The Seeds of Change in Philanthropy

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Looking Out for the Future: An Orientation for Twenty-first Century Philanthropists

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www.futureofphilanthropy.org
The new ecology of philanthropy creates a changed environment for every gift and every giver. That reality is not something that donors (or their critics) usually focus on: people may know the basic outline, but rarely recognize how new the combination of forces is, or how that combination challenges some of the core assumptions that guided the last generation of philanthropists.

But that doesn’t mean the new ecology is being ignored. To the contrary, there are now two very different ways to look at what is taking place: from the top-down field level and from the bottom-up practice level.

The perspective from the top down often comes couched in the language of problems and trouble. Looking at philanthropy as a whole, Peter Frumkin, a scholar based at Harvard, is not alone in saying, “the field is quietly in the midst of a crisis.” The debates over salary levels, payout, ethical standards, new government oversight, and the like are the ripples on the surface created by deep and significant questions of accountability and effectiveness. Philanthropy is a free and privileged field, underwritten by U.S. taxpayers. Does it deserve its privilege? What is society’s return on philanthropy’s investments?

Those questions aren’t new, of course. But the context is new, which is one of the reasons the questions are intensifying. As growing numbers of private actors have gained power, and as it has become easier to observe what they do, the pressures on them have increased as well. Looking from the top down, across many actors, it’s easy to conclude what critics have long contended—that philanthropy as a whole seems insulated, arrogant, slow, inefficient, and timid. Many funders still give as they always have, content with good intentions without concern for improvement or effectiveness.

“*The fish is the last to know it swims in the water.*”

- Chinese proverb
But if one looks from the bottom up at how dedicated philanthropists of all kinds are responding to the new ecology, the picture shifts in interesting and important ways. The new ecology hasn’t just increased the likelihood of greater oversight, it has also opened up a wide range of new opportunities to reinvent and improve the way that philanthropy operates. Many donors are experimenting in response, working hard to improve and adapt. That’s what the critics often miss: the seeds of change being planted all around, sprouting, cross-pollinating, and in a few cases, bearing real fruit, because many people are trying to make more of a difference with the resources at their disposal.

What follows are some of the main patterns we see emerging among those who are questioning traditional notions of how philanthropy has been done in the U.S.

Many of the alternatives focus on the way private foundations operate, while others are changing the way that individual donors, corporate givers, and community foundations do their business.

The fact that the examples here appear as “alternatives” doesn’t necessarily mean that they are either rare or marginal. Many are quite widely practiced, while others are innovations just emerging. At the same time, few of the approaches are entirely new. Several are modern twists on old ideas (see “A Legacy of Innovation,” which documents many of the key innovations in philanthropy over the last century). Some have been part of the repertoire of donors for years, but are drawing new interest and getting wider attention.

Not all of the alternatives will become part of philanthropy’s future. Some will spread and “tip” over into widespread acceptance and use, but others will die for lack of support or because they don’t work. Nor will all of them turn out to be good; indeed, in a few cases, there may be serious unintended consequences if the ideas spread.

We see six significant areas of experimentation, many of which overlap and may even reinforce each other:

- EXPERIMENTING WITH GRANTMAKING STRATEGIES
- RETHINKING AVAILABLE RESOURCES
- REDEFINING THE SPHERES OF ACTIVITY
- CREATING A CULTURE OF LEARNING
- AGGREGATING ACTORS
- QUESTIONING THE FOUNDATION FORM
EXPERIMENTING WITH GRANTMAKING STRATEGIES

Many of today’s most interesting experiments focus on redefining the way that funders think about their giving and the relationships that they establish with recipients.

TRADITIONAL APPROACHES

For much of the twentieth century, donors and foundations of all sorts set priorities, reviewed proposals brought to them by prospective grantees, and, especially in the last third of the century, supported specific projects rather than nonprofit organizations themselves. Larger institutional grantmakers in particular have taken a hands-off approach to their grantees, careful to avoid appearing to interfere in or direct the work of nonprofits.

ALTERNATIVES

Supporting organizations, not just programs. Concerned that the bias toward project support (that itself emerged from an earlier call for focus and accountability in philanthropy) often leaves grant recipients without resources to operate and respond effectively, some funders have moved to providing core operating support. In cases where the interests of the funder are well aligned with the aims of the nonprofit grantee, general operating support can advance the grantmaker’s goals while offering the grant recipient reliable and flexible financing that allows the organization to respond quickly and effectively to new challenges and opportunities.

