

LOOKING OUT for the

FUTURE

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Katherine Fulton and Andrew Blau



AN ORIENTATION FOR
TWENTY-FIRST CENTURY PHILANTHROPISTS

By Katherine Fulton
and Andrew Blau

Global Business Network and Monitor Institute, members of the Monitor Group

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PHILANTHROPY is all about CHOICES:

the choice to give, the choice of how to give and who to give to, even the choice of when to declare victory or admit failure. It's a profoundly voluntary act with profoundly important consequences. The choices matter not just because donors contribute to important causes and inspiring people, but because philanthropists contribute to shaping the future for all of us.

That's a great responsibility, and if you give away money, time, or expertise, you know that giving well has never been easy. But you may sense that the choices today are more numerous, more varied, and often more daunting than ever.

We wrote this guide to help you make sense of those choices. We wrote it to help orient you to what we believe is a new era in philanthropy—so new, in fact, that while its basic shape and challenges are already part of our everyday experience, its implications and opportunities have yet to be fully described, much less explored. And we wrote it because we believe that understanding this context—the changes in the field, the new options, and the new potential—can help you make better decisions and ensure that you are doing the best you can with the resources you have.

This guide is for anyone who takes giving seriously, and especially for those ready to make the giving they do more strategic—more focused and intentional than simply responding to ad hoc requests. Perhaps you are considering giving away larger sums of money or more of your time. Perhaps you've accepted an invitation to serve on a foundation board or are starting a new job working in philanthropy. Perhaps you are reconsidering your strategy, as an individual giver, as a leader of a philanthropic institution or network, or as a staff person in charge of a program area. Or perhaps you work as an adviser, helping others give more effectively.



No matter what your particular situation, our aim is to help you understand and rethink your assumptions about philanthropy and see the new possibilities that are available to you. Doing so will, we believe, help you do what you want to do better, with greater confidence and greater pleasure, achieving greater results and enjoying greater satisfaction.

But as much as this guide is focused on helping you with your individual work, it is also meant to help you see how what you do fits in with what others are doing. Therefore we also highlight some possible cumulative effects of all the independent decisions now being made. Philanthropy changes when there is the right combination of outside forces and inside will, environmental pressure for change, and individual interest in adaptation. We believe the early twenty-first century is just such a moment. The opportunity is not only to understand the changing ecology, but to influence it.

Why should you take the trouble to learn about how philanthropy itself is changing, when what you care about is curing disease, or reforming public education, or supporting artists, or fighting hunger in Africa, or whatever your passions happen to be?

Because if you understand how philanthropy is evolving and could evolve in the next generation, you will make better decisions today in support of the issues, institutions, and communities you care about most. And better individual decisions can add up to a better future for philanthropy and better prospects for the causes and concerns to which philanthropy responds.

That was certainly the hope in 2000 when two of the U.S.'s largest foundations—the W.K. Kellogg Foundation and the David and Lucile Packard

What Do We Really Mean When We Say “Philanthropy?”

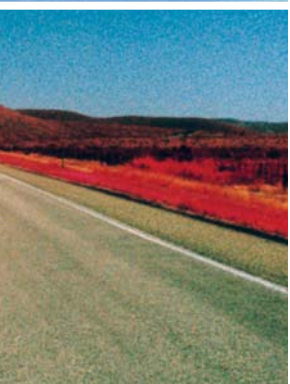
Philanthropy can be hard to define, even if we all feel like we know it when we see it. That’s why we have chosen at times to talk about “social benefit” in an effort to capture the full range of actions and actors that contribute to making the world a better place.

Part of the problem is that it is very hard to draw a boundary around philanthropy, especially today. The word literally means “love of humankind.” The definition we use comes from the W.K. Kellogg Foundation, which says philanthropy is “the giving of time, money, and know-how to advance the common good.” This definition complements the one commonly used by scholars, who treat philanthropy in all cultures throughout history as giving outside one’s family.

In this guide, we examine the whole spectrum of philanthropic giving in the U.S., rejecting the once-neat distinction between foundations and other giving that is not “organized.” Many individual donors are just as strategic—as thoughtful, intentional, and creative—as the most established philanthropic institutions. And there are many new forms of community giving, such as the growing numbers of giving circles, women’s foundations, and Mexican town associations, where individuals come together to organize their giving. Indeed, the ability to aggregate individual donations in new ways—using electronic platforms and professional guidance to make smaller givers as strategic as large foundations—may turn out to be one of the greatest breakthroughs of our time.

Foundations are part of the nonprofit sector, but many people casually speak about foundations as separate from nonprofits, by which they mean the charitable organizations that do the work rather than give money. That’s why we sometimes refer to the “social sector” when we mean *all* nonprofits, including philanthropy in its many forms. That said, we are *not* trying to look at the whole nonprofit sector in this guide, preferring to focus our attention on donors and other grantmakers, even though we know that drawing a line between the giving side and the rest of the nonprofit sector can be arbitrary. Neither are we focusing on public benefit channeled through governments in the form of aid or public sponsorship.

At the same time, philanthropy and nonprofits are part of a larger set of practices that seek to advance public or social goals. In an effort to indicate this larger realm of public problem-solving without regard to tax status or sector, we sometimes speak of efforts to promote “social benefit” as opposed to individual or private benefit. Social benefit can be sought by individuals or organizations, by nonprofits or for-profits, by the private sector or the public sector. It’s the larger stage on which philanthropy is an important but not solo performer.



Foundation—approached Global Business Network (GBN), a Monitor Group company known for helping organizations look into the future in order to understand and adapt to long-term trends. They asked us to use the tools GBN had developed in its work with organizations around the world to look under the surface of U.S. philanthropy and bring back a picture of what is emerging and what is possible.

Over the past four years, we have undertaken a wide-ranging inquiry, immersing ourselves in philanthropy in ways that those inside the field rarely have the opportunity to. We looked outside philanthropy, to the broader world that creates great wealth as well as great need—the environment that shapes the people who give and the institutions that help. And we looked into philanthropy, building upon our own personal experiences practicing individual and institutional giving. We’ve read widely, conducted scores of interviews, given dozens of speeches, led scenario workshops and other consulting engagements, and attended many conferences and events, which brought us into contact with more than 5,000 funders and nonprofit leaders. In the process, we have had the chance to meet or work with many deeply thoughtful people and institutions—from young, newly minted, high-tech millionaires to older billionaires, from remarkable small family foundations to the largest foundations in the world, from formal community foundations to the new forms of community philanthropy based on identity, issues, or approaches.

What we found is that U.S. philanthropy is being quietly transformed. The emergence of new technologies, growing inequity, dramatic demographic shifts, and the security challenges of the post-Cold War world are a few of the trends that are combining to create a new reality that challenges many assumptions and practices in almost every sphere of life. Philanthropy is no exception. Multiplying actors, diversifying organizational forms, and intensifying pressures have produced new choices for creating social benefit even as growing individual wealth and institutional endowments have increased philanthropy’s potential.

What follows is our attempt to synthesize the most important things we have learned from listening hard and looking deeply at U.S. philanthropy from the outside in and with an orientation to the future. Our hope is to share the often unheralded innovation we have seen, to encourage the search for better ways to do important work, and to inspire creative actions not yet imagined.

Guide at a Glance

A field as varied as philanthropy includes people with many different needs and many styles of learning. We attempt to respond to those differences here by covering a range of topics and making them easy to dip into, depending on your needs and how you like to learn.

The first two sections of this guide—our view of the changing context for philanthropy and the resulting responses to the changes—are an attempt to objectively describe what we see. Sections three and four, where we look at how the future could unfold and the principles that could help tip change in a more positive direction, reflect the conclusions we have developed from four years of research.

Introduction

pages 1-7

A short preface outlining the broad context for this work and the specific contents of this guide. And before we begin looking forward to what philanthropy might become tomorrow, we also offer a quick look at U.S. Philanthropy by the Numbers—essential facts and figures about giving in the United States.

The New Ecology of Social Benefit 1

pages 9-19



Every philanthropic effort to promote social benefit takes place in a new ecology—a context deeply different from that in which many of today's institutions, assumptions, and habits were formed. The pressures of this new ecology, and the need to respond to it, will shape both how philanthropy is practiced for the next generation and what philanthropy is called upon to do. This section describes seven major forces—privatization, connection, acceleration, multiplication, diversification, observation, and reflection—and the ways they are combining to create a new ecology of social benefit. The section concludes with a worksheet (pages 18 and 19) that helps you figure out what the forces of the new ecology mean to you.



The Seeds of Change 2

pages 21-39

The new ecology opens up a wide range of opportunities to reinvent and improve the way that philanthropy operates. Many donors are experimenting in response, working hard to improve and adapt while questioning traditional notions of how philanthropy has been done in the U.S. Some are experimenting with their grantmaking strategies, while others are rethinking available resources, redefining the spheres of activity, creating a culture of learning, aggregating actors, and even questioning the foundation form. The result: seeds of change being planted all around, sprouting, cross-pollinating, and in a few cases, bearing real fruit.

The section also includes a timeline of the legacy of innovation in philanthropy, which reminds us that today's accepted practices were once themselves inventions on the margins. The section concludes with a chart that summarizes the patterns in the innovation (page 39) and a worksheet (page 38) to help you think through how these experiments could influence your own work.





Imagining the Future **3**

pages 41-59



The new ecology—and the experiments in response to it—could evolve in many different ways in the years ahead. What happens will depend on how individual choices add up over time as they respond to some of the most important uncertainties facing donors and the field in general. We examine some of these possibilities, first in broad strokes that imagine the field overall (either improving or declining), then more deeply in a series of short scenarios that look back from the year 2025. Each offers a plausible account of how a piece of philanthropy's future might unfold in the next generation. The scenarios are clustered around three key themes that donors face—the pressure for accountability, the demand for effectiveness, and the need for infrastructure—and each one is followed by questions to help you think through what it might mean to you.

Of course, the world outside philanthropy will also generate new challenges and needs that will require philanthropic responses. The section concludes with a brief overview of a few of those challenges (page 58), along with tips about where to go if you want to explore the future of your area of interest (page 59).

Choosing Your Path **4**

pages 61-75

There is no going back to a less complex and varied time in philanthropy—or in the world. The new ecology can make the resulting choices seem more difficult than ever. What may be less obvious, but more important, is that every donor also has many new opportunities. This final section offers four principles that together create a framework for making decisions within the new ecology: exploit philanthropy's strategic advantage, seek cooperative advantage, embrace complexity, and invite meaningful scrutiny.

The section also includes a compilation of a few of our favorite resources focused on the basics of philanthropy and how it is done (pages 73 and 74). It concludes with a worksheet designed to help you think through how you could apply the principles to an issue you care about (page 75).

What's on the Web

@ www.futureofphilanthropy.org

This guide can be obtained on the Web for free. You can download the entire guide in a PDF version, or you can select individual sections to download. Feel free to pass it along to friends and associates.

In addition, some elements of this guide are covered in greater depth on the Web, drawing from the larger body of work we have created as we have studied the future of philanthropy. For instance, this guide's second major section, "The Seeds of Change in Philanthropy," appears on the Web in an expanded form, with more examples and active links, to enable you to take your own online "learning journey" of philanthropic innovation.

This guide has been created for anyone interested in examining their own giving. The website is also host to a companion piece to this guide, *Cultivating Change in Philanthropy*, a shorter essay aimed at the smaller audience of people who are actively trying to change philanthropy as a field. It examines the barriers that make philanthropy difficult to change, and explores how those hurdles might be overcome to create a more diverse, integrated, and effective system of giving in the U.S., and ultimately around the world.

Conclusion: An Invitation

pages 77-83

A brief overview of how the choices you make will have an effect—and not just on your giving. If more people seize the opportunity ahead and make decisions in new ways, the entire field of philanthropy—and its potential to help look out for the future—could be remarkably improved in the next generation.

Project History, Authors, and Credits

pages 80-83



Orientation: U.S. Philanthropy by the Numbers

Before we begin to look forward to what philanthropy might become tomorrow, let's consider some basic facts about giving in the U.S.

How much, and how does it compare?

Total amount of giving in 2003 (including corporate, individual, foundation, and bequest giving): **\$240.7 billion**

Average number of days it took the U.S. government to spend \$240.7 billion in 2003: **41**

Total revenues of Wal-Mart in 2003: **\$244 billion**

Total foundation giving in 2003: **\$26.3 billion**

Total market value of Google at the end of its first day of public trading: **\$27.2 billion**

Estimated total amount sent by U.S. immigrants back to their countries of origin in 2002: **\$30 billion**

Total giving by Andrew Carnegie and John D. Rockefeller during their lifetimes (in 2003 dollars): **\$14 billion**

Total federal spending in 1910 (in 2003 dollars): **\$13 billion**

Total amount given or pledged by Bill and Melinda Gates by 2003: **\$23 billion**

Total federal spending in 2003: **\$2.16 trillion**

Number of times today's two wealthiest Americans, Bill Gates and Warren Buffet, would have to give away their entire fortunes to equal Carnegie and Rockefeller's contributions relative to government spending in their day: **30**

How big is foundation philanthropy?

Number of foundations in the U.S. in 1982: **23,770**

Number of foundations in the U.S. in 2002: **64,843**

Number of foundations in 1985 with at least \$250 million in assets (about \$440 million in 2003 dollars): **36**

Number of foundations in 2003 with more than \$440 million in assets: **132**

Percentage of all foundation giving in 2002 that came from the 25 largest foundations: **20**

Number of foundations in 2003 with paid staff: **3,360**

Total number of people employed in foundations in the U.S. in 2003: **17,821**

Total number of people employed as nuclear engineers in the U.S. in 2003: **16,010**

Number of new employees IBM expected to add to its total workforce of 319,273 in the year 2004: **18,800**

Where does giving come from?

Percentage of all giving that came from foundations in 1983: **6**

Percentage of all giving that came from foundations in 2003: **11**

Percentage of all giving that came from corporations in 2003: **6**

Percentage of all giving that came from individuals in 2003: **75**

Percentage of the U.S. adult population that reported contributing to charities in 2002: **86**

Percentage of the U.S. adult population that reported volunteering in 2001: **44**

Percentage of the U.S. adult population that voted in 2004: **60**

Where does the giving go?

Percentage of all giving (including individual giving) in 2003 that went to religious organizations: **36**

Percentage of all giving (including individual giving) in 2003 that went to human services: **8**

Percentage of all giving (including individual giving) in 2003 that went to environmental causes: **3**

Percentage of dollars from the nation's 1,000 largest foundations in 2001 that went to human services: **9.7**

Percentage of dollars from the nation's largest foundations in 2001 that went to colleges and universities: **26.8**

Number of the top 20 grant recipients of the nation's largest foundations between 1992 and 2001 that were elite universities: **16**

The future of giving

Estimated number of foundations in the U.S. in 2020 if growth in the next generation (2001-2020) mirrors the last (1981-2001): **100,000**

Low estimate of the total amount expected to be given to charity between 1998-2017 as baby boomers inherit the wealth amassed by their parents: **\$1.7 trillion**

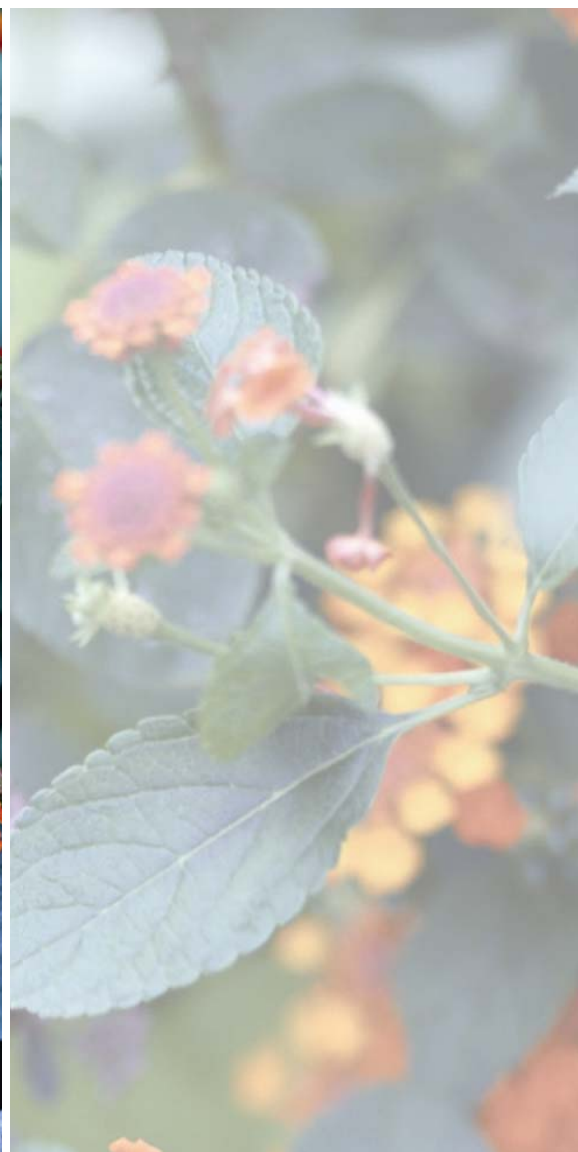
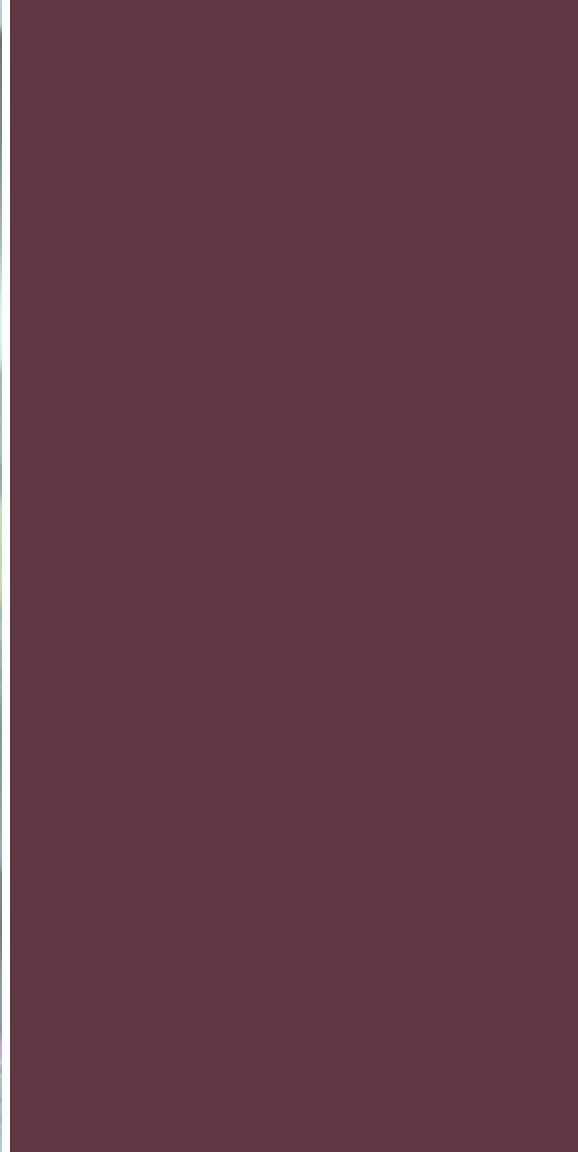
Estimated annual charitable giving projected in 2017 based on historic data trends *before* factoring in the intergenerational transfer of wealth (in 2003 dollars, actual numbers will be higher): **\$316 billion**

Estimated annual charitable giving projected in 2017 based on historic trends *and* low estimates for the intergenerational transfer of wealth (in 2003 dollars, actual numbers will be higher): **\$571 billion**

Estimated number of U.S. estates worth between \$1 million and \$10 million that will pass to the next generation and charity through 2017: **1,500,000**

Estimated number of U.S. estates worth \$20 million or more that will pass to the next generation and charity in the same time frame: **50,000**

Sources: Global Business Network original research; *Giving USA*; Foundation Center; National Public Radio; *Chronicle of Philanthropy*; Independent Sector; Center for Voting and Democracy; U.S. Department of Labor; U.S. Department of State; OMB Watch; *The Washington Post*; *USA Today*; *The Boston Globe*; Havens and Schervish, Boston College Center on Wealth and Philanthropy; Waldemar Nielsen, *The Golden Donors*





The New Ecology of Social Benefit

Every effort to promote social benefit today takes place in a new ecology—a context deeply different from that in which many of today’s institutions, assumptions, and habits were formed. The pressures of this new ecology, and the need to respond to it, will shape both *how* philanthropy is practiced for the next generation, and *what* philanthropy is called upon to do.

