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February 24, 2013

Funds Nurture Entrepreneurs With Far-Out Ideas to Benefit Society

By Ben Gose

While working in an impoverished area in Peru, Liz Morris hit upon the idea of building a better outhouse.

Ms. Morris, who has degrees in packaging science and engineering, founded Sanitation Creations in May 2011. The two-person start-up, based in Raleigh, N.C., is developing a waterless, odorless toilet that Ms. Morris says will improve hygiene in developing countries.

Her academic background did little to prepare for her becoming a CEO—"I spent a lot of time in the lab," she says—so she turned to the Blackstone Entrepreneurs Network for advice.

The network, part of a \$50-million, five-year commitment to entrepreneurship by the Blackstone Charitable Foundation, seeks to help the Raleigh-Durham area tap its strong record of academic innovation to become an entrepreneurial hub, like Silicon Valley.

The Durham-based network is spending more than \$3.6-million over five years to bring together proven local entrepreneurs, who provide advice to first-time executives like Ms. Morris.

"This is the gift that keeps on giving," says Ted Zoller, an adviser to Blackstone and an associate professor at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. His research shows that regions with a strong network of "serial entrepreneurs" produce more start-ups.

"You're creating a sustainable economic model that will pay dividends for society on an ongoing basis," he says.

Wider Latitude

Blackstone has plenty of company at the intersection of philanthropy and entrepreneurship. A number of foundations and donors, including the billionaires Peter Thiel and Dan Gilbert, are collectively investing more than \$20-million a year to encourage and nurture new start-ups.

Entrepreneurism isn't an area traditionally associated with philanthropy, because high-profile new businesses are often swarmed by venture capitalists looking to make a profit.

But most entrepreneurs operate far from that limelight, and bootstrap their own growth. The up-and-down economy of the past dozen years has made starting a new business even more hazardous.

The new philanthropic dollars are encouraging students to become more entrepreneurial, changing the culture in communities with a weak record for start-ups and providing money for entrepreneurs with ambitious but far-out ideas that other investors won't touch.

Greater Priority

The Obama administration has touted entrepreneurship as a way to help the country bounce back from the 2008-9 recession. Its "Startup America" initiative has catalyzed a related philanthropic effort, led by the Case Foundation and the Ewing Marion Kauffman Foundation.

That effort, called the Startup America Partnership, is working to create networks of entrepreneurs in all 50 states.

And as corporations narrow the focus of their giving programs, some are homing in on entrepreneurship as a priority. Mastercard Worldwide, which once left most of its giving up to local offices, now concentrates its giving on entrepreneurship in the United States and abroad.

The Blackstone Charitable Foundation was established in 2007 by the Blackstone Group, when the investment firm became a publicly traded company. The foundation initially supported education programs but shifted its focus to entrepreneurship in 2009 after the financial crisis.

"I don't think you can say there's one best thing to be doing with philanthropy," says Stephen Schwarzman, the billionaire chief executive of the Blackstone Group. "We thought the financial crisis would have a devastating impact, and we recast our foundation's activities to help address some of those problems."

Seeking a Model

In Raleigh-Durham, Blackstone has eight veteran entrepreneurs who are each paid a modest stipend of \$25,000 a year to serve as mentors to about 25 start-ups that have been accepted into the network.

Students and others who have promising business ideas are steered to Blackstone by four universities in the area.

Ms. Morris, who earned a master's degree from the University of North Carolina's School of Public Health, says the Blackstone program has helped her develop a marketing strategy and financial plan for Sanitation Creations.

The Blackstone connection has also opened doors as she tries to find investors for her company, she says.

“There’s a chance for her to change the model of how the clean-water industry works,” says Robert Creedon, a longtime venture capitalist who in 2011 became head of the Blackstone Entrepreneurs Network in Raleigh.

Blackstone may eventually start similar networks in other cities, such as Denver, Dallas, or Houston.

Blackstone has a separate program for rural areas.

In Maine, Blackstone is spending \$3-million over 10 years to try to create 10,000 jobs and help the state diversify an economy based largely on natural resources.

Pika Energy, a two-year-old company in Gorham, Me., is developing what it hopes will be a more cost-effective wind turbine for home electricity needs.

Pika has tapped the Blackstone program to cover the cost of bringing on an intern, and to provide entrepreneurship training for its co-founder and president, Ben Polito.

“This program connects students with companies, and connects companies with opportunities,” Mr. Polito says. “Pretty soon Maine’s best and brightest won’t have to leave the state to get a good job doing technology work.”