Becoming more focused and persistent. The alignment of interests between the funder and recipient is also reinforced by an emphasis on becoming more focused and persistent, thereby creating a lasting and collaborative relationship between a donor or collection of donors and an organization or group of organizations devoted to a shared set of goals and objectives. This approach is exemplified by the collaborative working relationships built by conservative foundations and their grantees during the late twentieth century in the interests of developing and promoting conservative political priorities, or by the Keep Antibiotics Working Coalition, a collaborative campaign developed jointly by funders and nonprofits to address the threats to public health created by increasing antibiotic resistance.

Timeline: A Legacy of Innovation

Organized philanthropy as it is practiced now in the U.S. is one of this nation’s great social innovations—“America’s passing gear” for accelerating invention, in Paul Ylvisaker’s memorable phrase. While reflecting on philanthropic innovations just taking hold, it is useful to remember that today’s institutional forms and ingrained practices were once new and untested. On the following pages is a brief tour of some of the major innovations in organized giving. Not all the things were the very first of their kind; some of the dates mark the time of an innovation’s mainstream adoption or the start of more widespread use.

More detail on each of the innovations can be found at www.futureofphilanthropy.org.
High-engagement giving. Another set of experiments that began in the late 1990s sought to replace the arm’s-length relationship that traditional funders maintained with the organizations they supported with a much closer and more active relationship. This so-called high-engagement philanthropy, born of efforts to incorporate successful practices from the venture capital industry into philanthropy, brings the donor and the grantee into a partnership in which the donor’s money is allied with other assistance, and where the achievement of measurable goals is carefully tracked. Organizations like Social Venture Partners, New Profit Inc., and Venture Philanthropy Partners bring together individual donors who seek to build nonprofit capacity, provide management and other technical assistance, and monitor outcomes and progress to ensure that grantees meet specific performance targets.

Funder as initiator and operator. Some grantmakers are no longer waiting for ideas from the field, but are initiating their own projects, identifying strategies, and soliciting organizations to pursue those strategies. In an extreme application of this approach, the funder does away with giving grants to others altogether and becomes an operating foundation: a charitable foundation that uses the money generated by its endowment to develop and manage its own programs. The Pew Charitable Trusts and the Henry J. Kaiser Family Foundation are examples of foundations that have changed their operations in this way.

RETHINKING AVAILABLE RESOURCES

Other experiments focus on the resources that philanthropists have available and how they can be applied to social change.

TRADITIONAL APPROACHES

For the most part, the traditional philanthropic exchange follows a banking model primarily focused on money. For individual donors, the checkbook is at the center of the transaction, with donations coming from a person’s annual income. At foundations, the grant, derived from the interest generated by an endowment, is the basic tool for moving money from donor to grantee.

ALTERNATIVES

Increasing payout rates and spending down. One of the most hotly debated legislative issues among foundations today focuses on payout rates and the
appropriate pace at which institutional funders give away their assets. Federal law requires spending 5 percent of the foundation’s assets each year for charitable purposes, and while this proportion was created as a minimum, it has become the norm. Some funders like The Atlantic Philanthropies and the John M. Olin Foundation are committed to spending down all of their assets over the next several years, thereby significantly increasing the rate at which they spend the money they have.

Using all financial assets for social change. Some within philanthropy have begun to champion the idea that the percentage of assets given annually as grants, regardless of whether it is 5 percent or slightly higher, represents just a small portion of the total financial assets that foundations have at their disposal. Organizations like the Rockefeller Foundation, the F.B. Heron Foundation, The Abell Foundation, and the Jesse Smith Noyes Foundation are experimenting with ways to put more of their endowments to philanthropic use: through socially responsible investing, ensuring that funders aren’t investing in businesses antithetical to their missions; through shareholder activism that allows foundations to advocate for changes in corporate policy; and through “program related investments” (PRIs) and loans from the corpus in ventures with a social benefit that may generate enough cash to repay the investment. Along similar lines, Claude Rosenberg, founder and chairman of New-Tithing Group, has encouraged individual donors to consider all of their assets when giving, rather than giving based only on annual income.

Using influence, not just money. Funders of all types have begun to ask, “What assets do I have that can help me make an impact?” This has led to the recognition that another currency at their disposal is influence—the ability to change the course of events in a desired direction. Funders can exert powerful influence as conveners, who bring together potential partners and stakeholders; as brokers, who act as community leaders and leverage additional resources; as capacity builders, who provide management and technical assistance; and as connectors, who create important new relationships for their grantees.

Philanthropically minded businesses and corporate funders have another choice. They can go beyond donations to mobilize the wide range of resources and expertise at their disposal, including the skills, technical knowledge, and energy of their employees, to address social issues. By seeing the full spectrum of assets they have
available, funders of all types can combine their money with these other resources to achieve their philanthropic goals more effectively.