You may already be familiar with how some of the shifts we describe in this section are changing the fields you know best. What seems less obvious but no less important is how these forces, each of them powerful on its own, are combining to change the role, resources, and potential of philanthropy, imposing new pressures on anyone committed to serious, strategic giving.

That’s where we want to start this discussion: with the effects of the new ecology on how philanthropy can and will be practiced. Since philanthropy addresses every aspect of human life, this brief guide does not attempt to look at the changing context for everything that philanthropists give to, such as health or education, although we believe deeply that anyone who wants to work effectively should do so. (In the section called “What Will Philanthropy Be Called Upon to Do?” we do offer brief pointers for those ready to begin looking at those changes. You can find it on pages 58–59.)

The concentric circles pictured on the following page outline the shifting context in which the practice of philanthropy is framed. Every actor sits in the middle of changes taking place in the world outside of philanthropy, and in the midst of irreversible changes within philanthropy itself.

“The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.”

- Peter Drucker

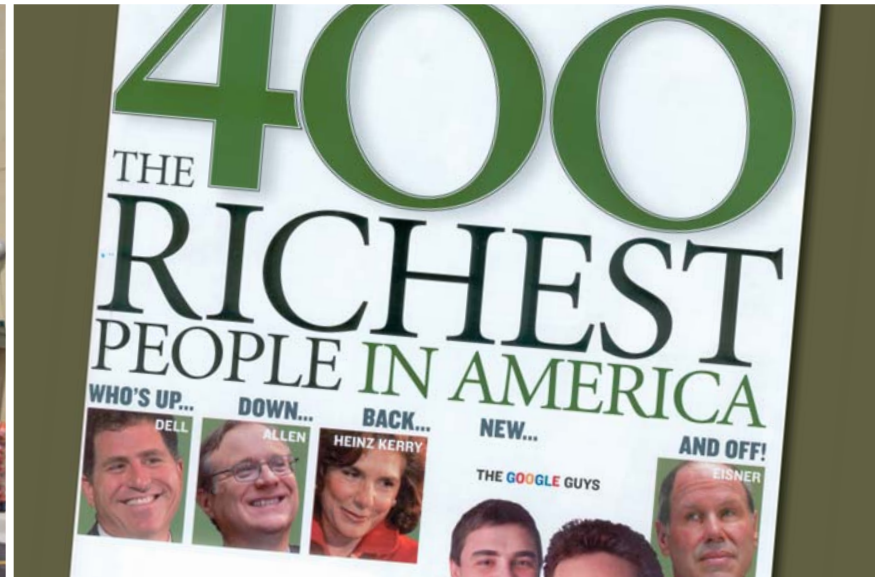


THE WORLD AROUND PHILANTHROPY. The first terrain that needs to be mapped is the landscape *beyond* philanthropy—the many interacting trends in the world that shape philanthropy and its role. We want to draw your attention to three of the most critical forces: the complex evolution of power that is redistributing resources and influence (*privatization*); the explosion of ways to connect people at any distance for almost any reason, which leads to new threats and opportunities (*connection*); and the speed with which knowledge is created, shared, and drives change (*acceleration*).

THE WORLD OF PHILANTHROPY. Just as the world around philanthropy is changing, so philanthropy is too. The shift of resources into private hands has generated new wealth for philanthropy and has brought many additional players and perspectives to the creation of social benefit (*multiplication* and *diversification*). This growth has increased the appetite of outsiders—the press, the public, the politicians—to look into the once-quiet, often insular world of philanthropy, while changes in media and communications have made it far easier to do so and to publicize the results (*observation*). At the same time, givers also enjoy more and better ways to learn from the past and each other. The accumulation of experience practicing philanthropy, a new emphasis on studying and sharing that experience, and new means to do so in networks of all kinds have boosted the capacity to make informed decisions (*reflection*).

Working from the outside in, let's take a look at these seven forces, which change the options available to every giver, whether or not he or she chooses to act on them.

PRIVATIZATION



Privatization

Private power, both to create social problems and to solve them, has increased steadily over the last generation. This shift of power away from governments or other public institutions and toward businesses, nongovernmental organizations (NGOs), and individuals cuts both ways. Privatization means that criminals now possess the capacity to build global black markets to trade weapons, drugs, and humans, and terrorists can use modern weapons and financial and communications networks to wage war against far more powerful groups or nations. It means that some corporations have grown to a size and reach that exceeds that of many national governments. But privatization also means that NGOs, including independent foundations, can work alongside governments and across boundaries of all kinds on behalf of the causes they believe in. Wealthy individuals, whose numbers have risen dramatically along with their freedom to choose how to use that wealth, can lead international efforts that were formerly the province of governments. Even individuals of average means can contribute to public works and well-being outside of traditional government channels. Although the importance and power of governments has not necessarily diminished, the stage on which they work—and the actors with whom they must interact—has been transformed. The same is true for philanthropy.

- Of the world's 100 largest revenue producers in 2003, only 24 were countries/governments (measured by budget revenue). The other 76 were corporations (measured by annual revenue).
- Wal-Mart was the sixth largest revenue-producing entity in the world, behind only the governments of the U.S., Germany, the U.K., Italy, and Japan.
- The combined net worth of the *Forbes* "400 Richest People in America" was \$1 trillion. Bill Gates's net worth in 2003, \$46 billion, was larger than the GDP of many countries, including Morocco, Vietnam, and Kuwait.
- In 1970, 70 percent of the capital flows to the developing world were from the government sector and 30 percent were from the private sector. In 2003, only 20 percent were from the government sector and 80 percent were from the private sector.
- In 2003, more money flowed into Latin America through remittances (money sent home by private individuals working abroad) than the combined flows of all foreign direct investment and official development assistance to the region.

Sources: GBN original research; *Forbes*; AccountAbility and Business for Social Responsibility, *Business and Economic Development: The Impact of Corporate Responsibility Standards and Practices*; Multilateral Investment Fund, *Remittances as a Development Tool*

CONNECTION



Connection

We take for granted so many technologies of connection that we sometimes forget how profoundly they have changed our world. Communications tools, including the Internet, the telephone network, cellular phones, and text messaging services allow us to be in constant contact with friends, colleagues, customers, partners,

adversaries, and even strangers around the world. The World Wide Web, that ever-expanding bazaar of information and opinion, supplies a steady stream of ideas and supports a growing number of exchanges. Satellites and cables sustain a worldwide media system that can inform, rally, surprise, distract, and entertain us. Of course, the advances in communication and transportation that promote global connection and commerce also allow problems such as disease, environmental threat, or political instability to proliferate more widely and more quickly. As a result, the problems that philanthropists are called upon to address increasingly span borders and domains. The good news is that the same forces that allow problems to spread also enable responses to be coordinated and solutions to be shared.

Problem and Promise

The SARS epidemic of 2003 is a powerful example of the dangers of a highly interconnected society, but also of the promise that connection can bring.

SARS, a previously unknown and highly infectious respiratory disease, emerged from China in February of 2003. In the course of a few short months the disease spread across 32 countries, infecting nearly 8,000 people and killing more than 700.

Within a month after the disease had spread from China, the World Health Organization facilitated 11 research labs around the world in a massive collaborative effort to find and analyze the cause of SARS. The labs each pursued what they believed to be promising lines of investigation, but were able to coordinate what they were learning and share data and information in real time, conferencing daily over the phone and on the Web.

Just a week after the project began, the team of labs had isolated a candidate virus. Within a month, the labs had conclusively proved that the virus was the cause of SARS, sequenced the virus, and developed several diagnostic tests. Four months after the first outbreak outside of China, the epidemic was successfully contained, due in large part to this unprecedented international collaboration and cooperation.

Source: James Surowiecki, *The Wisdom of Crowds*

ACCELERATION



Acceleration

One of the ways that connection has changed our world is so important that it is worth calling out on its own. By increasing the density, speed, and scope of connection, our society has accelerated the rate at which information is communicated, the rate at which it can be incorporated into other processes, and the number of people who can use that information to create new ideas, make new discoveries, and synthesize new inventions. Not only is the creation and diffusion of knowledge accelerating, but so is everything that depends on it: science, technology, commerce, fads, culture, and efforts to create social benefit. Even the pace of acceleration is, itself, accelerating. This is not just a matter of change; there have been periods of rapid and profound change in the past, including the era a century ago in which modern organized philanthropy was established. What is new is how the process feeds on itself as information and knowledge become accelerants in the creation of more information and knowledge. One effect is that there is a new pressure on public and private institutions at all levels—local, regional, national, and global—to respond more rapidly to shifting external circumstances.

- The amount of new information (recorded on print, film, magnetic, and optical media) in the world has essentially doubled in the last three years.
- The amount of stored information produced in 2002 alone is equivalent to 37,000 new Library of Congress book collections.
- It would take almost 30 feet of books to store the amount of recorded information produced per person in the world each year.
- Google's index of webpages has grown from 1 billion in 2000, to 4.28 billion in January 2004, to more than 8 billion URLs just a year later.

Sources: U.C. Berkeley School of Information Management and Systems, *How Much Information 2003*; Google corporate website

MULTIPLICATION

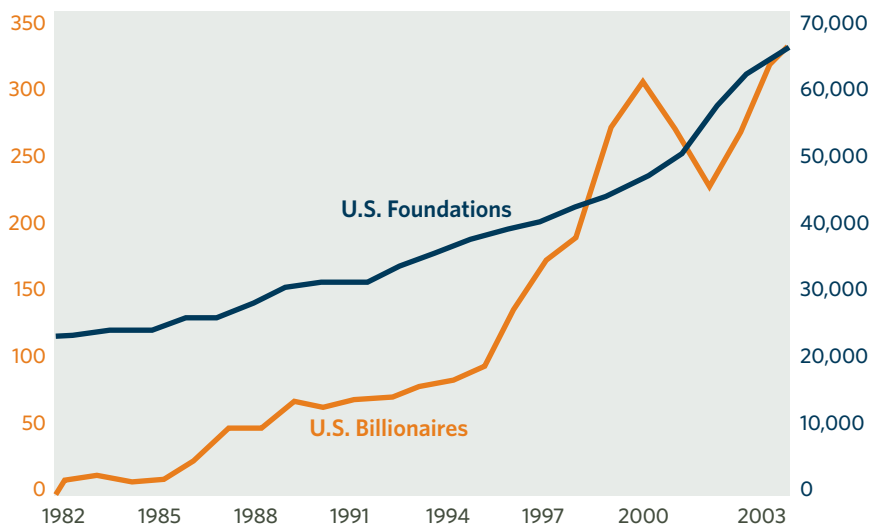


Multiplication

Everything associated with the domain of social benefit has grown significantly in the last 25 years, making it both a more active and more crowded environment. For example, one result of the privatization mentioned previously is that more wealth has accumulated in private hands in recent years. It's not just that the rich are getting richer: there are also more of them. That means there are more people able to give significantly, who in turn have attracted a burgeoning industry to serve their philanthropic interests. In the last 15 years, the landscape has changed significantly simply by growing quickly: there are more donors, more donor-advised

funds, more foundations, more giving circles, more businesses vying to assist the wealthy, and more nonprofit organizations competing for funds. At the current pace of growth, 11 new foundations and 119 nonprofits are created every day in the U.S. Consequently, the environment in which any individual actor chooses issues, formulates strategies, and makes contributions is increasingly crowded with competitors, potential collaborators, and even people or organizations working at cross-purposes.

Growth in the Number of U.S. Billionaires and U.S. Foundations



Source: Foundation Center, *Forbes*

DIVERSIFICATION



Diversification

Not only is philanthropy growing in size, it is diversifying by almost every measure. Today's wealthy include growing numbers of women, Latinos, blacks, East Asians, and South Asians who bring to philanthropy their respective cultural traditions as well as their assets. Younger donors who made their money in emerging industries like information technology or biotechnology bring new assumptions about how to get things done and how active they want to be as living donors. Increasing entrepreneurialism in China, India, and Russia and broader economic growth around the world are producing more multi-millionaires and even billionaires in other countries; as they develop the philanthropy that follows from their wealth, they are likely to express different priorities and practices. At the same time, philanthropy is no longer only the province of the very rich. Advances in fundraising techniques and growing participation in nonprofits by the U.S. middle class means that giving, from the most local to the global, engages a wide range of Americans. And the practice of social benefit is also diversifying beyond philanthropies and charities to include an increasing number of hybrid organizations: for-profit "social ventures" and entrepreneurial nonprofits that are expanding the traditional categories and increasing the types and totals of those generating social benefit.

Number of Millionaires Around the World



Sources: Capgemini and Merrill Lynch, 2004 World Wealth Report

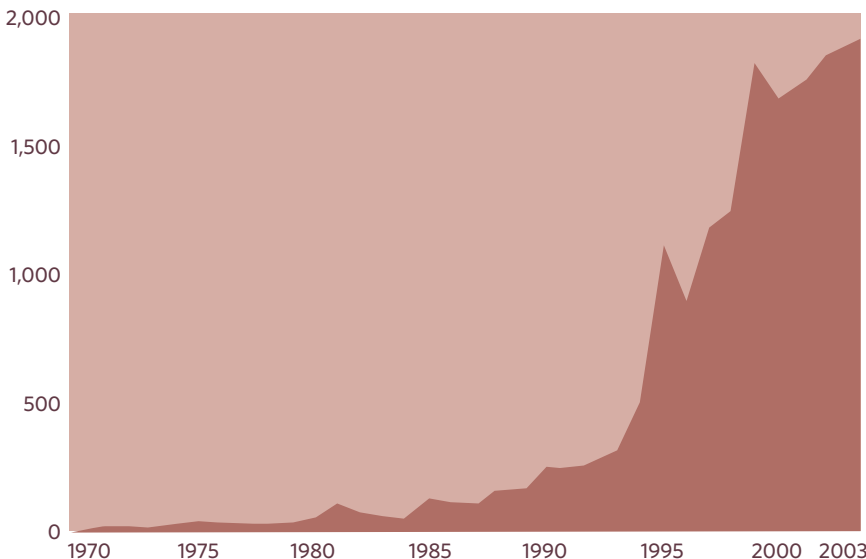
OBSERVATION



Observation

The enormous growth in both the number of people engaged in the social sector and the amount of money coursing through it is sufficient to attract attention. Add in the increasing availability of information about almost every actor in the sector and the means to communicate it instantaneously and mounting scrutiny seems inevitable. As *The New York Times* wrote in a January 2004 headline, the public is now “asking do-gooders to prove they do good.” Both givers and grantees are being held to rising standards of accountability and transparency, and the information to pass judgment is widely available: on the Web, in the mainstream media, and in the growing number of trade press publications dedicated to nonprofits and philanthropy.

Number of Articles in All U.S. Newspapers and Wires with Philanthropy in the Headline or the Lead Paragraph



Source: GBN original research using Nexis.com

REFLECTION



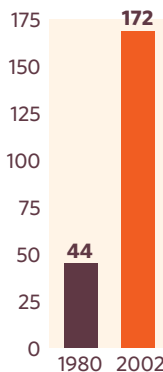
Reflection

In the last 25 years, people in the social sector have benefited from enormous advances in their ability to reflect on their own work and the work of others in the field. University programs devoted to nonprofit leadership and philanthropy have sprung up across the country; newspapers and journals devoted to social-sector work have been launched; and the number of infrastructure organizations that support philanthropic initiatives, communication, and shared learning has grown rapidly. There is now a history to study and many more institutions and vehicles through which one can learn it. What began as a relatively small field with little information available is rapidly becoming a mature industry.

Philanthropic Growth

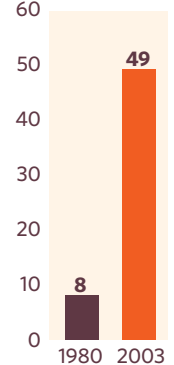
Number of PHILANTHROPIC INFRASTRUCTURE GROUPS (including regional associations of grantmakers, affinity groups, grantmaking support organizations, and universities).

Growth: 291%



Number of ACADEMIC, NONPROFIT, and PRIVATE RESEARCH ORGANIZATIONS focused on philanthropy.

Growth: 513%



Sources: Council on Foundations; GBN original research

The New Ecology

What Does it Mean to You?

Philanthropy now takes place in a world shaped by *all* of the elements we have described, and despite the great freedom that philanthropists have, they will be affected by all of it, not just the parts they like the most.

But the new ecology won't affect every giver or every issue the same way. An exercise you can do, by yourself or with a group, is to take seven pieces of paper or flipchart pages, and on each sheet brainstorm about one of the seven themes: privatization, connection, acceleration, multiplication, diversification, observation, and reflection. Think through what each theme means or how it either challenges or supports your assumptions in the arena you care about the most (an issue, a community, or even a single institution). How has the role and potential of philanthropy shifted in your area of interest? What new resources are potentially available now that were not a generation ago? What are the new challenges for philanthropists who want to make a difference?

Below, we take this exercise a step further by summarizing the meaning of the themes, especially as they begin to combine. Beside each, we illustrate the kinds of questions you might want to ask as you make sense of the themes for yourself.