College Outreach

Blackstone also sponsors LaunchPad, a program for college students that was developed at the University of Miami. Blackstone has expanded the program—which seeks to provide students with the skills to turn their ideas into viable companies—to eight additional college campuses, in southeastern Michigan, northeastern Ohio, and Philadelphia—and a ninth is expected to be announced in March.

Blackstone became excited about the program after learning from a Kauffman foundation study that people ages 55 to 64 are more likely to start a business than those from 20 to 34. The foundation hopes LaunchPad can help turn those numbers around.

“If you want to be an entrepreneur, you should be able to do it when you’re 25,” says Amy Stursberg, the foundation’s executive director.

Taki Chowdhury, a senior at Wayne State University, in Detroit, is working with a friend on a Web portal for high-school students applying to college.

The university's LaunchPad office helped the two young entrepreneurs negotiate an agreement with a Wayne State instructor who had developed software they considered using. LaunchPad also arranged meetings with local venture capitalists, Mr. Chowdhury says.

"Before we found Blackstone LaunchPad, we didn't have a way to connect with the entrepreneurial community in Detroit," Mr. Chowdhury says.

Youth Ideas

Few grant makers have received more attention for their work with entrepreneurs than the Thiel Foundation, in San Francisco. Created by Mr. Thiel, the billionaire co-founder of PayPal, the foundation is best known for its Thiel Fellowship program, which provides \$100,000 over two years to creative young people who are willing to skip college and focus on turning their ideas into businesses.

"You can have a successful life without becoming a lawyer or a management consultant," says Jonathan Cain, the foundation's president. "We're helping young people figure out these alternatives before they get saddled with too much debt."

Every year the foundation selects 20 people age 20 or younger for the fellowship program, which began in 2011. Connor Zwick left Harvard University last summer, after his freshman year, to relocate to San Francisco and become a Thiel Fellow. His company, Milkshake Labs, is developing a video-game controller that fits over a smartphone.

Two years ago when Mr. Zwick was in high school in Wisconsin, the state's fierce battles over teacher unions led him to take a look at how changes in public policy could affect public education.

He came to realize, he says, that technology could have an even greater impact on education than changes in policy. During high school, he created a free app, Flashcards+, that is now among the most popular study apps.

"I think far too often, people associate entrepreneurship with for-profits, but that doesn't necessarily need to be the case," Mr. Zwick says. "It's a tool that can be used for doing some great things in the world."

Boon to Charities

The increasing interest in entrepreneurship among grant makers has been a boon to charities that focus on start-ups. For the past 25 years, the Network for Teaching Entrepreneurship has worked with 500,000 students, primarily in low-income high schools. Now the charity is experimenting with a shorter course—offering 20 hours of

instruction instead of the traditional 80 hours—that could be delivered mostly online.

Dan Delany, chief development officer, says the charity hopes the shorter course will enable the charity to train another 500,000 students in the next five years.

“We’re uniquely positioned to grab the attention of kids who are not in the best of circumstances,” Mr. Delany says. “The class helps them see a path toward change.”

Mastercard has given the charity more than \$1-million per year, and Microsoft and Ernst & Young have each contributed at least \$500,000.

Weekend Pitches

The \$2-billion Kauffman Foundation, which has focused on entrepreneurship since the 1960s, is investing about \$500,000 a year in Startup Weekend, a rapidly growing charity that brings communities together to focus on the creation of new businesses.

The Seattle-based organization holds weekend events all over the world in which aspiring entrepreneurs pitch ideas and form teams to create businesses. In 2012, Startup Weekend held 537 events, and the top 25 teams that emerged from the events have raised a total of more than \$50-million, says Marc Nager, the charity’s chief executive.

“It’s incredible to see the ideas that can be built and validated in just one weekend,” Mr. Nager says.

Kauffman has learned that simple can be best when it comes to supporting entrepreneurs, says Wendy Guillies, a foundation spokeswoman.

Last April, the foundation started a new program to give local entrepreneurs more exposure. Every Wednesday morning, the heads of two local start-ups are invited to the foundation’s offices to give six-minute presentations about their organizations to mentors and other entrepreneurs.

The program’s name, One Million Cups, refers to its goal of producing a million meaningful interactions among local entrepreneurs—usually over a cup of coffee.

A separate chapter is already operating in Des Moines, and the program could spread to another dozen communities by the end of the year, Ms. Guillies says.

“The start-up community is generally an underground community,” Ms. Guillies says. “We’re bringing the people who are doing stuff in their basement out to meet each other.”

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The Chronicle of Philanthropy 1255 Twenty-Third St, N.W. Washington, D.C. 20037