**Using knowledge as an asset.** In addition to wielding their influence, funders also have the opportunity to use their knowledge as an important tool for public problem-solving. Grantmakers often work at the locus where the research, evaluation, and knowledge of many individual grantees and experts converge. The knowledge they gain is usually kept internally, residing in the heads and filing cabinets of grantmakers. But funders who share their privileged perspectives can provide important benefits to the field. For example, in 2003, The Columbus Foundation began a "knowledge audit" to better understand its knowledge resources and needs and the flow of information within the foundation and between the organization and the community. And in California, the Charles and Helen Schwab Foundation recognized the quantity of information they had accumulated through their grantmaking and launched SchwabLearning.org as a resource about learning disabilities for parents and other members of the public.

**Using time and expertise.** High-engagement models for philanthropy have also underscored another important resource that funders are increasingly bringing to bear on their charitable efforts: their time and expertise. Organizations such as VolunteerMatch, Hands On Network (formerly CityCares), and Idealist help people contribute their knowledge, skills, and experiences to assist nonprofit organizations.

**REDEFINING THE SPHERES OF ACTIVITY**

Philanthropists are also broadening their perspectives on how to influence social change. They are moving beyond direct support for social needs in the U.S. to also look at new, more sustainable mechanisms for change.

**TRADITIONAL APPROACHES**

The charitable impulse is rooted in helping people in need. Organized philanthropy represents the formalization of this impulse. Not surprisingly then, philanthropic giving in the U.S. has long focused on supporting domestic charities, filling gaps left by government or the commercial sector.
ALTERNATIVES

Influencing public policy. Although the Tax Reform Act of 1969 constrained foundations from direct lobbying, many philanthropists see influencing public policy and the allocation of the government’s enormous financial assets as the best way to leverage their own limited financial resources. The Ford Foundation and The Lynde and Harry Bradley Foundation, for example, are among the pioneers that have made important marks on state and national policy in the last generation. In 2002, the Council on Foundations established the Paul Ylvisaker Award for Public Policy Engagement to honor organizations that have excelled at influencing public agendas. Recent winners include the Rockefeller Brothers Fund, for its role in convening environmental organizations, community groups, industry representatives, and state and federal government officials to discuss brownfields issues in New York, ultimately helping to shape the state’s most significant environmental law in two decades; the Open Society Institute, for its body of public policy work on drugs, reproductive rights, welfare reform, criminal justice, and civil rights; and the Rosenberg Foundation, for its engagement in policy work related to immigrants and minority communities over the last 25 years. Alongside the activities of such funders, organizations like the Alliance for Justice and the Center for Philanthropy and Public Policy at the University of Southern California are working to research and share information about the many ways that funders can support advocacy and public policy interventions.

Using the market. Using commercial companies for public-spirited goals isn’t entirely new, but using markets and for-profit firms to achieve traditionally non-commercial aims is attracting renewed interest. In part that may be a result of the growth of resources in the hands of the private commercial sector. It may also represent a recognition that philanthropy is quite small compared to the commercial or public realms, and that only by engaging those sectors rather than trying to fight them will sustained change be achieved. Whatever the reason, there seems to be growing interest in using philanthropy to shape or influence commercial markets, or to use commercial forms to achieve social goals. For example, the Ford Foundation made a $50 million grant to guarantee mortgage loans bought by North Carolina-based Self-Help, a nonprofit community development organization. That grant leveraged a five-year, $2 billion partnership with Fannie Mae and 22 participating private lenders and helped nearly 30,000 minority and low-income families to become homeowners. And Ford’s investment has resulted in a lasting change in the market: in 2003, Fannie Mae committed to purchase an additional $2.5 billion in loans acquired by Self-Help over the next five years.

1911 and 1913

The private foundation
The private grantmaking foundation, set up to be self-governing in perpetuity, is pioneered by John D. Rockefeller and Andrew Carnegie.

1913

Federated fundraising
The first replicable federated fundraising campaign, called a Community Chest, is founded in Cleveland in 1913.
Many similar cross-sectoral approaches have been documented by Jed Emerson, a senior fellow at the Hewlett Foundation, who has written extensively about how a blend of economic, social, and environmental value can be produced by investing in publicly minded organizations, whether they are for-profit or not.

In some cases, corporations are explicitly making charity a goal of their profit-making activities. Organizations like Newman’s Own and Working Assets donate some or all of their profits to educational and charitable organizations. In other cases, for-profit and nonprofit organizations are joining forces to do cause-related marketing, where corporations support charitable causes to further their goals and to receive positive exposure. The total value of these efforts is estimated to be more than $700 million per year in the United States. Other examples of commercial activities directed toward achieving social goals include the rise of socially minded companies like Ben & Jerry’s or The Body Shop; consumer certification programs that promote socially and environmentally responsible corporate behavior, like the fair trade coffee movement or the Forest Stewardship Council’s certification program for wood products; and socially responsible investment companies, such as Domini Funds and Innovest Strategic Value Advisors.