Theme of the new ecology & implications for philanthropy

How will this affect you?

PRIVATIZATION

There are new responsibilities in privatization. The relative growth of private power—in citizen organizations and corporations—means that it is difficult to imagine progress without bolder and more creative leadership from private sources. Responsible professional philanthropic leaders can lead *outside* their institutions, facilitating efforts to convene various actors and to advocate for change. Individuals, too, will need to ask what new responsibilities they may have, given their resources.

In considering the issue you are interested in, what role did the government (or governments) play 20 years ago in addressing it or being responsible for its solution? Is it the same role as today? Are there more, the same number, or fewer private organizations (businesses and nonprofits) working on this issue compared to 20 years ago? What roles do you expect they will have in the years ahead?

Do you assume that government is part of your “exit strategy”? Is that a safe assumption? What is your plan if it isn't?

Who are the other private sector actors—business or nonprofit—who could play a positive, long-term role in the issue or area you care about? Which are best positioned to help galvanize government action where needed?

REFLECTION/CONNECTION

There is new opportunity in reflection and connection. Every actor in the world of philanthropy has two new opportunities in the ecology we described: the ability to reflect on nearly a century's worth of philanthropic practice (changing daily) and the ability to connect to a growing array of actors. That's why both formal and informal networks are growing so rapidly in philanthropy; they are the mechanism for connecting ideas and people. Indeed, networks may turn out to be as central to organizing this century's philanthropy as foundations were to organizing philanthropy in the last century.

What have others done on the issue or in the area you care about? What worked or didn't work, and why? Who has the most knowledge about your issue? Nonprofits, corporations, multilaterals, international NGOs, academics, or other funders? How would you connect to those that have the most or best knowledge?

What groups exist for funders interested in your issue? Can you join them? If not, can you initiate your own group?

Are there groups of funders who are creating strategies together or funding together on your issue? Can you join them? If there is not a group, could you initiate one?

MULTIPLICATION/DIVERSIFICATION

There are new resources in multiplication and diversification. More actors and more different kinds of actors could simply add to the fragmentation of effort and uncoordinated duplication in the sector. When combined with connection and reflection, however, "more" and "different" become strengths. They increase the pool of ideas, resources, and allies for anyone seeking to address an issue or support a cause. Rather than see these two forces as simply increasing the competition for attention, visibility, or impact, consider them as sources of new strength and energy.

Who else is working on the issues you care about? How does their work relate to and overlap with yours? Can you pool resources or strategize together to increase the scale or breadth of your joint interventions?

Who are your new allies, and how can you identify them? If you are funding from within an institution, how can you connect with the energy and resources among individual donors? If you are an individual, how can you ally yourself with institutional donors? If you are giving through a donor-advised fund, can you connect to, coordinate with, and share ideas with other donors?

OBSERVATION/ACCELERATION

There are new challenges in observation and acceleration. Every actor in the world of philanthropy faces at least two challenges that those in previous generations didn't. First, every actor now has to assume they will be scrutinized in their actions, perhaps even asked to justify their programs or practices, and called to account for their results. One can no longer assume a safe and quiet haven where people are given the benefit of the doubt because they are doing charitable work. Second, every actor has to cope with the accelerated pace of knowledge and action, where external events outpace or even disrupt philanthropy's traditional decision-making cycles.

What do you keep private or hidden about your giving, and why? Even if you wish to be private or anonymous, how can you share your work quickly with others?

Is there anything about your strategy or activities that you wouldn't want to see in the news?

Who or what dictates the pace of your giving? Internal needs or external needs? What could you do faster?



The Seeds of Change in Philanthropy

The new ecology, as we've seen, 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 as we've argued, 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.

@ A Tour of Innovation in Philanthropy Today

Goto www.futureofphilanthropy.org for a more extensive and interactive "virtual learning journey," created by Gabriel Kasper. It provides more examples and active links to enable you to take your own online Web tour of philanthropic innovation.

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.

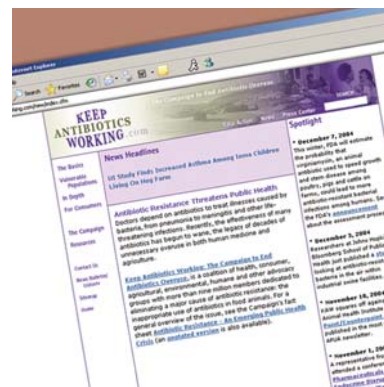
TRADITIONAL APPROACHES

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.

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

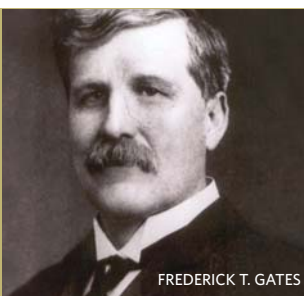
Other experiments focus on the resources that philanthropists have available and how they can be applied to social change.

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



FREDERICK T. GATES

Courtesy of the Rockefeller Archive Center

1891

Philanthropic staff

John D. Rockefeller hires Frederick T. Gates to manage his philanthropic affairs.

1895

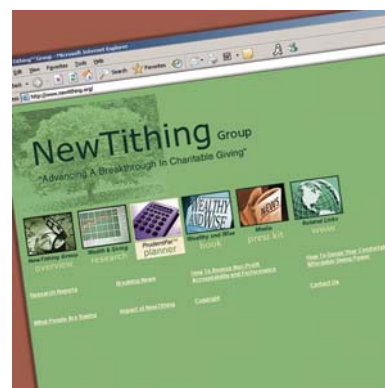
Identity-based philanthropy

Jews in Boston begin the practice of forming ethnically focused fundraising federations to help new Jewish immigrants.

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.

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.

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 NewTithing Group, has encouraged individual donors to consider all of their assets when giving, rather than giving based only on annual income.



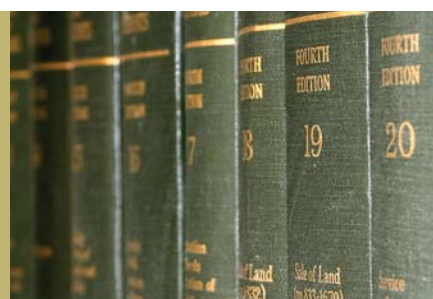
Using influence, not just money. Funders of all types have begun to ask, "What assets do I have that can help me make an impact?" This has led to the recognition that another currency at their disposal is influence—the ability to change the course of events in a desired direction. Funders can exert powerful 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

Early 1900s

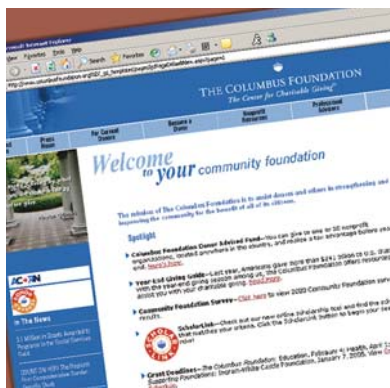
Leveraging government funds

Andrew Carnegie requires matching contributions from local communities and governments for ongoing operation of the library buildings he funds.



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.

1907

The operating foundation and think tank

The Russell Sage Foundation is created to study and disseminate knowledge about social problems, rather than focusing on grantmaking.



Courtesy of the Rockefeller Archive Center

MARGARET OLIVIA SLOCUM SAGE

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.

There seems to be growing interest in using philanthropy to shape or influence commercial markets, or to use commercial forms to achieve social goals.

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 REDEF 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

Organizations like Synergos, Give2Asia, and GivingGlobal have emerged to facilitate overseas giving and to help donors understand international giving issues, opportunities, and challenges.



1914

The community foundation

The Cleveland Foundation is created by Frederick Goff as an alternative to private foundations so that people of modest means can respond collectively to the needs of their neighbors.

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, multi-plication, 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.

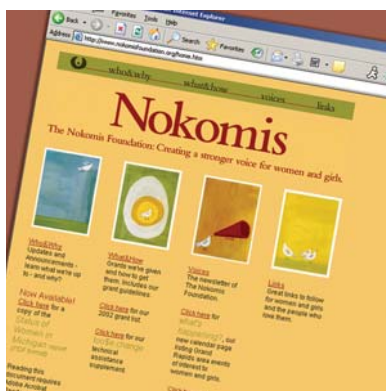
Organizations like the Jacobs Family Foundation, the Knight Foundation, and the Zellerbach Family Foundation have created ongoing community advisory boards to help ensure that their grantmaking is responsive to local needs and issues.

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.



1954

Matching gifts from employees

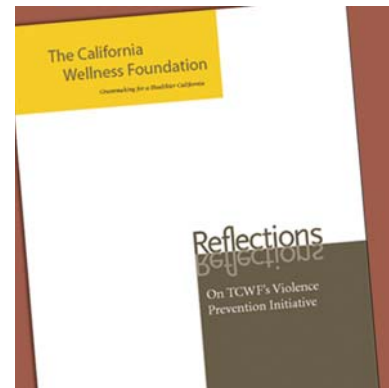
The GE Foundation, the corporate-giving wing of General Electric, becomes the first organization to match employee contributions to charity.



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-

Early 1960s

Shaping government policy

The Ford Foundation “gray area” community-action demonstration projects form the basis for federal anti-poverty programs in 600 cities.

1969

Donor-advised funds

Community foundations pioneer donor-advised funds to allow philanthropists to give without starting a stand-alone foundation.

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 health-care 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.

ply connecting members to learn from one another informally. They organize events, from specific briefings to stand-alone conferences, and develop research papers to help interested donors learn about issues, practices, and related developments.

In a few circumstances—such as the Annie E. Casey Foundation’s recent partnership with the East Bay Community Foundation to look at monetary flows in the eastern San Francisco Bay region—funders have begun to map the disparate flows of resources to better understand the patterns of funding and how support might be organized more strategically to achieve common goals in particular communities or issue areas.

A few funders are also exploring other ways in which they might learn from one another about their performance, using peer review systems that allow colleagues to evaluate fellow funders. The Donors Forum of Wisconsin, for example, has begun a certification process that involves evaluation and review of each community foundation’s practices by outside leaders in the field.

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

1969

Program-related investments

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

1971

The 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.



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

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.

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.

Late 1990s

Giving circles

Formally and informally organized groups of people who meet regularly to make joint giving decisions emerge on the heels of the investment clubs of the 1990s.

1997

Venture philanthropy

Venture philanthropy, a philanthropic approach based on successful venture capital practices, is popularized by a *Harvard Business Review* article by Christine Letts, William Ryan, and Allen Grossman.



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.

1999

ePhilanthropy

Interactive sites that enable a user to take action online begin to emerge in significant numbers with organizations like GuideStar, Charitableway.com, and ImpactOnline.

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.

What Are the Patterns in the Innovation?

OLD PATTERNS OR HABITS

Giving primarily late in life

Foundations as the key institutional form

Social benefit equals the nonprofit sector

Philanthropy corrects for the market, because the market is part of the problem

Older, white, male leadership

Donors focus on communities where they live or have a connection

Donors fund great strategies brought to them by nonprofits

Donors set general goals

Donors make gifts

Money is the resource, grants the tool

Donors keep grantees at arm's length

Donors give independently

Donors content to do good

Donors learn from their own work

SEEDS OF CHANGE

Giving throughout life

Foundations as one form among many

Social benefit can come from any sector

Philanthropy connects to the market, because the market is part of the solution

Diversifying leadership

Donors focus both close to home and on systemic global problems with equal ease

Donors have great strategies and fund great strategies

Donors set specific targets

Donors make investments, award contracts, and make gifts

Influence is the resource, money is one tool

Donors highly engaged with partners

Donors give independently and give together

Donors try to assess impact

Donors learn from their work and share what they learn with others



Imagining the Future of Philanthropy: Looking Back from 2025



The combination of the new ecology and the responses to it suggests that philanthropy has entered a fascinating and perplexing moment of transition. The old norms and practices don't feel completely successful, but no new, shared set of models, approaches, or ideas has yet settled into place. Many go about business as usual, doing what they have always done in traditional ways, while some motivated people try new things as part of a larger, uncoordinated quest for a better fit. Put all the trends and themes together, though, and what emerges are more options and opportunities, more creative experiments, and the potential for real gains.

So why does a general mood of discouragement reign in many corners of philanthropy? Because the very forces that have created new resources and possibilities also create new gaps and demands, but not in equal measure. Many in the field feel overwhelmed by the growing needs, choices, and pressures in this environment, leading to frustration and confusion. Doing good—making better choices that make a greater difference—can seem more difficult than ever.

Yet you and many others are already making the choices that will define philanthropy's evolution over the next generation. Individual by individual, and institution by institution, you are deciding whether philanthropy's prevailing culture, expectations, and norms will eventually shift, creating a new "normal" that is the sum of many parallel improvements and experiments. And you are determining whether the multiplying experiments will add up to something better than we live with today.

How philanthropy's story plays out will, in turn, either constrain or improve the types of choices individuals can make, since anyone practicing philanthropy is operating in a system with complex interdependencies. So if you want to make a difference in curing a disease, or reforming public schools, or feeding the hungry,

"The dominant intellectual strategy that people bring to the future is denial."

- Peter Schwartz

or addressing whatever issue you care most about, it's worth considering how your decisions could ultimately influence and be influenced by the evolution of philanthropy as a whole.

Let's pretend for a moment that a generation has passed, and we are looking back at what has happened. How could the themes we've been discussing add up and surprise us?

A Hopeful Story. Looking back from 2025, it's not hard to see how new leaders working with new tools—an emerging infrastructure of connection—learned and acted more quickly, responding with urgency, boldness, and imagination to social, health, educational, and environmental challenges. A growing performance culture renewed trust in the nonprofit sector as a whole, drawing in not only more resources of money and talent, but also more resources targeted at the areas of greatest need. In short, philanthropy became both more diverse and more coordinated, working in flexible coalitions, constantly learning and iterating, and demonstrating greater capacity for sustained collective attention to the most pressing public issues. More philanthropists understood how their actions were connected with others' in a dynamic interplay with changing external events. By 2025, plenty of people still practice philanthropy in traditional ways. But a new culture of feedback, learning, and leadership has been created that in turn has accelerated progress and helped reduce inequities.

A Depressing Possibility. Looking back from 2025, it's not hard to see how conditions in U.S. society—from a never-ending fear of terrorism to an increasingly obvious divide between the rich and the rest—combined with new regulations and relentless scrutiny to spread fear and defensiveness throughout the social sector. Unfortunately, the growing commitment to accountability and effectiveness collided with the overwhelming choices and growing complexity of issues and organizations. As a result, more and more donors pressed for control and clarity as a response to uncertainty. Isolated, incremental efforts multiplied, and philanthropy was increasingly marked by fragmentation and short-term thinking. Much wealth—and talent—stayed on the sidelines. New leadership (in terms of generation, gender, and ethnicity) did good work, but was constrained by the overall mood, caution, and trends in philanthropy. Inequities and suffering increased, investments in the common good declined, and the anxiety and pessimism that fed these responses was fed, in turn, by these results.

What will tip the future one way or the other? No one thing, of course. But emerging from the many factors are, we believe, three key storylines worth understanding and attempting to influence: the Pressure for Accountability, the Demand for Effectiveness, and the Need for Infrastructure. The nine scenario sketches that follow are grouped within these three storylines.

Scenarios are compelling stories that help us imagine different, yet plausible, futures. They challenge us to test our assumptions about what might happen and why, and our strategies for adapting to change. The sketches that appear here all follow the pattern of the macro overviews offered above: they look back from the year 2025 at how one of the themes we've been discussing might unfold in some aspect of philanthropy. Each cluster of three scenarios begins with a short introduction, and each scenario is followed by some questions for reflection.

Scenarios are compelling stories that help us imagine different, yet plausible, futures. They challenge us to test our assumptions about what might happen and why, and our strategies for adapting to change.

In our view, the sketches we offer here are plausible accounts of how pieces of philanthropy's future might unfold. Many of them are positive and hopeful. Some tilt toward a darker view of the possibilities. Still others are mixed—or simply depend on your point of view. As a set, these scenarios are not mutually exclusive; indeed, multiple scenarios are developed precisely to explore how forces might combine and recombine in ways that might surprise us.

After sharing these scenarios, we conclude with another kind of look at the future by asking, What will philanthropy be called upon to do in the next generation? Philanthropy addresses many enduring areas of human challenge and aspiration: health, education, culture, poverty, religion, and so much more. Most of the issues in the years ahead will be familiar ones, although there *are* a few truly new and urgent challenges. But those challenges, like philanthropy itself, will be addressed in a new ecology that will cause many old problems to take new shapes. We hear about the challenges daily in the news, and bookshelves are filled with deeper analyses and interpretations. Within the constraints of this guide, we offer you something different: insights and hints about what to watch for and tips about where to go if you are motivated to explore the future of your area of interest in depth.

By engaging your imagination in all these ways, we hope to highlight some of the opportunities and dangers ahead. This is not a comprehensive picture, by any means. Rather, it is an attempt to take some of today's main storylines and ask how the coming years could be quite different from the present. This section, then, raises a number of questions about the future that we hope you can use to make better choices today.

The Uncertainties That Will Shape the Future

Nothing is given about how the changes we've been describing will turn out. Indeed, the new ecology for philanthropy will depend on many critical uncertainties, including:

- Will the growing pressure to demonstrate accountability and effectiveness lead to improved giving and a healthier nonprofit sector, or might it make things worse by encouraging “teaching to the test” and avoidance of complex, hard-to-measure issues?
- Will growth and diversification lead to more fragmentation of effort or new ways of coordinating in a networked age?
- Will the emerging infrastructure of philanthropy—the rapidly growing networks that facilitate learning and action, and the new technology that makes it easier to aggregate small gifts—change the patterns of giving or reinforce existing ones?
- As the largest foundations get larger—and as more big foundations are formed—will they continue to practice philanthropy along traditional models, or will they use their resources of money, time, and expertise in new ways?
- Will the new community infrastructure now in place all over the U.S.—a group of about 650 community foundations—craft new ways to lead and create social capital in the midst of shifting government priorities?
- In an age of growing concentration of wealth, will the richest Americans become more generous? And if they do, will their decisions alter the funding priorities and patterns that now dominate?
- How will givers and nonprofit leaders respond to government funding cuts at all levels? Will services simply be reduced and the number of nonprofits shrink? Will giving and volunteerism go up over time? Will advocacy increase in an attempt to restore or raise government support of nonprofits and the services they provide?

As these and many other uncertainties are resolved over the coming years, patterns will emerge. The big question is whether these changes will add up to successful adaptation—creating better results, more progress, and more hope—or whether they will fail to deliver cumulative improvements, leaving instead a legacy of lost opportunity.



SCENARIOS: The Pressure for Accountability

Some things are inevitable and therefore predictable. Some people, for example, will behave unethically. So it stands to reason that when there are far more people engaged in philanthropy, the number of abuses of public trust will grow. And these abuses will attract far more media and public attention than the corresponding good accomplished by the vast majority of those in the field.

