him that makes them feel like they can do anything."

Passion for global issues

For nonprofits, a grant from the Draper Richards Kaplan foundation is like a golden ticket to success, an affirmation that they have a game-changing idea and the gusto to make it work.

"Once I was funded by Draper Richards, other funders stepped in and got excited about what we were doing — we were in," said Abigail Falik, founder and CEO of Global Citizen Year, which gives graduating seniors a year

of service learning and leadership training throughout Africa, Asia and Latin America. "It's the gold standard."

Falik had nothing but a business plan when she approached the Draper Richards Foundation. However, she said Draper might have favored her idea because it resonated with him more than other causes. "We are changing the paradigm in how kids learn about global poverty and development," she said. "In essence, we are building a pipeline of future social entrepreneurs and Draper Richards fellows."

As the former head of the United Nations Development Program, Draper has a soft spot for organizations that focus on global issues. He said he spent several years acting as "a Robin Hood of sorts" by enlisting wealthy countries to help developing nations. During that time, he was exposed to many causes that need support in the world.

Yet Draper will not admit that he has any favorites. He also can't say which organizations have been the most successful.

"That's like asking me which one of my kids is the most successful," he said.

Sticking around

At 84, Draper is still as energetic and passionate as the young entrepreneurs he helps fund. He comes into the foundation five days a week and is determined to keep growing it as he is still growing his other businesses.

"They're going to have to drag me out of here feet first," he said.

Within the next 10 years, the foundation hopes to scale up just as many of the organizations it has backed have scaled. The goal is to work with 100 grantees per year. While Draper could now be kicking back, he plans to stick around for the entire ride. For him, there is nothing more satisfying or rewarding.

"Money isn't that important to me, really," Draper said. "It's the things that you can do with it that are important. I'm so glad that I can continue doing some good with the money I've made."

Of course, Draper's philanthropy extends beyond the foundation. He has given time and money to hundreds of other nonprofits and sits on the board of many organizations, most notably his alma maters, Yale University and Harvard Business School. Although he never attended, he also has donated to Stanford University.

"Without them, I wouldn't have made any of the money I've been able to give away," he said.

This is an important point for Draper, who believes for-profit companies are just as important for driving social change as nonprofits — if not more.

"Venture capitalists who back for-profit organizations that have big payoffs can do much more for humanity than any nonprofit, because if you're generating a profit you can grow very rapidly and make dramatic changes," he explained. "Say Bill Gates started Microsoft as a nonprofit and gave away computers — we never would have heard of him. Yet he is one of the biggest philanthropists in the world."

On the other hand, Draper said, companies can't fix everything. That's why nonprofits need to step in.

"It's not either or — it's both," he said. "You need both."