The blurring of the lines between for-profit and nonprofit efforts is also evident in the growth of commercial enterprises with explicitly social goals. One prominent example is Meetup.com, a company that promotes grassroots activity by helping people to find others with shared interests to create lasting, influential, local community groups that regularly meet face-to-face. Another is Rubicon Programs, a for-profit firm that operates a successful bakery and a landscaping business as part of a social service program that provides job training, mental health services, and other support services to those in need. The emergence of such groups has been facilitated by a parallel increase in the number of funders and equity investors like Investors’ Circle, the Calvert Foundation, or REDF that seek “double bottom line” results by supporting enterprises that produce both social and financial benefit.

Crossing borders. Philanthropic activity crosses not only sectoral boundaries, but also national ones. Recognizing that the complexity of modern problems doesn’t often fit neatly within national borders, new dialogues have highlighted the potential of increased international giving by U.S. philanthropists. Donors like Bill Gates and George Soros have given extensively throughout the globe, while a
range of organizations like Synergos, Give2Asia, and GivingGlobal have emerged to facilitate overseas giving and to help donors understand international giving issues, opportunities, and challenges. (Recent changes in U.S. law that make it more difficult to give overseas are the mirror image of this trend, reflecting that many people are giving to causes and groups beyond the reach of U.S. oversight.) Funders from different nations are also looking for new ways to partner on issues that span borders, in efforts like the internationally focused Global Fund to Fight AIDS, Tuberculosis, and Malaria and the multi-funder U.S.-Mexico Border Philanthropy Partnership, which is helping more than 20 community foundations in the two countries to address poverty on both sides of the border.

CREATING A CULTURE OF LEARNING

Funders are also using elements of the new ecology—especially connection, multiplication, and reflection—to learn in new ways: from evaluation, from communities, from grantees, from each other, from academic institutions, from the growing industry of professionals with expertise about philanthropy itself, and from other types of information intermediaries.

TRADITIONAL APPROACHES

For both individual and institutional donors, learning has been sporadic and typically has meant looking back at their own grantmaking experiences. Many individual donors don’t focus on learning and improvement at all; they are satisfied simply to give, without great concern for the exact outcomes of their gifts. A growing number use external experts or advisers to develop and set up new giving strategies on the front end. But ongoing evaluation of gifts is still relatively uncommon among individual donors. At foundations and other giving institutions, evaluation of programs is typically conducted only in selected instances and usually retrospectively. Evaluations are primarily for internal consumption and are rarely accessible to other funders and the public.

ALTERNATIVES

Learning from evaluation. More funders are beginning to assess the effectiveness of their programming and to increase organizational learning by evaluating their grantees and their own funding decisions ever more rigorously. Many foundations

1940s

Evaluation
Private foundations begin funding evaluations of innovative social programs that they supported, including a notable evaluation of programs to prevent delinquency in Boston suburbs.

1949

The regional association
A small collection of Texas foundations begins to meet to share information and experiences, later formalizing as the Conference of Southwest Foundations.
have added in-house evaluation staff, while others (both donors and institutional funders) have begun to hire external consultants to assist with evaluation. As a result, funders have begun to develop clearly delineated theories of change and logic models that chart intermediate steps and outcomes, allowing them to assess accomplishments and progress along the way. Where evaluation was historically done only retrospectively, many funders are now conducting formative evaluations, which review programs in progress to help grantees and funders identify problems and make mid-course corrections.

**Learning from communities.** Many funders have begun to emphasize strategies to help them learn from the perspectives, experiences, and voices of the communities where they give. Some funders make a practice of regularly calling upon experts and consultants to help them learn about community issues, while other efforts, like the Peninsula Community Foundation’s Venture Van program, take donors out into the community to help them learn about local issues and nonprofits first-hand. Some funders have developed additional forums for obtaining local input. For example, the Yuma Community Foundation, an affiliate of the Arizona Community Foundation, has hosted a series of community roundtable discussions where local residents and nonprofits join the Foundation to assess community needs and consider solutions for local problems. In Arkansas and Mississippi, the Foundation for the Mid South’s Communities of Opportunity Initiative engages intended beneficiaries in the conceptualization and management of interventions designed to address their needs. Other organizations, like the Jacobs Family Foundation, the John S. and James L. Knight Foundation, and the Zellerbach Family Foundation, have created ongoing community advisory boards to help ensure that their grantmaking is responsive to local needs and issues. And still other funders, like the Santa Monica-based Durfee Foundation and members of the national Funding Exchange coalition, involve community activists, consultants, and former grantees not just as advisers, but as fully empowered participants in the grants decision-making process.