And there is nothing surprising about the growing focus on accountability among nonprofits, including foundations. This is creating new codes of ethics, new standards for basic compliance, new governance recommendations, and renewed interest by the IRS and Congress. The last time such a wave of activity occurred in the late 1960s and early 1970s, many structural changes were put in place that professionalized the field.

What will happen this time, in this new ecology? Here are three provocative possibilities, written from the perspective of 2025.

The Donor in the Driver's Seat

SCENARIO

The discussion within philanthropy regarding accountability took an unexpected turn in 2010 when *The Boston Globe* reported on the growing number of foundations that had stopped making grants and started their own programs. Given the legal pressures that all funders faced to demonstrate that they were responsible stewards of their resources, many of the foundation leaders profiled in the *Globe* series had decided that working with independent nonprofits wasn't worth the trouble. It involved too many risks and too much wasted time negotiating with disparate, unconnected organizations around outcomes and impact. These foundations agreed that it was far more efficient to skip the middle man and create their own networks of nonprofits.

Some of these new funders took their inspiration from the Pew Charitable Trusts, which created more than a half-dozen new environmental organizations in the late 1990s and early '00s. One funder, the D6 Foundation (composed of six Austin, Texas-based Dell multi-millionaires), even decided to follow the Trusts's lead by organizing itself as a public charity, which would allow even more flexibility and diminished tax exposure in its philanthropic investments.

As its focus, D6 chose to scale up early efforts to create a home-interest mortgage-deduction program for the purpose of discouraging suburban sprawl, a growing political issue both locally and nationally. Cherry-picking staff from existing nonprofits, D6 built a new policy analysis unit, a field campaign staff, and a media shop. Working under the rubric of the Smart Growth Housing Initiative (SGHI), these three organizations spent several years generating reports, mobilizing community activists, and framing messages linking the environmental, economic, and social benefits of in-fill and transit-oriented development (particularly needed in their own hometown of Austin). This message also resonated strongly in lower-income urban communities as it created new incentives for home ownership. D6 exploited growing concerns about the loss of critical agricultural and wild lands to sprawl, and used its considerable political savvy to make this a broad social justice issue. As a result, the mortgage program was passed by a veto-proof majority in both the U.S. House and Senate in 2018.

Within a few years, D6 found itself described as "the Rockefeller Foundation of the early twenty-first cen-

ture” for pioneering the next model of what J.D. Rockefeller had called “the business of beneficence” upon establishing his own foundation in 1911. Critics dismissed this as gross overstatement, pointing out that the new models were simply logical extensions of operating foundations. Many of them were outraged, accusing D6 and its counterparts of arrogance and mistreating the worthy nonprofits operating in the same domain. But other commentators believed that the D6 model was likely to take off as the best way yet invented for foundations to prove they are accountable for how their resources are used for public purposes.

- Is this a positive or a negative scenario?
- What would the consequences be if an approach like this did take off? What would be lost, if anything, if foundations took the initiative and responsibility for implementation away from nonprofits?
- Are there some issues for which this would work better than others? Could this be adopted, for example, by donors interested in social services?

Mutualismo, not Filantropía

SCENARIO

A decade after becoming the first community foundation in a predominantly white area to adopt the Mexican *mutualista* (mutual aid) model, the Greater Cedar Rapids Community Foundation (GCRCF) announced in 2024 that it had more than doubled its endowment, and that its education and neighborhood safety programs had helped lower high-school dropout rates and decrease juvenile crime by more than 50 percent.

The GCRCF conversion in 2014 followed on the success of the *mutualista* model of community philanthropy pioneered by the El Paso Community Foundation. El Paso had emerged as a leader among a new generation of advocates who argued passionately that accountability in philanthropy must go way beyond avoiding unethical behavior. Rather, El Paso’s leaders believed that accountability really meant being responsive to all of the community’s stakeholders, not just serving as a conduit for donations from the ultra-wealthy. Renaming itself the El Paso Mutual Aid Society in the ’00s, it joined with others across the U.S. in experimenting with endowed community hubs that solicit money from residents of all income levels and play an active broker role for their constituencies. El Paso began using its assets to operate credit services, to provide sickness and death benefits, to represent and advocate for local residents, to coordinate remittance giving back to home communities in Mexico, and to offer social and educational programs to community members.





With the success of the *mutualista* in Cedar Rapids, many industry observers began to recognize the El Paso model as the new complement to earlier United Way and community foundation approaches. “Some people didn’t think that a model that emerged in Latino communities would translate so well to a predominantly white area like Cedar Rapids, but there is no denying the results,” said John Morgan, a philanthropy scholar at the University of Indiana. “*Mutualistas* are simply more fluid and dynamic than previous models for community philanthropy, and they are much more connected to all parts of the community.” The El Paso *mutualista* itself was adapted from earlier Mexican traditions of *sociedades mutualistas* and the mutual aid societies that helped Mexican-American immigrants adjust to the U.S. in the late nineteenth century. The twenty-first century version of the El Paso Mutual Aid Society started when the community foundation tried to accommodate many local residents who wanted to send remittances to Mexico. It gradually evolved to use workplace and community fundraising campaigns, partnerships with local businesses, traditional philanthropic and legacy giving, and collaborative funding with local private foundations to provide responsive, community-guided programming for its constituencies.

According to GCRCF executive director Simone Johnson, “In Texas, contributions from everyone, even very poor residents, helped create new bonds and an unbelievable spirit of fraternity in the community. But it isn’t just Latinos that want stronger connections between donors and the recipients of their giving. It took us awhile to work through the growing pains, but just like in El Paso and Corpus Christi, folks here in Cedar Rapids didn’t want some cold institution that just collected money from rich people and gave it at a distance to poor ones. They wanted a place that would bring people together to share and help each other—to build a real community that looks out for its own.”

- How community-driven should community foundations be?
- What’s keeping this model from taking off today?
- Have you seen other models for delivering resources to the people who need them that could be adapted to your philanthropy?

The Decline of the Foundation

SCENARIO

Foundations were the main actors of U.S. organized philanthropy for so long—and their growth in the late 1990s was so startling—that their shift in role and steady decline in importance were among the big surprises of the early twenty-first century. In retrospect, however, what happened was the inevitable consequence of several converging forces—and the way the leaders in the field responded to them.

The ongoing government budget shortfalls caused by the war on terrorism put growing pressure on private giving to meet immediate needs; doing so didn't require sophisticated philanthropy, just old-fashioned charity of the kind long-advocated by churches. This shift was accelerated by changes in government policy: increased IRS oversight, new and stringent Congressional regulations, and the relentless focus on standards driven by the philanthropic associations.

Most foundations reacted by simply funneling more administrative costs into addressing questions of accountability, defined as compliance with new rules and standards. Although some leaders on the margins argued for a more proactive response, few followed their lead in experimenting with grantee-community relationships. This combination of growing need and growing oversight had an unintended consequence: foundation philanthropy just wasn't as fun and fulfilling for creative staff people and new donors alike. More and more of the wealthy said, "Thanks, but no thanks," when their financial advisers encouraged them to consider a foundation, choosing instead the numerous commercial services offering support for large donor-advised funds or just doing their giving privately. (Besides, the abolition of inheritance taxes put less pressure on donors to give anyway.)

At the same time, more existing foundations run by their founders decided to spend down, rather than deal with the new hassles. And many big, older foundations, set up to operate in perpetuity, controlled their administrative costs by virtually eliminating anything but large grants to established organizations.

Ironically, the resulting deprofessionalization of philanthropy intensified the winner-take-all situation already prevalent in the nonprofit world. Big, professionally run nonprofits such as universities, museums, hospitals, and human service agencies reaped dual windfalls from donors that wanted to make a few large gifts rather than set up a foundation, and from foundations that chose to focus on a few relationships, rather than many. Innovative, startup nonprofits—the ones that are often closest to the ground serving communities and most in need of social "risk capital"—suffered the most.

- What would be lost if foundations were no longer the primary vehicles for organized giving?
- If foundations decline in relative importance, what, if anything, might take their place as a flexible form to practice strategic philanthropy?
- What signs would you look for that this scenario was starting to unfold? Is there any way you could influence it, if you chose to do so?
- What, if any, aspects of this scenario are positive, from your point of view?



SCENARIOS: The Demand for Effectiveness

Nearly every professional in the nonprofit sector has felt increasing pressure in the last decade to be more “effective.” This is driven by a number of irreversible forces in the field:

- The growth of the sector, which has led to more visibility, more competition among nonprofits to stand out to funders, more competition among funders to identify places to really “make a difference,” and more outside interest in the money and work of philanthropy
- The growing professionalization of the sector as people move into leadership positions with management experience and MBAs or advanced degrees in nonprofit leadership
- The increased availability of information on the Internet about nonprofit charities and foundations, including their spending and activities
- The evolving relationship between government and the nonprofit sector, which has intensified the scrutiny of nonprofit activities

The combination of these forces means that the demand to demonstrate effectiveness—from insiders on boards to outsiders in watchdog groups and the press—is now a regular feature of nonprofit life, and is likely to shape many of the actions of nonprofits and funders for the next generation.

The desire to show that a donor’s gift or a nonprofit’s work is effective is vital to pushing the sector and everyone in it toward better performance and accountability. But despite the best intentions, the pressure for effectiveness could go in many different directions, some better than others. How could the choices each of us makes—to be effective and to demonstrate it—add up to a better future for creating social benefit or, conversely, a future no one ever intended?

Among the many answers to these questions, here are three stories that hint at the broad range of possibilities in the coming decades.

Funding to the Test

SCENARIO

The people amassing new fortunes on Wall Street and in Silicon Valley around the turn of the century certainly knew the value of setting goals and meeting them. Their training, whether in business or in computer engineering, drove home the values of specificity, measurability, and results. That was how they made their money, and that was how they intended to give it away as philanthropists, too. Many liked to tell the story of Lew Coleman, then the head of the giant Gordon and Betty Moore Foundation, who recounted in May 2004 how the foundation designed

its signature biodiversity program. “We sat down with a bunch of biologists and environmentalists and said, ‘What can you count?’ The result? We’re doing salmon because you can count the little buggers twice in their lifetime,” Coleman explained.

The growing number of metrics-minded donors embraced the clear accountability this approach implied. Some actually thrived on it, fueling the competition reported in newspapers about who was betting on what, who was winning, and who was wasting money. Their competitive instincts were sharpened

further when *The Economist* added an annual special section on global philanthropy, including “Benchmarking the Billionaires,” a ranking of the most effective givers based on rigorous tests of money spent and what was achieved. Among the wealthy, this quickly became the most scrutinized list after the *Forbes* 400.

It soon became obvious that the best way to rise in the rankings was to fund tightly defined projects with clear, unambiguous metrics. As a result, giving increasingly flowed to a few easily measurable areas like basic healthcare, after-school programs for pre-teens, and land conservation. Funding for harder-to-measure categories, like the arts, public policy work, or human rights, and areas that do not show yearly gains, like poverty reduction, began to dry up, at least among the larger individual donors. Clearly donors had learned to “fund to the test.”

- This scenario was written in a pointed way to stress the unintended consequences of a current trend. What positive effects could accompany the negative ones outlined here?
- How can you take on problems where progress is difficult to measure yet still demonstrate your effectiveness?
- If this scenario came to pass, what could you do to break out of the pressure to “fund to the test”?



Shaking Your Assets

SCENARIO

Nearly 100 years after helping to establish the private foundation in 1915 alongside the Rockefeller Foundation and the Carnegie Corporation, the New York-based John T. Milton Foundation became a pioneer once again. Feeling increasing pressure to demonstrate its effectiveness, the foundation borrowed a page from individual investors and began to apply socially responsible investing practices to manage its endowment. “We were using 5 percent of our assets to make grants to address key issues like affordable healthcare, while the other 95 percent of our assets were supporting companies that in some cases contributed to the very problems that our grants were trying to remedy,” explained Susan Underhill, Milton’s chief financial officer.

Underhill initially spent two years benchmarking the Milton portfolio against indices developed by Innovest, a leading socially responsible financial advisory firm. And she began to study the way public pension funds wielded their influence, looking for opportunities where Milton might be able to vote its shares to influence companies’ behaviors related to healthcare issues. In 2009, Underhill convinced her CEO and board to ensure that all of the resources at the foundation’s disposal were aligned to support its mission.

After three consecutive years of market-beating asset growth, Underhill landed on the front page of *The Wall Street Journal* when she presented the Milton

experience to fellow CFOs at a national meeting of foundation financial officers. As Underhill recollected, “Lots of foundations felt their investments should simply produce the greatest returns possible for future grantmaking, and worried that socially responsible practices might decrease returns and increase risk. Some were even afraid that we might bring regulators to our doorstep for exercising our rights as shareholders. But others saw that it made sense to use all of our assets in achieving our social goals.” Over the next five years, the success of the Milton experience and its high visibility in the New York financial community helped catalyze a similar commitment in 30 large foundations, including five of the largest in the U.S.

At the same time, Milton was moving aggressively to the next stage of using its endowment assets more productively. The foundation spearheaded the creation of the NewHealth investment company to support the development of promising low-cost healthcare and drug treatments. More than a dozen foundations joined the effort.

“Our board is thrilled, both by the early returns and by the recognition that we’re using our assets more wisely,” explained Underhill. “Looking back, it’s amazing to me that it took us more than 100 years to figure this out.”

- **What’s keeping foundations from doing this now? Are there downsides to this approach?**
- **Do you have other assets that you could think about using differently than you do now?**
- **If foundation boards felt that their portfolio value was lagging as a result of this approach, what might convince them to stick with it?**
- **If the center of gravity in foundations moved from the grantmaking side to the investment side (in line with which side controlled the major efforts to promote social benefit), what new challenges or problems might emerge for those making grants to nonprofits?**



Joint Venture Philanthropy

SCENARIO

“Growing up in San Jose back in the 1990s, I saw people sleeping on the streets all the time,” remembers Cornel Reese, the president of the South Bay Regional Assembly. “Now, it’s nothing like it used to be, at least not in San Jose.” Reese gives much of the credit to the Silicon Valley foundations and nonprofits that focused on the issue as a group, spurring state and local government investment and policy changes.

These foundations and nonprofits were galvanized into joint action by the state budget troubles that cut deeply into urban social services in the '00s.

What had begun as informal connections developed through Silicon Valley’s Foundation Incubator soon became the basis for a more formal commitment to understand this local problem better. The organizations shared the best analyses and evaluations of past programs and generated maps of local resource flows from government, business, and philanthropy aimed at fighting homelessness. The program officers and nonprofit executive directors then held weekly meetings to review findings and develop joint strategies to test. With homelessness mounting, they concluded that new ways of judging progress and performance were essential. That’s where the commitment to “Keep It R.E.A.L.” came in—the plan for Rapid Evaluation and Learning that allowed them to act together, learn together, and reach consensus on changes based on shared information. It soon became clear that they didn’t need to develop a new program or approach because they all agreed that “supportive housing”—linking housing with other support services designed to help people systemically—was successful elsewhere and could work in San Jose.

Impressed with what the joint strategy group had accomplished in just three years, eight of the local foundations agreed to establish a more formal consortium, a kind of joint venture to address homelessness in a sustained way. Realizing that any solution needed support from a wider range of interests than just the foundations, they created a governance structure that included people from the local business community, government, nonprofits, and each of the foundations. The foundations pledged 25 percent of their giving through the consortium, while decisions about strategies and grants were decided by the consortium’s board.

Homelessness didn’t disappear overnight, but the group of funders, nonprofits, businesses, and local governments working together did deliver steady gains. Now, in 2025, with the homelessness crisis long past, the South Bay/Silicon Valley consortium is a model of joint venture philanthropy in two new areas: public health and early childhood education. And Cornel Reese of the Regional Assembly has high hopes for that, too. “If those folks can make the same kind of gains with education and health that they did when they got together around homelessness, then I tell you, I’m going to give them regional development and transportation and go home early.”

- **What prevents foundations from developing strategies in concert with nonprofits more often?**
- **What would have to be true for foundation leaders to pledge giving through a consortium? Would there need to be changes in regulations, perceptions, or expectations?**
- **If donor independence declines and grantee involvement in funding decisions increases, what would keep that balance in check to make sure that great new ideas from outside the consortium get support?**
- **In this scenario, the funders and nonprofits agreed that they didn’t need a new strategy because they found one that already was generating good results. What keeps funders focused on novelty instead of supporting approaches that have proven to be effective?**



SCENARIOS: The Need for Infrastructure

As philanthropy's ranks continue to swell with many more—and different kinds of—actors, the need for bridges to connect people and ideas, to create knowledge, and to facilitate action will grow along with it. People will need to identify and connect with others around mutual interests, and to find information and the results of previous experiences to accelerate their own learning. They will need settings in which they can learn together, act together, and solve problems together. And in a sector where everything is essentially voluntary, people will need reliable shortcuts to make connecting, learning, and acting easier.

The infrastructure that meets these needs can include the organizations that connect people and help them learn and the programs and information sources that donors rely on for knowledge and referrals. The infrastructure for philanthropy has already grown significantly in the last generation and will continue to do so as the field expands further.

But what form it will take is much harder to predict. As philanthropy multiplies and diversifies, so could its infrastructure. Yet it seems equally plausible that changes in communications technology will lead to new kinds of infrastructure that could shift the flow of information, resources, and eventually, power in ways quite different from current patterns. What might happen to the infrastructure in the next generation? Here are three possibilities that haven't attracted much attention amid the growth of mainstream membership associations.

Googling Giving

SCENARIO

Spurred by public hearings on accountability in the wake of the mid-'00s philanthropy scandals, it was inevitable that the IRS would not only audit more foundations but would also institute much stricter reporting requirements for foundations and nonprofits. Under the new regulations, every nonprofit in the U.S. was required to post online the conditions and objectives of each grant it gave or received, along with an annual progress report documenting program outcomes. Initially seen as a windfall for centralized online information sources like GuideStar and the Foundation Center, the volume of information from the nation's 1.1 million nonprofits rapidly overwhelmed their technological infrastructures.

As online intermediaries unsuccessfully begged national foundations to subsidize their data-entry costs

on an ongoing basis, Google cofounders Larry Page and Sergey Brin, still riding high three years after their 2004 IPO, responded to the charitable information overload. They established the Google Operating Foundation to assist nonprofits with the digitization of their information and to develop and maintain Givingoogle, a philanthropic search engine. The new tool, leveraging the core competencies of its parent, allowed online users to search the overwhelming amount of data available on foundations and nonprofit activity and easily connect with the information they needed.