**Learning with and from grantees.** Many funders have also recognized the importance of learning from the on-the-ground knowledge and experience of their grant recipients. The Nokomis Foundation in Grand Rapids, Michigan, for example, hosted the Prostitution Round Table, a “community learning venture” that brought together more than 35 individuals and organizations in monthly meetings and other activities to share information and expertise.
They examined the scope of prostitution issues in Grand Rapids, documented learning, and proposed ideas for coordinated solutions and future directions of activity. And at the Woods Fund of Chicago, all grant recipients are expected to engage in a learning partnership to share best practices, successes, and challenges with the fund and fellow grantees. The partnerships are focused not just on convening grantees for their own sake, but on actively learning with them, to inform grantmaking and to educate others in the nonprofit community about successful strategies.

Foundations are also looking to grantees to help them learn about the effectiveness of their own performance as grantmakers. A handful of foundations have longstanding traditions of conducting “customer service” surveys with their grantees and applicants, and more than 50 funders have commissioned the Center for Effective Philanthropy to undertake “Grantee Perception Reports” that provide the grantmakers with confidential data about how their grantees view them across a range of performance measures.

**Learning with and from other funders.** Important learning is also occurring beyond a foundation’s own grantmaking, nonprofit partners, and target communities. Many funders seek to share what they have learned through their efforts with others in the field. The California Wellness Foundation, for example, produces regular reports as part of its *Reflections* series to share information learned and lessons gleaned from their grantmaking practices and strategies with others.

And many of the greatest gains in philanthropic learning have come from the growing number of vehicles designed to help funders to learn *together*. Grantmakers have long sought out nearby peers to learn from and with; the earliest regional associations of grantmakers were formed in the mid-twentieth century as a way for funders to share their experiences and knowledge. The array of networks that donors can join today extend far beyond geographic associations to include affinity groups centered on racial or ethnic identity (Asian Americans/Pacific Islanders in Philanthropy, Native Americans in Philanthropy), issues and causes (Funders Concerned about AIDS, Environmental Grantmakers Association), and organizational structures (Association of Small Foundations, Community Foundations of America). Many associations, such as the Funders’ Network for Smart Growth and Livable Communities, are doing more than sim-
Where Are the Great Stories?

A survey of the seeds of change can help you recognize innovations that you may want to learn more about. However, it might help to have more context—a fuller story—before beginning the process of incorporating new ideas or approaches into your own work. How have these ideas been implemented, what were the obstacles, and what did people learn by trying to do things differently?

In fact, everywhere we discuss innovations in giving, people ask for stories and advice on where to turn. It can be difficult to find out what others are doing. Perhaps that is what fuels the common complaint that philanthropists often reinvent the wheel.

In response, we decided to engage one of the best storytellers in the nonprofit world—Andy Goodman, who runs a public interest communications firm. Working with Andy, we selected several stories of people and institutions attempting to adapt to the new ecology, both to share the specific examples and to demonstrate another way to spread innovation. Philanthropy, as a field, has long operated as an oral culture—that’s how the craft has been learned. Although the industry has now become too large and varied for such informal mechanisms to work, there is still a need for more than studies and guides on how to make philanthropy successful.

Our website, www.futureofphilanthropy.org, features stories about how leaders in philanthropy have found new ways to work more effectively, including:

- How one of the nation’s largest national foundations found new ways to connect with local partners. The Robert Wood Johnson Foundation’s Local Initiative Funding Partners program has supported some 250 community-based health and healthcare projects, with the help of more than 1,200 grantmakers.
- How an unusual collaborative of foundations and nonprofits accomplished something together that none could have done alone. The Keep Antibiotics Working Coalition has made great strides in protecting public health by convincing the giant pharmaceuticals industry to change.
- How a philanthropic association took on a leadership position unusual for membership associations, and helped draw new resources to a growing area of need. Hispanics in Philanthropy’s Funders’ Collaborative for Strong Latino Communities successfully raised money from national foundations as well as local matches to assist community organizations overlooked by existing philanthropy.
- How a group of regional funders have, in the past generation, built strong, creative partnerships that amplify their individual efforts. The Council on Michigan Foundations has, for example, convinced the governor to create a formal staff position to coordinate efforts between state government and the philanthropic community.

Our affinity group, the Association of Black Foundation Executives, forms as the first philanthropic “affinity group” designed to advocate for specific identity- or issue-based interests.