Givingoogle worked closely at first with infrastructure organizations like regional associations of grantmakers, research centers, and issue-based philanthropic affinity groups that saw the new search engine as an

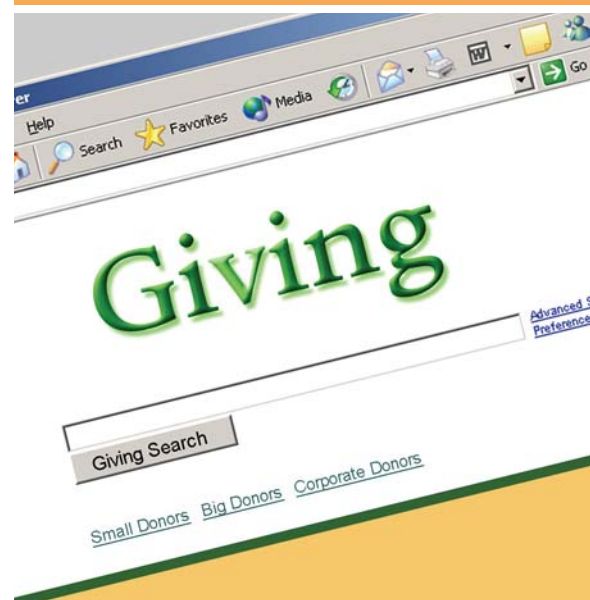
effective way to attract and connect donors to their interests. The fledgling initiative also began to link to topical briefing papers, research, evaluations, and other background information about important societal issues. The new search engine allowed funders, donors, and members of the public to connect directly to information about topics and organizations of interest, and to clearly see who was doing what in response to public problems, without going through intermediaries or funder networks.

As a result, the massive information generated by nonprofits and foundations is easily accessible and widely used by donors. That, in turn, has had a surprising effect: once people can scan the environment easily and build on what others have learned, donors of every size are attracted to solutions that work, not just organizations they know. Big and small donors now come together because they have the same information and find themselves drawing similar conclusions about where to focus their giving. That creates a powerful positive feedback loop: more money flows toward the most successful efforts, which allows them to grow and build greater capacity, which in turn improves their performance. Well-heeled donors who had tended to give only to their *alma mater* or a major medical center found themselves increasingly impressed by how the nonprofit sector was finally getting organized around results. The caution that had tied them to the tried-and-true—fueled by the sense that it was too hard to know what worked, or too hard to track results, or that the whole field seemed just too opaque—gave way to a new willingness to give more, encouraged by a growing confidence they were making good choices and using their money well.

Supported by the \$4 billion Google endowment and supplemented by a fractional, tax-exempt surcharge on Google advertisers, Givingoogle rapidly became the standard source for obtaining and sharing social-sector information, effectively leapfrogging earlier efforts to share knowledge. After just five years of successful operation, Givingoogle was integrated into the larger Google search engine, much like image and shopping searches, to reach and encourage a wider base of potential donors and to improve public access to charitable resources.

There has, however, been an unintended consequence of Google's success. The infrastructure organizations that at first benefited from Givingoogle have begun to feel the pressure created by this efficient tool for connecting data and donors. For the first time in a generation, the rapid growth of infrastructure organizations has not only slowed, but reversed, and mergers are accelerating. Nonprofit infrastructure groups now face a higher bar to prove their necessity.

- If this scenario came to pass, would it create winner-take-all effects among nonprofits and hurt smaller, newer, more local efforts?
- Is your giving likely to be truly “data driven” and so deeply affected by “Givingoogle,” or are there other motivators that matter more to you as a donor?



- If infrastructure organizations start to decline because of the success of a better technology infrastructure, what else might be lost?
- What are the enduring realities in the nonprofit world that could prevent this scenario from coming to pass?

Will You Be My Fundster?

SCENARIO

When Gabriella Rodriguez, head of the Effective Giving Network, looks back now on the studies done in the early '00s that documented the growing number of donor networks and affinity groups, she says, “No one knew it then, but that was the birth of a trend that has redefined organized philanthropy.”

The accelerating growth of networks or organizations that donors could join to find like-minded colleagues was already a trend that no one could ignore. This exploded as improved network mapping technologies and public data about nonprofits and donors allowed people to find both general matches (Who else is interested in film and electronic media?) and matches for ever finer niches (focusing in media, for instance, on form, format, length, or topic).

As the number of active donors soared along with the diversity of their interests, the new technologies of connection and collaborative filtering seemed like a godsend, cutting through all the complexity to link small groups of funders who shared the same beliefs and aspirations. Modeled on a once-popular social networking phenomenon called Friendster that connected people to one another through interlinked networks of acquaintances, these “Fundster” networks were used by foundation program officers to focus their giving, knowing, too, that each of them faced growing media scrutiny to demonstrate that their giving was not duplicative or wasteful.

That also meant that grantmakers in search of new niches began to encourage the development of new programs at existing nonprofits that they could support with their Fundster network. With a growing number of donors entering the field each year, the number of new donor groups looking to do good kept multiplying. No one could deny that many donors felt satisfied with their own giving—donors could get exactly what they wanted and connect easily with other givers—but there was also a sense that what was good for givers wasn't quite adding up to progress on the ground.

Rodriguez now speaks for a growing number of people who have been studying trends in philanthropy when she notes, “Right now it looks like there are



thousands of little victories in how Americans are dealing with the causes they care about. But I can't help but wonder, where are the big victories? Is what's good for each of us working out to be so good for all of us?"

- Is there a way for donors and nonprofits to do work aligned with their competencies and interests without fragmenting effort and reducing impact? How can givers' desires for focus or a special niche be balanced with the recognition that complex problems need coordinated responses?
- What would happen if this scenario took place in a world with the "Givingoogle" tool described in the previous scenario? Would the ability to survey lots of information and incorporate other learning change the dynamics of this scenario, or would donors still be likely to fragment?
- Is it inevitable that givers will drive this kind of "market segmentation" as a result of the expanding choices available to them? Or might some other dynamic supersede the demand for choice?

The New Power Brokers

SCENARIO

Jim Thompson seemed surprised by the question. "Do I get paid a lot for just doing charity? I don't know," he told the reporter while collecting his thoughts. "I'm managing a portfolio that channels more money in international aid than many governments do. The fact that it's a philanthropic portfolio doesn't mean I have less responsibility than my colleagues running mutual funds, but more," he emphasized. "The investors in this portfolio have asked me to oversee how their money is used. They review my performance annually and I know and they know that I can be replaced if they're not happy. But right now they seem very happy with the performance we are generating through our investments in environmental sustainability, public health, and economic development efforts that are cost-effective overseas in ways they simply cannot be in the United States."

Thompson didn't get many questions like this from reporters anymore, and he bristled at the idea that managing investors' philanthropic money didn't require at least as much skill and deserve similar compensation to managing their money-making ventures. Apparently, the reporter from *Bangalore Today's* New York City bureau was new to the topic of philanthropic mutual funds (PMFs), which had exploded in size and number after the 2009 changes in U.S. tax law all but ended incentives for starting new foundations. The success that the pioneers of pooled giving, like Acumen, New Profit, the Global Fund for Women, and Global Greengrants had already achieved set the stage for a movement led by innovative donors eager to join forces and work together.

Bangalore Today's interest in the story wasn't at all unusual, of course, since so many PMF investors were



Indian millionaires whose technology smarts and international interests helped define the field. The rising number of people with money from many countries and traditions fueled online “giving markets” where people could find others with similar interests and pool their resources. The combination of savvy picks, effective marketing, a global social networking infrastructure, and heightened transparency for donors allowed PMFs to expand like crazy, aggregating even small donors and small foundations into large giving pools. As they grew bigger and more visible, even more players wanted to join in and this scale made them powerful quite quickly.

That size and reach, in turn, elevated the visibility of people like Jim Thompson. *Bangalore Today* found him after the BBC World Service profiled Thompson in its “One Hundred Years of the BBC” series on profound changes in the past century. The documentary described the PMFs’ extraordinary influence on making the world a better place for the billions still living in poverty. It also noted that in the past 15 years, Thompson (together with hundreds of his colleagues) had essentially transformed global philanthropy. Individual donors could see where their money was going and feel far more confident that their small donations were magnified by being in the portfolio. As the idea spread, donors had more choices and real flexibility about how to achieve their goals. The combination of fast global giving and be-

ing part of a global network while maintaining what donors still felt was a high degree of personalization proved to be a winning formula.

Was Thompson paid a lot of money to do charity? Maybe if philanthropy was still unchanged from a generation ago. Instead it had become an even more complex job that required financial and diplomatic skills and finely honed political instincts. Moreover, one’s performance was visible every day. The mere satisfaction derived from making a difference wasn’t enough to attract that kind of talent; the pay had to be competitive with the most attractive professional jobs on the planet.

- What kinds of charitable or philanthropic efforts would be most likely or best served by the philanthropic mutual funds described in this scenario? Would some kinds of socially beneficial work be more or less likely to thrive in a world dominated by this form of giving?
- In this scenario, who would be funding local, domestic priorities, and how?
- Could Thompson’s visibility and regular performance reviews create a preference for simple, easily understandable responses and short-term gains?

What Will Philanthropy Be Called Upon to Do?

No one can predict the future, and no one knows that better than those of us who help organizations prepare themselves for it. At Global Business Network, we work with organizations around the world, looking for the long-term implications of current trends in business, of course, but also in the natural environment, in demographics, in technological change, and in political currents, among other themes. Based on that work, we can see a number of new external challenges that could emerge in the coming decades that will test philanthropists' best strategies or create new needs for donors to address.

In this guide, we've focused on how the world around philanthropy is changing the world of philanthropy. But those forces, and more, will call on philanthropy in new ways, too, because they will generate new challenges and opportunities that will require philanthropic responses. For example:

When historians look back at us from the vantage point of the early twenty-second century, they will appraise our work not by its efficiency and effectiveness but by our boldness in confronting the major, epoch-defining challenges of our day.

James Allen Smith
Senior adviser to the president, the J. Paul Getty Trust

- Baby boomers are just now entering the years when they will begin to retire in large numbers. As they age, they will transform many things, from the demands on social-service and health-care organizations to the pool of volunteers for nonprofit work.
- The rate of AIDS infection in the U.S. is rising most quickly among low-income African-Americans and Latinos, which will reshape domestic efforts to address healthcare among the poor, affect community economic development, and complicate efforts to address homelessness a decade from now.
- Media and communications technologies are creating whole new ways to organize and inform people at almost any scale. The number of channels of information will keep growing, the likelihood of highly tailored, narrowly defined niche services will increase, and consolidation will probably continue. This will change philanthropic work in every area where people have messages they want to spread, audiences they want to reach, or constituencies they want to mobilize—which is to say, everything.
- Starting around 2010, a growing number of the 6.5 million prisoners jailed in the U.S. since the 1980s and serving prison terms of 25 years or longer will begin to be released back into the general population as middle-aged people with limited opportunities. Many of them are poorly educated, and most are ineligible for Social Security benefits.
- Overseas, AIDS in Africa is killing millions of adults and creating a very large group of orphans (over 14 million and growing) in some of the world's poorest nations. AIDS is also spreading in Russia, India, and China—large populations that have barely begun to respond to the threat it represents.
- The gap between rich and poor continues to grow globally, and international economic development efforts will take place in the face of this growing gap. As Harvard's Juan Enriquez has pointed out, the growth of an economy based on knowledge intensifies the enduring problem. In the early twenty-first century, someone working in the world's wealthiest nation is about 390 times wealthier than someone working in the poorest. In 1750, the ratio was 5 to 1.

These long-term trends will affect philanthropy and its role in countless unpredictable ways. Depending on your interests as a giver, they could affect the issues you care about, the organizations you support, and the strategies you employ.

There are also real possibilities that lie just over the horizon. They are not certainties like demographic changes already underway, but prospects that knowledgeable observers suggest could come about in the next generation. How would your strategy or giving change if, for example:

- People begin to routinely live to 100? Current breakthroughs in medical science, genomics, and biotechnology suggest that the extraordinary gains made in life expectancy in the last 50 years could accelerate in the next generation, creating an unprecedented phenomenon: people routinely living healthy, productive lives through their nineties or beyond. If so, it would affect social-service programs, education, job training, healthcare, and more.
- A deadly new pandemic emerges? What if a disease, one new to science, that took advantage of the many ways we are globally connected, and was harder to decode than SARS, appeared, even as global health systems are swamped by AIDS?
- The rapidly shifting racial and ethnic makeup of the United States changes domestic politics much more quickly than predicted?
- Global warming tips into sudden and dramatic climate change? The geological record provides strong evidence that in the past, significant climate change can occur within the space of 10 years if conditions are right.
- Surprising new patterns of global human migration emerge? Educated Chinese could begin to return to China, for example.
- Terrorist attacks increase in frequency in the U.S. and other Western nations?
- Pollution-free energy sources are developed and introduced into widespread use?

None of these possibilities is so implausible as to be unimaginable or not worth considering. While not every one of them affects how philanthropists would meet the challenges they would like to address, each of them offers an example of how outside events, far beyond your control, can change the conditions for your philanthropy.

While no one can tell you what *will* happen, you can develop your ability to foresee what *might* happen, especially if your philanthropy is focused on long-term issues and you want to make a lasting impact. Many business organizations do this on a regular basis as part of their strategic planning.

A good place to start is to read more—and to consult different sources than you do routinely. To the right are a few of our favorite resources for helping you understand both the forces shaping the future and the tools available to help you prepare for it.

As the Future Catches You: How Genomics & Other Forces Are Changing Your Life, Work, Health & Wealth, by Juan Enriquez, Crown Business, 2000. An insightful and accessible look at how technological progress might unfold and the ways it might impact our social and economic futures.

“Chicken Little, Cassandra, and the Real Wolf: So Many Ways to Think About the Future,” by Donella Meadows, *Whole Earth Review*, Spring 1999. Available online at www.wholeearthmag.com. An overview of the pros and cons of various ways of thinking about the future.

Future Survey, edited by Michael Marien. An invaluable newsletter published by the World Future Society, summarizing scores of books, reports, and articles designed to help readers identify important trends that could shape the future in substantial ways. To order, call (301) 656-8274, or go to www.wfs.org/fsurv.htm.

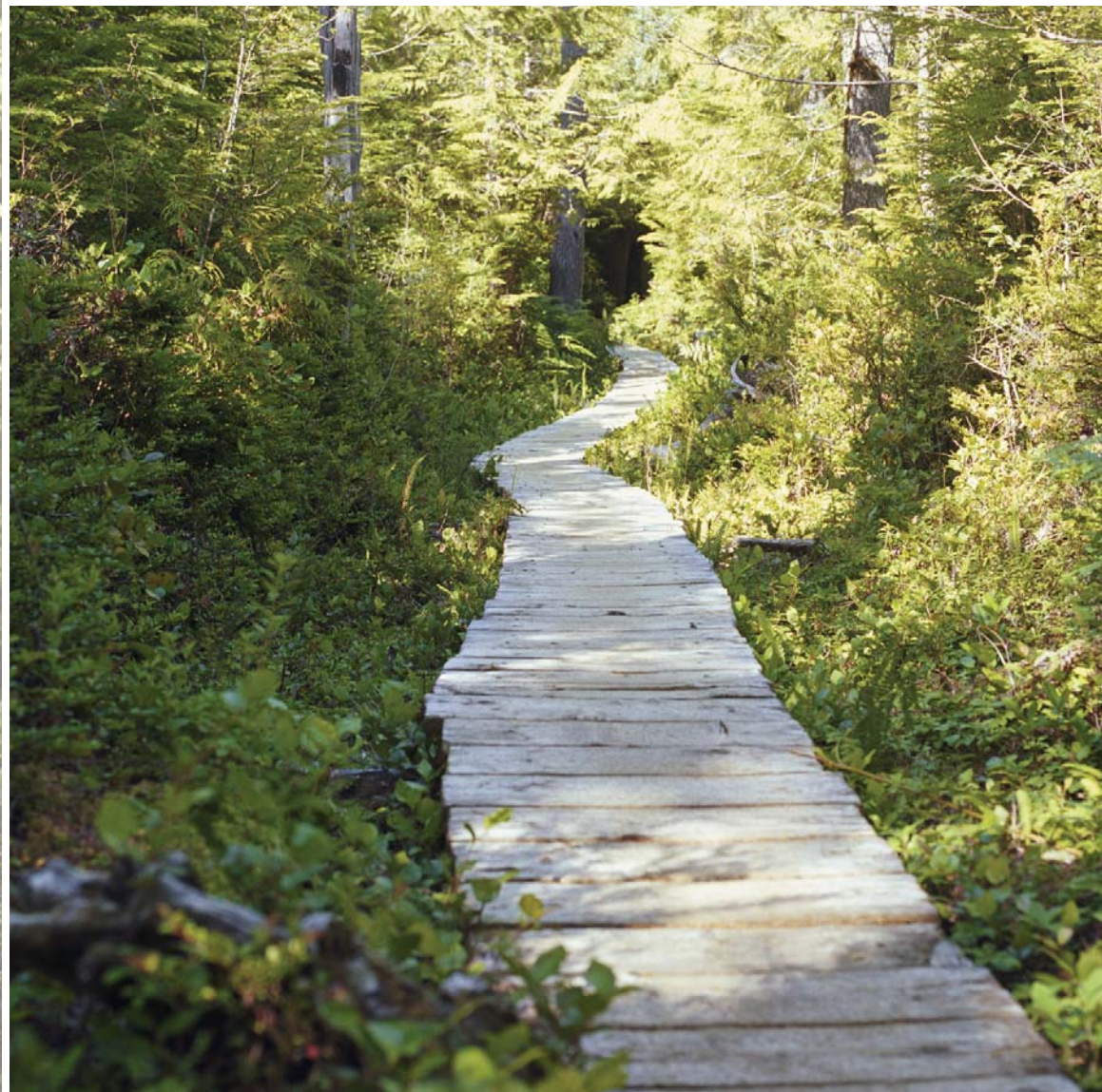
High Noon: 20 Global Problems, 20 Years to Solve Them, by J.F. Rischard, Basic Books, 2002. An overview of what Rischard argues are 20 of the world’s most pressing global problems and proposals for new approaches to address them. If you want to address the most urgent planetary issues in your lifetime, this is a great resource to stretch your thinking.

Inevitable Surprises: Thinking Ahead in a Time of Turbulence, by Peter Schwartz, Gotham Books, 2003. A fast-paced overview of current trends and future possibilities that Schwartz argues will generate “inevitable surprises”—major discontinuities that will feel like a surprise to those who experience them, but that are embedded in trends visible today.

Post-Capitalist Society, by Peter Drucker, Harper Business, 1993. Still the essential overview of the transition to a knowledge society that is transforming every corner of our lives. Drucker explores the implications for citizenship, organizations, governments, schools, and the social sector.

What If? The Art of Scenario Thinking for Nonprofits, by Diana Scarce and Katherine Fulton, Global Business Network, 2004. Available online at www.gbn.com/whatif. A guide for those who want to develop new ideas, create better strategies, and improve their learning about the issues they care most about.