Program-related investments
Foundations begin to make loans and other non-grant investments for charitable purposes that involve the potential return of capital.

Learning from academic institutions. The field has also benefited from the emergence and growth of university-based programs that have begun to analyze and study philanthropic activity. No fewer than two dozen academic research centers have joined the earliest school-based programs at Yale, Indiana University, Boston College, University of San Francisco, and New School University in New York in the last 25 years to focus on all aspects of philanthropy and the nonprofit sector. These programs range from the Center for Social Innovation at Stanford and the Hauser Center for Nonprofit Organizations
at Harvard to the Dorothy A. Johnson Center for Philanthropy and Nonprofit Leadership at Grand Valley State University and the Center for Leadership of Nonprofits, Philanthropy, and the Public Sector at the University of Minnesota. Such programs have become important sources of knowledge about philanthropic practice and strategy for both philanthropists and students interested in the nonprofit sector.

**Learning from professionals: formalized knowledge and personal advisory services.** Some donors, from individuals to the larger institutional funders, are also benefiting from the growing ranks of professionals and professional services aimed at their needs. Beyond the traditional sources that donors have turned to for practical advice (lawyers, accountants, and investment professionals), general assistance (national associations like the Council on Foundations or Independent Sector), or program advice (issue experts and consultants), donors can now turn to many other sources as well. Specialized entities (some for-profit, some nonprofit) like The Philanthropic Initiative, Rockefeller Philanthropy Advisors, The Foundation Incubator, Blueprint R&D, and The Philanthropy Workshop have emerged, often customizing and tailoring their knowledge about giving to the specific needs of their clients. Other ventures, like the Association of Small Foundations’ Foundation in a Box, the Ford Foundation’s GrantCraft, and the Practice Matters: The Improving Philanthropy Project at the Foundation Center, have attempted to take this information online, making knowledge about grantmaking more accessible in less customized ways. These efforts have been joined by consulting firms that apply business concepts and tools, such as Bridgespan Group, McKinsey & Co., Foundation Strategy Group, and the company that produced this guide, Monitor Group. There are also a growing number of programs sponsored by banks for their wealthiest clients, such as The Citigroup Private Bank’s Philanthropic Advisory Service.

**Learning from other types of information intermediaries.** Additional entities are also emerging to facilitate learning communities that focus less on where the knowledge comes from and more on building a comprehensive repository that draws from any source that can meaningfully contribute. These efforts connect nonprofit organizations, academics, policymakers, and funders to share information, experiences, and best practices. Examples include the Innovation Center for Community and Youth Development, a nonprofit that aims to identify expertise in the effective use of philanthropic dollars.

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**1974**  
Community involvement in funding decisions  
The Haymarket People’s Fund pioneers the use of community-based funding boards.

**1979**  
Use of intermediaries  
The Ford Foundation creates the Local Initiatives Support Corporation, one of the first organizations designed to stand in between funders and grantees to re-grant funds received from the foundation.
and innovation at the local level, to test new and promising practices, and to use its knowledge to inform research and policy; and PolicyLink, a nonprofit research and advocacy organization working with partners from all sectors to advance economic and social equity policy at a regional level. Other efforts have taken dialogue and sharing online, like Social Edge, a virtual community managed by the Skoll Foundation for social entrepreneurs, philanthropists, nonprofit professionals, and others to network, learn, debate, and share resources on a broad range of topics.

**AGGREGATING ACTORS**

The new ecology also changes how philanthropists link and work with one another at the same time as it expands the number of possible partners. Some of the key elements of the new ecology—multiplication, diversification, and connection—and the recognition that no one funder has sufficient assets to solve significant problems means that funders are collaborating in their giving in new ways with a wide range of new partners. Those same forces have also encouraged the creation of new intermediaries to facilitate these connections.

**TRADITIONAL APPROACHES**

Foundations were established as vehicles for individual giving and have long operated in relative isolation, as do most individual givers. In the middle of the twentieth century, regional associations of grantmakers were developed as a way to bring together foundations with peers in their geographic area to meet, discuss their work, and share experiences, but not necessarily to act together.

**ALTERNATIVES**

*Funder collaboratives based on interest or identity as well as place.*

Some funder networks help philanthropists find new ways to act and give in concert. Efforts like the Funders’ Collaborative for Strong Latino Communities at Hispanics in Philanthropy (HIP) and Los Angeles Urban Funders at Southern California Grantmakers allow participating grantmakers to pool funds, develop joint strategies, and collaborate to achieve outcomes that they wouldn’t be able to manage on their own. Other collaboratives have developed outside existing association infrastructures, where funders have worked together on shared interests, like the San Francisco Bay Area Quality Childcare Initiative or the Fund for Our Economic Future in Northeast Ohio.