What’s Next: Exploring the New Terrain for Business, by Eamonn Kelly, et al., Perseus Publishing, 2002. Excerpts from 50 interviews by Global Business Network on a range of important topics—such as geopolitics and governance, cultures and society, science and technology, and environment and sustainability—that will shape the next decade. The implications of the ideas are relevant to organizations across all sectors that want to anticipate rather than merely react.





Choosing Your Path: Principles for Seizing the Opportunity Ahead

There is no going back to a less complex and varied time in philanthropy—or in the world. The new ecology, the seeds of change being planted in response to it, and the various ways those responses could play out in the future ensure that. As a result, anyone who wants to give—to save a soul, to save the world, or some mix of the two—now has more choices than ever.

The new ecology can make those choices seem more difficult than ever. The complexity and acceleration, the growing numbers and new diversity, the increased scrutiny and greater pressures put on private actors all test the creativity, acuity, and patience of donors at every level.

What may be less obvious, but more important, is that the new ecology also presents every donor with new opportunities. Many of the opportunities are the mirror images of the challenges.

We believe the essence of the opportunity ahead is for philanthropists to amplify and align in various ways that reinforce one another. Let us explain.

In a world of many more actors, many different types of actors, and a larger, even global stage for creating, managing, and solving problems, each one of us could easily be convinced that our individual efforts to do good are small.

Well, they are. That's why the most important strategic goal for many givers will be finding ways to amplify their efforts. Defined technically, amplification is “an increase in signal magnitude,” which in this context simply means looking for ways to increase the magnitude of your philanthropy so that your actions can reach further and with more force. The same ecology that challenges us generates new means for each of us to amplify what we do, especially by seeking new connections to other people and ideas.

“Good is the enemy of great.”

- Jim Collins

At the same time, the amplification that has the most chance of succeeding will be aligned with the forces of the environment you find yourself in. We've all had the experience at different times of swimming against the current and swimming with it. When swimming with the current, you go farther, faster, with less effort and a greater sense of ease. You have aligned yourself with the greater forces around you.

The same is true of practicing philanthropy. Finding a way to align yourself with the forces in the wider world will help your giving reach further as it is amplified by broader forces you cannot control, but can benefit from. This is not to suggest that you should merely go with the flow or accept the world as it is; it still leaves plenty of room to challenge the status quo and confront issues that concern you.

Regardless of what goals you set, the chance to work with a growing number of others, to learn from and with them, to tap an expanding pool of resources in more places, and to do it faster, are all good news, because they can help you achieve your aims. Amplifying and aligning what you are doing will increase your pleasure and satisfaction—which is, after all, one of the major reasons that people get involved in philanthropy in the first place, even if it is difficult and frustrating at times.

Like doctors, we can't offer you a prescription for how best to amplify and align without a consultation; like lawyers, we can't provide specific advice without knowing the facts of your situation. We know that there is nearly infinite variability among donors, causes, situations, contexts, and histories, and that everything we have been describing argues against one "right" answer or one true way for giving and givers. What we can offer here are some principles to guide your practice—and some questions to help tailor them to your specific situation.

The principles represent a synthesis of the most interesting experiments now underway and the lessons we have taken from applying scenario thinking to how philanthropy could develop in the next generation. They may not be entirely novel, but the new ecology means that they will be experienced in new ways and entail new choices for donors. The principles are:

EXPLOIT PHILANTHROPY'S STRATEGIC ADVANTAGE

SEEK COOPERATIVE ADVANTAGE

EMBRACE COMPLEXITY

INVITE MEANINGFUL SCRUTINY

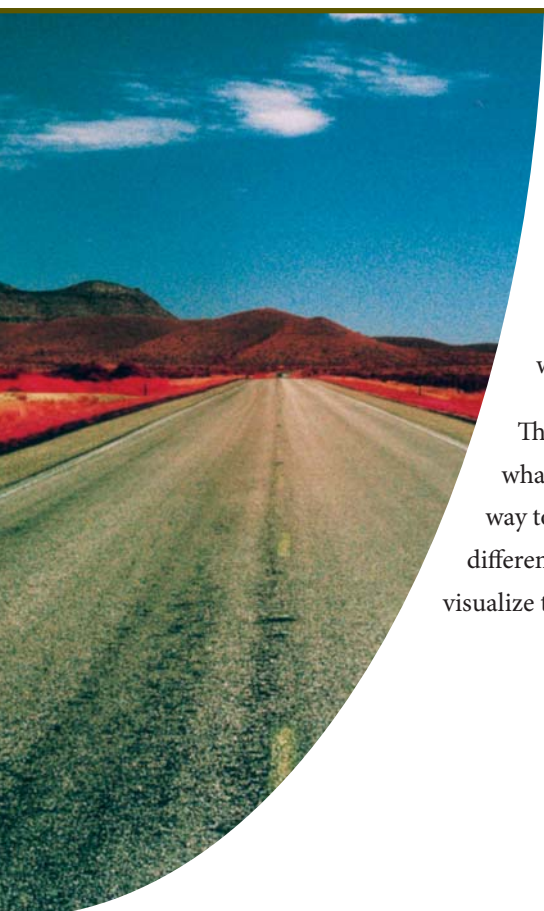
These principles are designed to help you confront the two central questions underlying this guide: How can you make better decisions today in support of the issues, institutions, and communities you care most about? And are you doing the best you can with the resources at your disposal?

We offer what follows with one important and obvious caveat: there are many straightforward giving choices that aren't affected a great deal by the changes we describe in this guide. Donors, whether individuals or foundations, will still give to religious, educational, and cultural institutions and a host of other good causes because they choose to give to a trusted organization. These are of course good, honorable gifts that don't require elaborate strategies.

Our interest here is in exploring what it means for individuals and institutions to do more than support the good work that they already know about, as satisfying as that may be. We think it matters, as the bestselling business author Jim Collins has argued, that more people and institutions become dissatisfied with *just* doing good, and aim instead for *great*.

Here, we believe, is how.

EXPLOIT PHILANTHROPY'S STRATEGIC ADVANTAGE

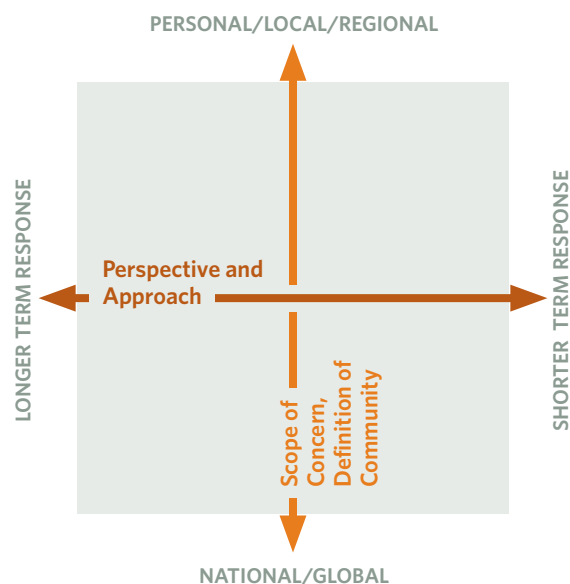


Philanthropy provides social benefit along with governments and businesses, but it is profoundly different from either of them. Its capital is entirely discretionary, free from the pressures on businesses or governments. It is money freed from quarterly profit projections or regular election cycles, unconstrained (at least in the abstract) by the need to please political constituencies or maintain shareholder value. As a result, it is money that has the most ability to take risks and to be patient, or to move quickly in response to something unexpected. It can seek out and support work of great potential but little popularity.

That's not new, but in this era of acceleration, we believe every donor should consider to what degree he or she will exploit this advantage in his or her giving. The time-honored way to do this is to think about your giving as a portfolio, much as one does investments of different kinds. Figure 1 depicts a simple tool to help you map the various gifts you make and visualize the balance and diversity of your entire giving portfolio.

Figure 1: Mapping Your Giving

This matrix provides you with one way to understand the balance of giving within your philanthropic portfolio. The horizontal axis reflects the perspective and approach of your giving. Is the gift of your time or money immediate and responsive, as when a hurricane hits or a homeless person asks for help? Or is the gift meant to initiate longer term, more systemic change, as in battling the reason that the person is homeless in the first place? The vertical axis represents the gift's scope of concern. Is the gift in support of a personal community that you are part of, such as a church, or meant to benefit a place that you have direct contact with and knowledge of, because you live there? Or are you extending beyond your immediate environment with a gift, trying to reach a person or institution or cause that is national or global in scope? Map all of your gifts along these two scales, and you can get a sense of the diversity of your giving portfolio. Do you see gaps or clusters in your giving strategy that you might want to change?



Most people and many institutions give in more than one of these quadrants. We would argue, as many before us have done, that the strategic advantage of organized philanthropy lies on the left side of the chart. We have also argued that in an era of increased power and wealth for private actors, there is also increased responsibility for these actors to get involved in the public problem-solving represented by the left half of this giving map.

Here are three questions to ask yourself:

Does your portfolio need a “wicked problem”? Few difficult challenges, such as curing a disease, resolving a difficult conflict, or addressing an enduring issue such as racism, can be met quickly. Sustainable change is a long-term challenge; the solutions cannot be known ahead of time. Some of these problems can’t even be defined until you are trying to solve them. These are sometimes called “wicked problems.” Those who want to see results for their philanthropic investments may be tempted to stay away from these types of challenges, in favor of goals that can be clearly identified ahead of time, with clear targets and near-term measurable outcomes. That’s fine. That’s part of the diversity and freedom of philanthropy. But as a society we will be ill-served if everyone’s portfolio eschews difficult problems the way a retiree would stay away from a risky long-term investment. Map your giving onto the matrix pictured in Figure 1. How balanced is your portfolio?

Are you using all your resources? As a donor, the most strategic asset you possess may *not* be money. While the money is key, you usually will not have enough money to make the essential difference in a situation by yourself. So it’s critical to ask, What are the other resources

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that could be applied in support of your objectives: networks, expertise, analysis, time? Think broadly about the full range of resources that you can deploy to help those individuals, institutions, or causes you believe in.

What is one thing you can do soon to increase the amount of time you spend

looking outward? Great strategy comes from many sources. One of the most important is a deep understanding of the world you are trying to influence. No giver can utilize the strategic advantages of philanthropy without increasing the amount of time spent understanding the context in which he or she works—and therefore finding the unique contribution philanthropy can make. Individual philanthropists who have the time often develop invaluable knowledge by volunteering. On the institutional side of philanthropy, ask yourself how to redesign your internal processes to increase the time you, your staff, and your board invest in learning outside your institution.

SEEK COOPERATIVE ADVANTAGE



If philanthropy's core strategic advantages are enduring ones, the new ecology has opened up a new source of advantage that is as important as it is underutilized. Philanthropy works in an increasingly interconnected environment but still conceptualizes its role according to a long history of independent action. That, in fact, is the new paradox of modern philanthropy: the scarcity of connections (of many kinds) in a more powerfully connected age.

Changing that will require letting go of some of the most precious assumptions of recent years, especially around the meaning of strategy. The strategy literature, borrowed from business and in some cases from the military, has, at its core, the presumption of success in competition. But the philanthropist's goal isn't victory over others, and strategies imported from competitive industries that focus on identifying and exploiting a niche must be adapted to an environment where differentiation may be more of a liability than an advantage.

The search or scan that precedes your giving should focus on looking for connections as well as the "white space" or empty arena to occupy. Sometimes it will be best to work to amplify what others are already beginning to do; sometimes it will be best to do the new thing that no one has yet done. It will depend. The default option should be to find, trust, and support the part of the system that holds the most knowledge or is making the most progress in the arena that you care about. If the knowledge or the movement absolutely doesn't exist in the work of current nonprofits or funders, then create it.

In other words, rather than seek competitive advantage, philanthropists should develop their *cooperative advantage*—the advantage that comes uniquely from working in concert with others, developing the capacities to harness resources beyond any single institution, and applying them to complex problems. In the new ecology, it may make as much sense to identify a useful network and join or incubate it, as to seek a distinctive niche and occupy it. Once the challenge or opportunity sits in the middle of your strategic sights, you can begin to see how various actors fit into more sustainable, integrated solutions, rather than focus solely on improving a single organization's response.

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To start to find and benefit from seeing and making new connections, review your strategy and consider these questions:

Who's already doing it? In light of the multiplication and diversification in the field, your starting assumption should be that someone is already doing, or has done, whatever you want to do, somewhere, at some time. That means you do not have to make the same discoveries and mistakes that have already been made; you can make new ones. Are there grantmaking associations, affinity groups, or other infrastructure organizations that you can plug into? It may be that those doing what you want to do are not in your town or region, or that they are using a similar model but not in your subject area. Then the alignment could be around knowledge and learning. But if you are interested in a goal that is already being addressed at the level at which you want to address it, then consider how to combine or coordinate, not fragment or compete. That cooperation could take a number of forms—and increasingly does—as our seeds of change discussion illustrated.

Who are your allies and who could be your allies? Look for allies in many places, from the most obvious to those that aren't obvious at all. Allies aren't necessarily restricted to funders like yourself. Individual donors, institutional funders, and corporations all can be important potential partners. And with continued reductions in government funding for social issues, state and local governments are likely to be open to partnering with private sources. Beyond other funders, are there ways that you could plan and act with nonprofits to do your work better? What's also important is to make it easy for others to make an ally out of you, a point that we'll return to below.

Where are the intersections? One of the gifts of doing philanthropy can be breaking through the confines that trap most of us in class, discipline, or sector. As you do so, you will find the growing intersections that exist within diversity. Few problems can be solved in isolation, and increasing numbers of issues can only be addressed by reaching across existing boundaries—of organization, sector, culture, place, class, race, discipline, and identity.

How can you help others help you? In a philanthropic universe that is growing in size, diversity, and complexity, what steps could you take that would help others find and support what you are doing? What could you do to increase both the visibility and legibility of your work, which is to say the characteristics that would allow someone else to understand the activities, the strategy, and the goals? If the ecology says you will be observed, then the

You Don't Have to Be Big to Have a Big Impact

Many individuals and small foundations have limited resources to invest in giving or in designing a strategy for giving. Neither do they desire to make the act of giving into work. The standard solution is to give in response to those who are best organized and skilled at asking for assistance. This, in turn, is one of the reasons that so many gifts go to organizations large enough to have professional development departments. If you're visited enough times by someone representing your university, eventually you are likely to say yes.

This is not to suggest that giving to large institutions is bad. Of course not. But there is a "rich-get-richer" dynamic at play in the nonprofit world that creates disadvantages for those who are new or excluded from certain social circles.

That's why we have great hope for the new ways that individuals and small institutions can seek cooperative advantage by giving to one of the growing number of institutions that now play a brokering role between givers and receivers. If you're a relatively small giver—individual or institutional—you can plug into an expanding infrastructure that allows you to essentially "outsource" the strategic work of giving by tapping knowledge and networks that amplify your own.

This is nothing new, of course, and it's why community foundations and giving federations, such as United Ways, flourished in the twentieth century. What is new is the stunning growth of options that far exceed the traditional ways and places these federations have been utilized. In the past generation, the number of community foundations in the U.S. has tripled. On top of that base, many communities now have women's foundations, giving circles designed for various racial and ethnic groups, or pooled funds around a particular issue or set of values. In the late 1990s, venture philanthropy funds created yet another intriguing option.

These collaborative philanthropic institutions can enable you to become much more strategic in your giving—to practice great philanthropy—without taking the time and expense to do the work by yourself. Some of the new aggregated giving organizations also help you use your time in more effective and strategic ways if you care to be engaged in your giving beyond writing a check. Regardless of which option you choose, consider shifting some of your giving to the "brokers" that can get your resources to organizations that are new and innovative, on the margins, or outside your personal network.

response it invites is to be visible. Your strategy should be your calling card, not your trump card. Use your strategy and what you've learned to find like minds and secure allies. This is not to suggest that every donor should have a press campaign or seek to make headlines whenever possible. There are many ways to make one's self, ideas, experience, and strategy visible that aren't about grabbing attention.

As Robert Axelrod points out in his classic *The Evolution of Cooperation*, keeping one's intentions hidden or making them so complex that they are hard to understand is really only useful in a competitive or zero-sum setting—not where cooperation is the goal. Philanthropists who are giving away significant resources gain little from keeping their intentions mysterious, and may hinder attempts to cooperate with other donors or grantees.

What obstacles are waiting to be resources? You will inevitably confront people, institutions, or impersonal forces that stand in the way of your progress. (If there were no obstacles, your philanthropy might not be needed.) Can you "cooperate" with any of these obstacles in order to turn them into resources for your cause? This probably wouldn't happen by simple advocacy, but it could happen by reframing how the

Your strategy should be your calling card, not your trump card. Use your strategy and what you've learned to find like minds and secure allies.

problem is presented. Are there some situations in which an obstacle becomes a resource? For example, Ecotrust, an Oregon-based environmental nonprofit, partners with timber companies and logging communities—traditional opponents of environmental efforts—to find alternative strategies for promoting forest sustainability.

What might cause people to pay for part of the solution? This question's underlying goal is to explore whether or how there may be a market dynamic that can be brought to bear in favor of your solution. The reason to do so isn't some abstract preference for market-based solutions. The reason is that solutions where people "cooperate" by voluntarily expressing their preferences in direct financial ways are more likely to be sustained over time while also tapping substantial resources on behalf of your issue.

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EMBRACE COMPLEXITY

The problem-solving institutions of the last century thrived on cultivating clarity. The problems facing philanthropy today, however, are not as amenable to reduction and clarification. They require us to experiment with responses that see complexity as part of the nature of the problem, not simply a failure to clarify it. That might be as simple as understanding that putting a geographic boundary around one's work may be counter-productive, since solutions may rest in policy decisions in the state capital or in Washington, D.C. It might be as difficult as using system dynamics as a tool for understanding and modeling complex phenomena. Or it might mean the most difficult thing of all for some people: giving up the illusion of control.

If you can make the time (or call on staff support or hired consulting help), ask yourself these questions:

What kind of problem or opportunity will your giving respond to? If it's a problem, is it one where the nature of both the problem and the solution is clear and can be known beforehand? If so, find the best experts and support them. Is it one where the nature of the problem is clear but the solution isn't? If so, creativity and guts may be as important as expertise and analysis; seek them out. Or is it one where the nature of the problem itself is unclear and so the solution can't be known until you are in it? This kind of situation requires gathering all those who own a piece of the problem and the solution, as in a poor neighborhood that might reject "fixes" imposed from outside; a lot of resources will be wasted



using experts and traditional approaches when neither the exact nature of the problem nor the solution are understood. In short, each of the three types of problems require different philanthropic responses, but knowing what kind of problem you are working with is a crucial first step in understanding and embracing the complexity of your choices.

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What's the problem standing behind the problem? Many people working to address a problem or create an opportunity are responding to a need they see. It may seem obvious, but ask yourself, "What is causing this problem, and why?" Try doing that five times for the problems that interest you (an exercise called the Five Whys). From a statement of the problem as you see it, ask, "Why is that happening?" From the answer to that question, ask again, "Why is *that* happening?" And then take the answer you come up with and ask yourself, "But why is *that* happening?" And so on. This is a very simple but powerful tool associated with "system dynamics," the attempt to situate phenomena that we have traditionally looked at in isolation amid the broad forces and complex factors that connect them. By asking the Five Whys, you will have increased the chances of finding deeper causes, pinpointing more powerful leverage points, and seeing connections among the things you know to look at and those you need to learn more about. This kind of thinking is what underlies good theories of change, which add bite and depth to vague mission and vision statements.

What is the regional or national part of a local issue, or what is the local part of a national or international question? However you frame the question, push yourself to experiment in two ways. What are the parts of the problem or solution that are far away and so might escape your attention if you only focus on the issue locally? Conversely, what are the opportunities that may be close at hand to develop momentum for an issue that otherwise seems far away or beyond your control?

When must you learn by doing? Some of the most creative work happens when people commit to a point of view that enables them to act, while holding on to that point of view lightly, accepting that failure may be the price of creating knowledge. They understand that for certain types of complex challenges they must learn by doing—by getting involved and learning from the experience of trying, failing, and recalibrating. Thomas Edison famously observed that he failed his way to success. Insisting on a high degree of certainty from the outset is to deny complexity in many situations, not to recognize and confront it.

What's right today that might be wrong tomorrow? If you're giving away significant amounts of money, and therefore have much at stake, by all means do what increasing numbers of funders are doing: create a clear strategy or logic model to describe what you are attempting to do and how you will do it. But it's also worth considering different scenarios about

the environment in which you will be working. Change, after all, is dynamic, not linear, and logic models usually don't allow for this reality.

Think a bit about the world outside the domain you are trying to work in or influence. Imagine the different environments in which you might have to work; you can do this through a formal, elaborate process, or in quick, back-of-the envelope ways with a group of smart people. How, for instance, might political and economic conditions shift to be more or less favorable to your goals than at present? (See Figure 2, A Simple Scenario Matrix, to help you frame these possibilities.) As you rehearse what the future may bring that is beyond your control, you will embrace complexity rather than run from it. Would you have different allies in some futures compared to others? Would you deploy different resources? Are there obstacles in some futures that don't matter in others? Do the answers change what you ought to do now? Are there ways to alter your routine decision-making to take better advantage of sudden shifts in the external environment? By looking at external forces you cannot control, you can improve your ability to use the resources you do control or can influence.

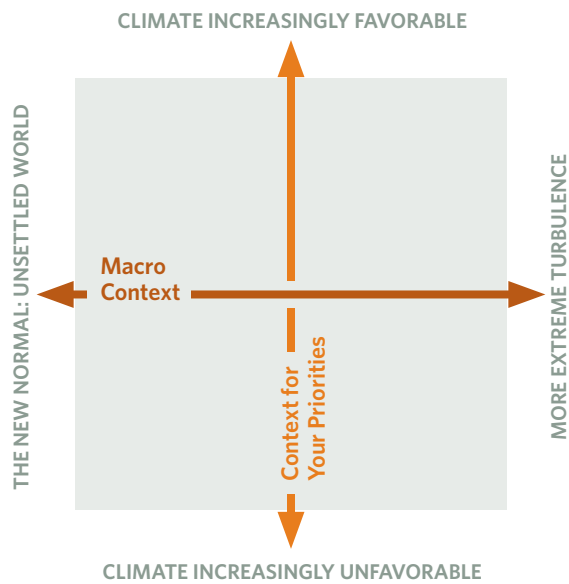


Figure 2: A Simple Scenario Matrix

Scenarios frame uncertainties. Here, the horizontal axis considers a future in which, on the one hand, the macro geopolitical and economic context is merely unsettled (the new normal we are accustomed to now), or whether some extreme turbulence is dominating current affairs (growing violence or an economic downturn, for instance). The vertical axis invites you to consider the key uncertainties for the issue or institution that you are associated with. What could create an increasingly unfavorable or favorable climate for making progress? The four scenarios that result from crossing these two axes give you a simple way to test your current strategies by understanding the forces beyond your control that you may have to reckon with in order to succeed. Ask yourself why each scenario might take place in the next decade, and then rehearse what you would do in each of these futures. A strategic conversation such as this may cause you to alter your present approach or theory of change. For more information on scenarios, see www.gbn.com/whatif_

INVITE MEANINGFUL SCRUTINY

As philanthropy has grown in size and ambition, it has attracted more attention from the outside and generated more reflection on the inside. Outsiders and insiders are both asking harder questions, a new form of scrutiny that, while not always comfortable, is here to stay and perhaps even grow. This is an especially acute issue for institutional givers, who are subject to requirements that could expand in the future.

It is often said that the best defense is a good offense. Rather than be concerned with compliance alone, consider inviting scrutiny by increasing your appetite for learning. There are ways that donors can use the growing energy to investigate, observe, and report as a source for learning, rather than a source of distraction. They can do what growing numbers are now doing: learn from their own work and the work of others, establish appropriate measures of success, clarify their beliefs, and shape their strategies around their ability to review and revise their efforts.

Here are some questions to ask yourself to help accelerate your learning and increase your effectiveness.

How can you meaningfully diversify? One important way to invite scrutiny and question assumptions is to diversify staffs, boards, advisers, and partners in terms of gender, race, ethnicity, worldview, or other categories that increase the range of ideas, experiences, and networks that become part of your planning. Far too little of that has been done. Some of the most inspirational individual donors we have met are those who have used their philanthropy to expand their definition of family to include people very different from themselves. This might mean diversifying who sits on their family foundation board or reaching with their giving far beyond the communities of faith or education that they personally know.

How can you help others help you learn? Every serious giver will create new knowledge, at least about their own processes, but more likely about what happened as a result of their gift. That knowledge is useful to the donor, but it becomes even more useful when it is shared. Not because it might educate others, although it might, but because it allows you to learn from others. It may not always be comfortable, but when you open up your experience and allow others to connect, correct, challenge, and learn with you (as well as from you), you increase the value of the experience you have. But you can only learn from others who can see your work.

What can you monitor that will increase your capacity to learn rather than increase your capacity to control? You should scrutinize yourself, your performance, your inputs, and your outputs and challenge yourself by asking the hard questions before others do. But be careful not to focus solely on the most basic (albeit important) measurements, most

of which can be put into numbers on a “performance dashboard” of some type. Drivers who focus on their dashboard rather than the road ahead are the ones most likely to get into trouble. Have a dashboard for the basics of investment, staff performance, speed of response, and the like—things that can be looked at routinely. But don’t mistake it for a map, a goal—or a substitute for judgment. The pioneers of new approaches to evaluation are leading the way toward making evaluation about real-time learning, not about compliance.

There are ways that donors can use the growing energy to investigate, observe, and report as a source for learning, rather than a source of distraction.

What’s the earliest point at which you can learn about the effect of what you are doing?

This may sound like an appeal for speed, and in some cases it is. But it’s actually about identifying the appropriate moments for learning and committing to reviewing and revising plans as part of the strategy rather than as a deviation from it. It may even be a plea for patience. Consider that whatever you are trying to affect or change is likely to shift in some unpredictable way before you finish trying to change it in the way you had hoped. How will you change in order to do what you intended better?

What’s the evidence that you are wrong?

Most of the time we look for evidence that confirms our suppositions or biases, ignoring or explaining away evidence that may point to other explanations or causes until it becomes impossible to ignore. This is a perfectly normal human trait, but it can slow down our ability to learn and adapt to changing conditions. One technique to counter this habit is to identify the evidence that would suggest you are wrong, which is to say, be on the lookout for specific disconfirming evidence, not just signs that things are going well. Disconfirming evidence can be just as random as evidence that supports our biases, but by identifying ahead of time the information that might encourage you to revise your understanding, you decrease the chances that you will later tell yourself, “I should have seen it coming.”

Which assumptions have outlasted their value?

We have found that philanthropy is full of many unquestioned rules: *Only give out of your income. If you want to do giving seriously, start a foundation. We need to operate lean, and only give to places that have low administrative costs.* Every one of these assumptions, once probed, could yield interesting new insights as to why the usual rule doesn’t always apply; from that questioning will come new strategic options. Which of your assumptions can hold up to your own scrutiny? In our work, we have found that the mere act of making assumptions explicit and then examining them is often the most productive way to increase creativity and impact. What do you need to hold on to? What do you need to let go? What do you need to learn?

A Few of Our Favorite Resources

One of the big shifts in the past generation is both the amount and the availability of information about the practice of philanthropy. You won't have to look far to find a publication or email list to subscribe to, or an association or network to join. The most visible resources are *The Chronicle of Philanthropy* and *Foundation News & Commentary* and the associations Independent Sector and Council on Foundations—all of which have taught us a great deal. Among the many resources now available, we have selected a few we found especially helpful and that speak to different issues for a range of givers.

The Clock of the Long Now: Time and Responsibility, by Stewart Brand, Basic Books, 1999. "Nobody can save the world, but any of us can help set in motion a self-saving world," argues Brand, an eclectic thinker and Global Business Network cofounder who offers here a series of short essays designed to help you reflect on long-term responsibility, which is, after all, one of the most compelling motivations for philanthropy.

"The Evolving Role of American Foundations," by James Allen Smith, in *Philanthropy and the Nonprofit Sector in a Changing America*, Charles T. Clotfelter and Thomas Ehrlich, eds., Indiana University Press, 1999. If you only read one short essay about the history of U.S. philanthropy, make it this one. Smith manages both to capture a century of history as well as one's imagination about the history now being made.

The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization, by Peter Senge, Charlotte Roberts, Richard B. Ross, Bryan J. Smith, and Art Kleiner, Doubleday, 1994. This is the best and most accessible introduction to many of the systems-thinking tools we have been discussing. A delight to browse and to read, it will change how you approach change, whether in your own life, in your organization, or in the world you're trying to influence.

Foundation in a Box, <http://foundationinabox.org/>. The Association of Small Foundations has drawn from the archives of many authoritative sources, including the Council on Foundations, to save you the work of finding the basic resources on starting and running a foundation. They've put them all—literally—in a box that serves as a small resource library.

A Gift Observed: Reflections on Philanthropy and Civilization, by Michael Lerner, Commonweal Working Paper. Call (415) 868-0970 or email commonweal@commonweal.org. A profound and provocative reflection on philanthropy as seen through many disciplinary lenses, from one of today's most remarkable nonprofit leaders. We follow along as a brilliant man teaches himself about philanthropy, creating a guide that will prompt reflection by serious beginners and experienced hands alike.

Global Giving Matters, www.synergos.org/globalgivingmatters/. This quarterly electronic newsletter, which covers individual and family philanthropy and social investment around the world, is a model of how to share best practices and innovations. It's produced by a partnership of Synergos and the World Economic Forum.

Grantcraft, www.grantcraft.org. This relatively new project of the Ford Foundation, which began as an effort to orient Ford staff, has branched out in numerous directions, including beyond Ford's own best practice, to embrace that of many wise and experienced practitioners. Featuring guides, cases, and videos, this website is quickly becoming an essential source of practical help for anyone doing professional grantmaking.



Grantmakers for Effective Organizations, www.geofunders.org. GEO's speciality is effectiveness—for both donors and grantees. Both institutions and individual givers can join. Among its many helpful resources is a new database tracking funder networks.

Grantmaking Basics: A Field Guide for Funders, by Barbara D. Kibbe, Fred Setterberg, and Colburn S. Wilbur, the David and Lucile Packard Foundation and the Council on Foundations, 1999, available at www.cof.org. This is the best basic primer for foundation program officers.

Inside American Philanthropy: The Dramas of Donorship, by Waldemar A. Nielsen, University of Oklahoma Press, 1996. Nielsen was one of the great observers—and critics—of twentieth-century American philanthropy. This little book would be worth consulting if it were simply the culmination of a lifetime of his reflections, which it is. But it is especially valuable for its concise, well-written stories of individual philanthropists—both those who succeeded and those who failed.

Inspired Philanthropy: Your Step-by-Step Guide to Creating a Giving Plan, by Tracy Gary and Melissa Kohner, Jossey-Bass, 2002. The most helpful guidebook we know for individuals who are interested in giving seriously. In particular, see the chart on commonly used Strategies for Change (pages 84-85 of the paperback edition).

Karoff Corner, www.tpi.org/karoffcorner/karoffcorner.htm. Consult this website to download the wisdom of Peter Karoff, founder of The Philanthropic Initiative, Inc. You'll find an expanding collection of essays and poetry on the theme of generosity—and plenty of inspiration.

"Leading Boldly," by Ronald A. Heifetz, John V. Kania, and Mark R. Kramer, in *Stanford Social Innovation Review*, Winter 2004. A subtle and important look at dilemmas of power, authority, and leadership faced by anyone who attempts to use giving to promote change. The adaptive leadership described in this article challenges many assumptions of standard philanthropic practice—and is at the heart of many of the questions we have raised here.

Organizing Foundations for Maximum Impact: A Guide to Effective Philanthropy, by Denis J. Prager, The Aspen Institute, 2003. A terrific short synthesis of thinking about giving effectively from an institutional base.

"Places to Intervene in a System," by Donella Meadows, *Whole Earth Review*, Winter 1997. Available online at www.wholeearthmag.com. A seminal piece on systems thinking and creating lasting change that provokes better strategic thinking by anyone who reads it.

Stanford Social Innovation Review, www.ssireview.com. Published by the Graduate School of Business at Stanford, this quarterly review that began in 2003 is making a bid to become for social problem-solving what *Harvard Business Review* is for business management. We like its holistic approach, drawing insights from the nonprofit, public, and private sectors and encouraging us all to think in new ways.

The State of Nonprofit America, Lester M. Salamon, ed., Brookings Institution Press, published in collaboration with the Aspen Institute, 2002. The lead essay by Salamon, "The Resilient Sector," is the single best short overview of the nonprofit sector we know; other essays detail trends in subsectors.

State of Philanthropy 2004, National Committee for Responsive Philanthropy, www.ncrp.org/ncrpstore/GSC338.htm. This biennial collection never fails to include many provocative and wide-ranging essays analyzing the current status of philanthropy and many of the pressing issues now facing the field.

Putting All the Pieces Together

This template will help you apply many of the ideas discussed in *Looking Out for the Future* to a specific problem or opportunity that you are interested in. It aims to help you see how you might re-envision your philanthropic efforts when you put the problem, rather than yourself or your institution, at the center of your thinking. The template then walks you through a series of steps to help you to understand how your resources might fit together with the contributions of other philanthropists and stakeholders that are a part of the solution "puzzle."

1. Name the problem you want to address:

PROBLEM

2. What other issues, forces, or problems relate to this problem?

RELATED ISSUES

3. What resources could YOU bring to solving this problem?

YOU

4. WHO ELSE is working on some part of this problem?

WHO has the money?

WHO outside organized philanthropy is or could be interested in this?

WHO has the knowledge?

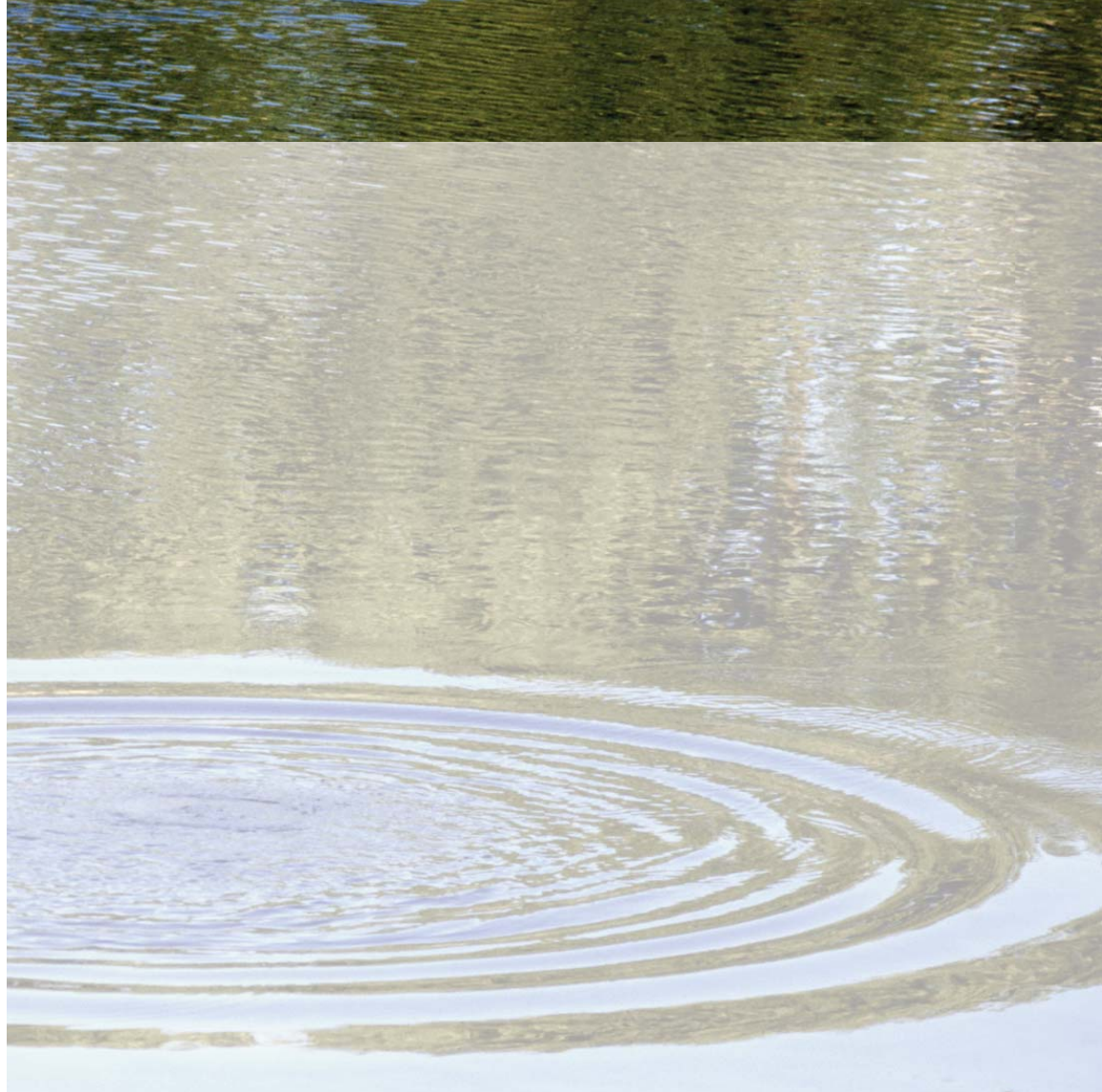
WHO is doing the work?