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**1981**

*Cause-related marketing*

The Statue of Liberty-Ellis Island Foundation pioneers the nonprofit/for-profit alliance when it begins to use corporate sponsorships to raise money for restoration of the Statue of Liberty.

**1982**

*Charity as the purpose of profit-making*

Paul Newman begins Newman’s Own and gives away all profits from the sale of the products to educational and charitable organizations.
Giving circles. Many affinity groups and collaboratives are only now beginning to open up their ranks to include individual as well as institutional donors, but other types of collaborations have emerged that focus specifically on the needs and interests of non-institutional donors. This is most evident in the growing number of “giving circles”—more or less formally organized groups of donors who come together to learn about a topic, pool their money, and decide as a group which efforts they will support. These collaborations are based on shared interest in an issue or in learning or acting together. While some giving circles are entirely informal, others, like The Hestia Fund, may hire part-time staff and contribute to group administrative costs. Still others are sponsored by community foundations, like the Women’s Giving Circle at the Baltimore Community Foundation, and a few develop into free-standing organizations, like the Washington Women’s Foundation.

Collaboration based on place of origin. Another type of collaboration that is growing rapidly is emerging from remittance giving—money sent by immigrants to their countries of origin. As one example, Hometown Associations (HTAs) have been created by Mexican immigrants to support projects in the towns from which they came. By pooling money and sharing, not just with their own families but with entire towns, they create a support mechanism that connects many small donors to provide substantial aid to their communities. In 2003, there were more than 600 HTAs, and the amount of remittances flowing from Mexican immigrants in the U.S. back to Mexico (through pooled HTAs and individual giving) was over $13 billion—more money than the foreign direct investment in Mexico or the revenues from tourism.

New brokers for connecting donors and recipients. In addition, a range of new organizations have been established in recent years to connect donors to recipients in novel ways. Organizations like the Global Greengrants Fund, the Global Fund for Women, and the Acumen Fund collect and pool funds from individual donors to support organizations identified and vetted by the host. Other intermediary organizations, like GlobalGiving and the Synergos Global Philanthropists Circle, create a forum or marketplace to help donors to develop, learn about, and connect with possible recipients and projects around the world.

Connection without regard to tax status. Recognizing the relative scale of resources available in the public and private sectors, a growing number of donors

1992

Charitable gift funds
The Fidelity Charitable Gift Fund is founded to allow people to make deductible contributions into donor-advised funds hosted by the mutual fund company.
are developing philanthropic partnerships that cross sectoral lines. Perhaps the best-known example is the leadership of the Bill and Melinda Gates Foundation in establishing GAVI, the Global Alliance for Vaccines and Immunization, a partnership between public-sector agencies, private companies, multilateral organizations (WHO, UNICEF), and philanthropies like the Gates Foundation.

**QUESTIONING THE FOUNDATION FORM**

Some funders are experimenting with the foundation form itself, questioning whether the traditional grantmaking foundation is the most effective structure for their efforts to create social change.

**TRADITIONAL APPROACHES**

Typically, significant philanthropic contributions came after the death of a wealthy donor. Money was bequeathed through a will to charitable causes as a way of leaving a legacy or avoiding taxes. The permanently endowed foundation, established in perpetuity, has been a primary vehicle for giving among very wealthy donors, while community foundations, created to pool the contributions of individual donors and manage them for the benefit of the local community, are popular mechanisms for people of more modest means.

**ALTERNATIVES**

*Giving while living.* Instead of leaving legacy gifts only after their deaths, donors such as Bill Gates, George Soros, Charles Feeney, and Irene Diamond have committed themselves to “giving while living”—using their wealth for philanthropic purposes while they are alive and actively guiding the efforts. Among other effects, this focus on giving now rather than preserving capital for future generations commits foundations to more aggressive spending to address current issues.

*Outsourcing foundation functions.* Several programs have sprung up in recent years to offer alternatives to the classic foundation form. For example, Foundation Source offers “back office” management functions for private foundations. Essentially outsourcing a range of administrative roles, from IRS reporting to making grants, it allows foundations to rethink their form in the same way that many businesses have, focusing on what they need to keep “in house” and what can be done better or more efficiently by a specialized provider.
Choosing donor-advised funds. The rise of donor-advised funds (DAFs)—funds held by a community foundation or other public charity where the donor directs distributions—has allowed many donors to practice philanthropy without either creating a new institution or relinquishing control over their funds to the unrestricted common endowment of a community foundation. The number of DAFs has grown exponentially since the Fidelity Charitable Gift Fund and other financial services firms entered the market in the early 1990s; estimates by The Chronicle of Philanthropy in mid-2004 suggest that at least $11.3 billion in charitable giving now flows annually through donor-advised funds. While community foundations have long used DAFs, they have traditionally emphasized giving to an unrestricted common endowment guided by a governing body of trustees from the local area, rather than by donors. The growth of DAFs has changed the balance of control at many community foundations, and competition from commercial DAFs has often pushed community funders to improve their efficiency and customer service.

Creating new “community foundations” for identity-based groups. Driven in part by a perception that many community foundations were not adequately incorporating women, communities of color, and other identity-based constituencies into the philanthropic process (as donors, recipients, trustees, and staff), a range of philanthropic funds are emerging to serve diverse communities defined by race, ethnicity, gender, sexual orientation, and other identity-based distinctions. Organizations like the National Black United Fund; the Greater Kansas City Hispanic Development Fund; the Asian Pacific Fund; and the gay, lesbian, bisexual, and transgender-focused Horizons Foundation have emerged to raise funds from and for specifically targeted communities with shared cultural and charitable interests. The organizations have grown significantly in number and size over the last decade. For example, the Women’s Funding Network, an international umbrella organization, now has more than 100 institutional members.

Challenging the private foundation form entirely. Other funders are experimenting with even more nontraditional philanthropic approaches. For example, Pierre and Pam Omidyar, who made their fortune from eBay, announced in 2004 that they would reorganize their giving and fold the assets of The Omidyar Foundation into the Omidyar Network, a structure that will allow them to invest in activities that dovetail with their philanthropic interests, whether or not the activities are undertaken by a nonprofit, a for-profit, or a public sector agency.
What Do They Mean to You?

You can use these themes of innovation to test your own assumptions about what you are now doing and why. On a pad of paper or a flipchart, create a page for each of the six key areas of experimentation:

- EXPERIMENTING WITH GRANTMAKING STRATEGIES
- RETHINKING AVAILABLE RESOURCES
- REDEFINING THE SPHERES OF ACTIVITY
- CREATING A CULTURE OF LEARNING
- AGGREGATING ACTORS
- QUESTIONING THE FOUNDATION FORM

As you examine your giving strategy and approaches, use these themes to help you think through what you are and are not doing, and why. You can use the range of alternatives listed here and online as a checklist, taking them up one-by-one to see which are worth considering and which are less relevant to you. Working with a group of colleagues, you can also use the themes as a starting point from which to brainstorm new ideas, taking up each one on its own and in combination with other themes.

Are there any ideas you see that you’d like to take action on immediately? Are there any ideas that you’d like to enact, but that will take longer? Are there particular areas that you’d like to learn more about? If so, prioritize those that interest you the most.

Once you’ve completed this exercise, rethink your current action plan, and see how these ideas might create new avenues for action or exploration. Your next step may be simple and quick. Or it may mean being more strategic about how you will involve others in your family or your institution.

Before starting this exercise, you may want to visit www.futureofphilanthropy.org for more details on different models and case studies that bring these themes—and practical lessons—of innovation to life.
<table>
<thead>
<tr>
<th>OLD PATTERNS OR HABITS</th>
<th>SEEDS OF CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving primarily late in life</td>
<td>Giving throughout life</td>
</tr>
<tr>
<td>Foundations as the key institutional form</td>
<td>Foundations as one form among many</td>
</tr>
<tr>
<td>Social benefit equals the nonprofit sector</td>
<td>Social benefit can come from any sector</td>
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<tr>
<td>Philanthropy corrects for the market, because the market is part of the problem</td>
<td>Philanthropy connects to the market, because the market is part of the solution</td>
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<tr>
<td>Older, white, male leadership</td>
<td>Diversifying leadership</td>
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<tr>
<td>Donors focus on communities where they live or have a connection</td>
<td>Donors focus both close to home and on systemic global problems with equal ease</td>
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<tr>
<td>Donors fund great strategies brought to them by nonprofits</td>
<td>Donors have great strategies and fund great strategies</td>
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<tr>
<td>Donors set general goals</td>
<td>Donors set specific targets</td>
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<tr>
<td>Donors make gifts</td>
<td>Donors make investments, award contracts, and make gifts</td>
</tr>
<tr>
<td>Money is the resource, grants the tool</td>
<td>Influence is the resource, money is one tool</td>
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<tr>
<td>Donors keep grantees at arm’s length</td>
<td>Donors highly engaged with partners</td>
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<tr>
<td>Donors give independently</td>
<td>Donors give independently and give together</td>
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<tr>
<td>Donors content to do good</td>
<td>Donors try to assess impact</td>
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<tr>
<td>Donors learn from their own work</td>
<td>Donors learn from their work and share what they learn with others</td>
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