OTHERS

5. How can you make your strategy more visible? How can you learn better about what others are doing?

6. How would you measure success? What can you do with what you've learned that would help others?





Conclusion: An Invitation

PHILANTHROPISTS seek the FUTURE.

When you take aim at suffering today, aren't you also dreaming of new possibilities tomorrow? When you act to preserve our heritage or history, aren't you also speaking up for generations to come? When you try to change the path we are all on, isn't the real goal to help us get to a better destination someday? In countless ways, philanthropists are looking out for the future and trying to make it better. And we all have a greater stake than ever in whether you succeed.

That's because our collective capacity to confront the significant, complex social and environmental challenges facing us has not kept pace with our capacity—individually or collectively—to create those problems. The marketplace alone cannot and will not address many of our most pressing social, moral, and environmental challenges, and indeed at times intensifies them. Neither can government alone do so, within nations or among them.

Philanthropy can't do it by itself either, but we believe better philanthropy is a linchpin in any effort to create a more effective system of public problem-solving that better engages the private resources that have grown so significantly in recent decades. Without a better system of tending to public, rather than private, benefits, it seems unlikely that there will be enough investment in the innovations we need to tackle the urgent challenges of the coming decades.

“One's real duty to the future is to do as you should do now. Make the best choices, do the best work, fulfill your obligations in the best way you can...”

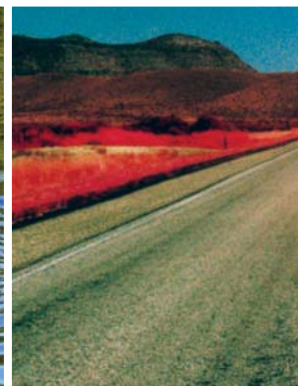
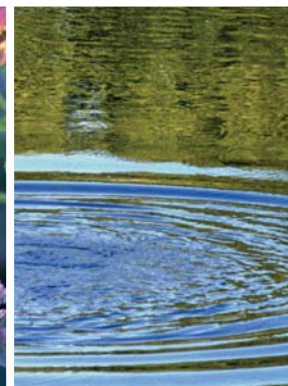
- Wendell Berry

But here's the central challenge: no one is in charge of working for a better future, and no one can be. A better world cannot be brought about by some master strategy directed by a central agency. It can only emerge from the bottom up, by many creative citizens and institutions that are willing to grapple courageously with an issue they feel passionately about, whether it's in their own backyard or in a village halfway across the planet. In the networked knowledge age, those efforts can now be connected in ways never before possible. Whether it adds up to a better future or not will depend on the quality of the choices that create it.

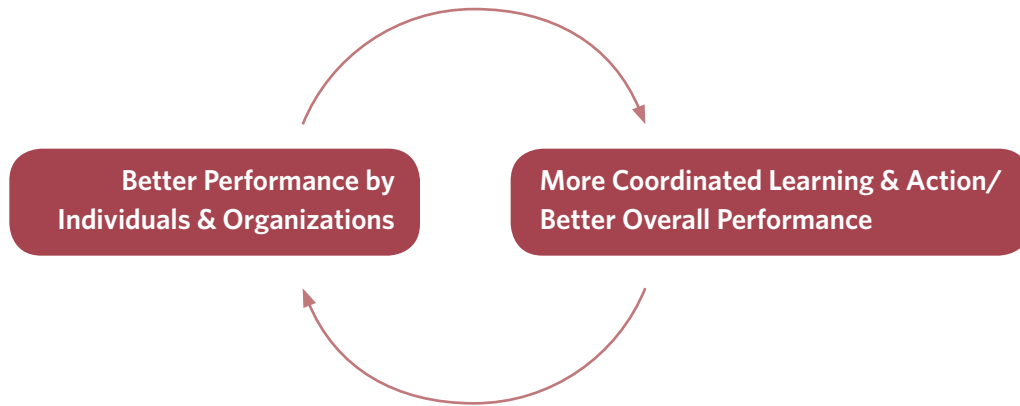
We hope that if you've read this far, you have a new appreciation that the choices you make—to connect (or not), to learn (or not), to share (or not), to adapt (or not), to tackle tough problems and engage a growing array of resources (or not)—will have an effect, and not just on your giving. More people connecting and learning together will make it easier for you to connect and learn yourself, and it will make it easier for others to do the same. More people adapting to the new ecology and modeling their giving style around the new forces and opportunities for problem-solving will inspire others who are looking for better paths for themselves. More people exercising the choices that givers have in these ways could create a new paradigm of giving over the next generation.

The great opportunity for each giver individually—to align with the broader forces and amplify their efforts, to achieve greater impact and gain greater satisfaction—creates and contributes to an enormous opportunity for philanthropy as a whole. It's the opportunity to:

- Create a more effective, adaptive, connected universe of actors seeking social benefit
- Enhance learning in the system for the benefit of all
- Increase our collective capacity to tackle hard problems in a sustained way and make a difference in addressing them
- Draw more resources into the field of social problem-solving as givers who might be content to stay on the sidelines see new potential for making a difference
- Stave off undesirable futures, whether it is the story of wasted opportunity, cramped vision, or modest victories without big gains



The result would be a truly virtuous circle, in which the more individuals and institutions make good choices and contribute to the health of the whole, the more the health of the whole can support and sustain good choices among the individuals.



As we've stressed from the start, though, philanthropy is a profoundly voluntary act, and these are choices that only some will make. Those who turn toward the new ecology and the forces it has unleashed in every field that donors give to will by definition be pioneers. There are many great examples from the past and many new ways to learn from them, but there are no proven paths for effective action in a world still being made. The opportunity for those who do find ways to channel these forces for social benefit is the opportunity to be a leader and a model for others. Let us hope that more philanthropists will commit to becoming pioneers, joining with others in new ways to look out for the future.



Project History

This guide is one result of a partnership between the W.K. Kellogg Foundation and the David and Lucile Packard Foundation, both of which have demonstrated an understanding of the leverage that can be gained by making efforts to enhance the field of philanthropy a programmatic priority. The partnership was initiated by Tom Reis, a program director within the Philanthropy and Volunteerism unit at Kellogg, and by Barbara Kibbe, then the director of the Packard Foundation's Organizational Effectiveness and Philanthropy Program and now vice president for program and effectiveness at the Skoll Foundation.

As representatives from two of the very few funders doing grantmaking to build the capacity of philanthropy and nonprofits, Reis and Kibbe were troubled by their perception that the nonprofit sector was not keeping up with the pace of change in the world. In 2000, they asked Global Business Network to explore how the tools of futures thinking, in which GBN specializes, might improve the ability of nonprofits, including foundations, to adapt more effectively. For more than 17 years, GBN (www.gbn.com) has helped to guide both public and private organizations through a changing environment, and is internationally acclaimed for its leadership role in the evolution and application of scenario thinking—a tool that combines research, creativity, and openness in order to imagine possible futures.

The resulting effort proceeded in two separate but related streams of activity that continue to evolve. The first, which was funded by the Packard Foundation alone, aimed to accelerate progress in helping nonprofit leaders learn to anticipate and adapt better to a complex and rapidly shifting external environment. It led to a number of experiments in training and consulting, and ultimately resulted in a guide for nonprofit leaders called, *What If?: The Art of Scenario Thinking for Nonprofits*, which can be purchased or downloaded for free at www.gbn.com/whatif.

The second stream of activity, which was funded equally by the Kellogg and Packard foundations attempted to *do* scenario thinking about philanthropy itself. After an initial scenario-building exercise, the initiative broadened its efforts, ultimately creating elements of a theory of change for philanthropy. This guide is one result. A full look at the products of this initiative can be found at www.futureofphilanthropy.org.

While GBN continues to work with nonprofits frequently, the Future of Philanthropy initiative will now be carried forward by the Monitor Institute, part of GBN's parent company, the Monitor Group. The Institute is the primary vehicle through which the Group is now launching a new phase of experimentation about how to best use its knowledge, expertise, skill, and capital to address complex social challenges. (See the inside back cover for descriptions of Monitor Group, Monitor Institute, and Global Business Network.)

Authors

The analysis and opinions stated in this guide are the sole responsibility of its authors, Katherine Fulton, who led the GBN Future of Philanthropy initiative, and Andrew Blau, who joined GBN after the initiative began and then became a full partner in it.

Katherine Fulton is a partner of the Monitor Group and president of the Monitor Institute. In a varied career that has included organizational consulting, journalism, and teaching and volunteer service, she has pursued her passionate interests in the use of private resources for public purposes and the connection between leadership and learning. Prior to moving to the Monitor Institute, Katherine was the co-head of the consulting practice at Global Business Network, where she helped not only nonprofits and foundations, but also governments and businesses in more than 12 industries manage more skillfully through increasing uncertainty. Her efforts have won her both a Nieman Fellowship at Harvard University and a Lyndhurst Foundation prize for community service. Now a resident of northern California, she has deep roots in Virginia and North Carolina, where members of her family have been engaged in philanthropy for generations. She has served on several nonprofit boards and participated in a number of donor associations. She can be reached via email: Katherine_Fulton@monitor.com.

Andrew Blau, a practitioner at GBN, is a strategist with deep experience working with foundations and other organizations developing programs for social benefit. Prior to joining GBN, he was an independent consultant, working with foundations across the country on program design and program evaluation, and he is best known for his work helping funders develop strategies that recognize the trends and pressures of the information age and their effects on the areas that funders support. He was a program director and member of the management team at the Markle Foundation (a grantmaking foundation), a program director at the Benton Foundation (an operating foundation), and has worked for nonprofits analyzing public policy. He is the president of the board of directors of WITNESS, an international human rights organization, and has served in leadership roles in numerous nonprofits. He can be reached via email: blau@gbn.com.

Credits

This guide was the product of a deep collaboration—not only between us, but also with many others who contributed to our larger project on philanthropy’s future. Our main partners throughout were Tom Reis and Barbara Kibbe. We cannot thank them enough for their insights, their willingness to work together and with us in unusual ways, and their sustained commitment through the many iterations of this work.

Of all the others who contributed so generously, we owe special thanks to three people. Eamonn Kelly, president of GBN, was an early supporter of this work and a frequent, wise contributor throughout the project. As a Packard Foundation program officer, Gabriel Kasper was our teacher and thought partner. When he later joined our team in the final stages to help with research, writing, production, and dissemination, his patience, insight, and good humor were even more invaluable. And Stephanie Clohesy, an independent consultant with deep experience in philanthropy, worked closely with us—attending many project meetings and generously sharing both her knowledge and her critical intelligence at every phase.

Many of our GBN and Monitor colleagues provided support at various stages. Former GBN Practitioner Diana Scarce was a core member of our nonprofits and philanthropy team before leaving to go back to school, and made too many contributions to name. GBN Practitioner Erik Smith did weeks and weeks of research on the pending intergenerational transfer of wealth, creating a paper and helping us conceptualize key ideas, especially early in the project. Monitor’s Chief Knowledge Officer Alan Kantrow gave us essential editorial feedback, and as is his way, even when he was telling us what we didn’t want to hear, he did so with a logic and a grace too compelling to ignore. Lori Shouldice provided coordination and administrative support throughout, cheerfully tackling each new project that came her way. So many others at GBN and Monitor generously pitched in that we can only name them and thank them, not call out their specific contributions. They are: Mark Fuller, Peter Schwartz, Steve Weber, Stewart Brand, Jim Cutler, Tina Estes, Doug Randall, Chris Ertel, Gerald Harris, Lynn Carruthers, Kelly Kaufman, Michael Mulcahy, Jenny Collins, Chris Coldewey, Joe McCrosen, Amita Govindaswamy, Jessica Freireich, Pete Giorgio, and Erika Kruger.

A number of people outside our work environment came to feel like colleagues during the course of this project, because of the many kinds of aid they offered. We are grateful first to leaders and staff members at both the Kellogg and Packard foundations who gave us important feedback at several junctures: William Richardson, Robert Long, Dan Moore, and Christine Kwak at the W.K. Kellogg Foundation, and Carol Larson, Richard Schlosberg, Stephanie McAuliffe, and Chris DeCardy at the David and Lucile Packard Foundation.

The special advisors and partners we are particularly grateful to also include: Kathleen Enright of Grantmakers for Effective Organizations, for consistent help and for providing a platform at two GEO conferences at critical junctures; many staff members and stakeholders of the Council on Foundations, who gave us eight opportunities to speak to or work with various Council constituencies, including the board; Liz Bremner and Eleanor Clement Glass of the Foundation

Incubator, in Palo Alto, for four chances to work out our ideas in intensive workshops with their members; Ed Skloot, executive director of the Surdna Foundation, for being straightforward about what he didn't like early on, and then being ready at every stage since to help us keep learning and improving; Kimberly Otis of Women & Philanthropy, for six sessions that helped us learn how to apply our ideas to specific issues within philanthropy; Vanessa Kirsch of New Profit, the close partner of the Monitor Group, for consistently grounding our ideas in the reality of someone trying to change philanthropy; Mark Valentine of Reframe It Consulting, for improving our thinking at several key moments, and in particular for pitching in on the scenario creation process; Jill Blair and Beth Brown of BTW Consultants, who evaluated the first two years of our initiative and helped us sharpen our strategy; Andy Goodman, for pushing us to think more deeply about our audiences' needs, and then reminding us that people learn through stories; Bob Tobin and his colleagues at the Williams Group, for wise counsel in general and help on communications strategies in particular; and Lucy Bernholz of Blueprint Research & Design, Inc., who helped at several key stages and who knows as much and thinks as well about the structure and future of philanthropy as anyone we know.

Much of this project developed in response to the more than two dozen other philanthropic organizations who requested us to appear in person to speak or do work with them in confidence; we also reached out and interviewed dozens of people. These groups and individuals are too numerous to name, but we thank them all for providing the best philanthropic education imaginable.

We did initiate several gatherings specifically to provide us with feedback, and we asked many people to review our work in its various iterations. Among those to whom we are very grateful for helping us shape our ideas in these ways are: Mary Mountcastle, Peter Karoff, Henry A.J. Ramos, Rachel Newton Bellow, Sterling Speirn, Alexa Cortes Culwell, Iqbal Paroo, Sally Osberg, Steve Toben, Vince Stehle, Jim Canales, Katherine Pease, Ricardo Millet, Lisa Gansky, James Allen Smith, Susan Bell, Elan Garonzik, Gavin Clabaugh, Paul Shoemaker, Nan Stone, Peter Warshall, Jim Hannon, Ralph Hamilton, Rick Green, Steven LaFrance, Jay Hughes, Brigitte Rouson, Glen MacDonald, Kim Syman, Colleen Willoughby, Jan Jaffe, Melissa Berman, Tom David, Claire Costello, Natasha Terk, Meredith Emmett, and North Carolina's Discovery Alliance.

We do not need to say what a great job our editorial and design team did. You are looking at the evidence. Kudos to Lily Rappoli, Julie Sherman, and Julia Frenkle of the Design Studio at Monitor, and Nancy Murphy and Jenny Johnston, GBN's editors.

Photographs courtesy of Getty Images, PhotoDisc, AbleStock.com, Photos.com, Stephen Eick, Wal-Mart, and the Rockefeller Archive Center. Website screenshots used with permission.

THE MONITOR GROUP, headquartered in Cambridge, Massachusetts, is still led by the entrepreneurs who set out more than two decades ago to create a different kind of consulting firm, linking cutting-edge intellectual property with a diverse array of human, technical, and financial assets. Monitor is now a family of professional service firms, employing more than 1,000 professionals, operating in a closely-linked network of 29 offices around globe, and sharing the assets it has built—knowledge, expertise, skill, and capital. Those assets are used to create customized solutions for clients seeking to enhance competitiveness and capability, and are delivered through a blend of channels, including: consulting interventions; management development programs; customized software and intelligent tools; cutting-edge market research; venture capital and advisory services; and private equity. For more information, see www.monitor.com.

THE MONITOR INSTITUTE is the vehicle through which Monitor Group works to amplify and accelerate the public benefit created by innovative private actors—citizens, nonprofit organizations, philanthropists, and corporations. In 2005, the Institute is beginning a new stage of strategic experimentation with key partners and clients in the U.S. and around the world. Monitor Group has long excelled at addressing complex, integrated, and intractable competitive challenges. The Institute will draw on the Group's now extensive and varied expertise to create, test, use, and share innovations and insights aimed at transforming how complex, integrated, and intractable social challenges are addressed in the next generation. For more on our point of view and plans, which include building on the work contained in this guide, see www.monitorinstitute.com.

Based in the San Francisco Bay Area, **GLOBAL BUSINESS NETWORK** was founded in 1987 as a unique learning community built on ruthless curiosity, collaboration, and powerful new tools for thinking about and shaping the future. A member of the Monitor Group since 2000, GBN's network blends strategic thinkers from leading companies; visionaries from the sciences, arts, business, and academia; and a community of practice engaged in innovating and transferring tools for scenario thinking and strategic action. GBN's services include scenario and strategy consulting with corporations, governments, and nonprofits; the WorldView membership service, a rich mix of meetings, publications, and collaborations for foresight professionals; and scenario training to enhance organizational capacity to think long-term. Many examples of GBN's work and insights are available at www.gbn.com.

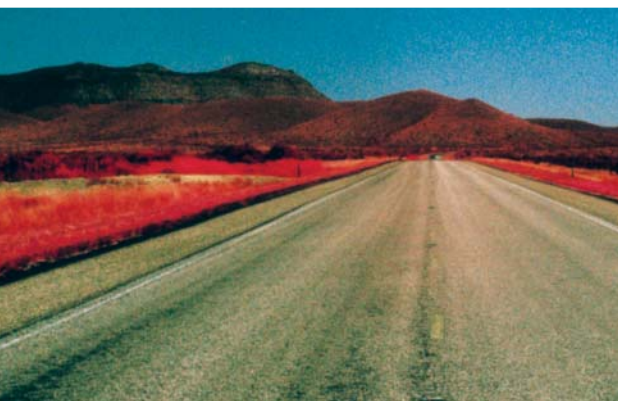


Your passion may be curing disease, reforming education, supporting artists, fighting hunger, or anything else that philanthropists support. But have you noticed that philanthropy itself is changing?

Long-term trends — from new technologies to dramatic demographic shifts — are combining to create a new reality for every gift and every giver. One result is that anyone who wants to give has more choices than ever.

We wrote this guide to help you make sense of those choices. Because if you understand how philanthropy is evolving and could evolve in the next generation, you will make better decisions today in support of the issues, institutions, and communities you care about most.

In countless ways, philanthropists are looking out for the future. And we all have a greater stake than ever in whether you succeed.



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