Monitor Institute
by **Deloitte.**

What's Next for Philanthropy in the 2020s
Seeing Philanthropy in a New Light

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Acknowledgments

Contents

Preface

In 2000, the Monitor Institute by Deloitte launched a multiyear, fieldwide project on the future of philanthropy. The culmination of that research, a report titled *Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists*, explored emerging trends in the field and presented a vision for how philanthropy might better fulfill its potential.

Nearly a decade later, we were commissioned to update that report to explore the future of the field once again. The resulting essay and toolkit, *What's Next for Philanthropy: Acting Bigger and Adapting Better in a Networked World*, was published in 2010. It identified 10 critical "next practices"—emerging approaches that were seen to be a good fit for the way the world was changing.

Since then, we've also painted several additional, more focused portraits of philanthropy and the social sector: on the new opportunities and roles **community foundations** are playing in their regions; on the ways funders can seek out and support breakthrough **social innovation**; on the future of **measurement, evaluation, and learning** in the field; and on the transformative potential of **networks and aligned action**. And we've worked with some of the world's largest and most innovative funders to put these emerging ideas into practice.

In the midst of this work, the pace of change in the world has only continued to accelerate, creating many exciting pockets of experimentation with philanthropic models as both established foundations and new donors have pushed the boundaries of how we think about giving. So with support from Deloitte Tax LLP and the Robert Wood Johnson Foundation, the John D. and Catherine T. MacArthur Foundation, the W.K. Kellogg Foundation, and the McConnell Foundation, we launched an updated *What's Next for Philanthropy* effort focused on the 2020s to once again help foundations and donors in the United States and Canada reflect on the current state of philanthropic practice and explore new possibilities, models, and interventions for the future.

Since January 2020, we've interviewed more than 200 philanthropy executives, professionals, donors, board members, experts, and grantees and reviewed hundreds of articles and reports to develop a broad mosaic of perspectives from across the field.

And while our focus is primarily on philanthropy in the United States and Canada, we also spoke with a diverse set of informants from around the world, across six different continents, recognizing that, although North America has long been seen as a "net exporter" of philanthropic innovation, it is possible that it could become a net importer of new ideas from elsewhere in the world in the coming years.

We've found from our conversations that no one person can see everything that's happening in the field. But the breadth of our discussions allows us to hold up a mirror, reflecting both what is happening across philanthropy now and where the field might be headed.

The report that follows aims to help funders make sense of what is changing in the field and why it is changing. And we hope it can serve as a call to action and provide a set of resources for helping funders begin to reexamine the way they do their work in the years to come.

Seeing Philanthropy in a New Light
What's Next for Philanthropy in the 2020s

"When a storm subsides, the air is washed clean of whatever particulate matter has been obscuring the view, and you can often see farther and more sharply than at any other time. When this storm clears, we may, as do people who have survived a serious illness or accident, see where we were and where we should go in a new light. We may feel free to pursue change in ways that seemed impossible while the ice of the status quo was locked up. We may have a profoundly different sense of ourselves, our communities, our systems of production, and our future."

— Rebecca Solnit, "The Impossible Has Already Happened," *The Guardian*, April 2020[1]

THE COMPOUNDING CRISES of the past two years—the health and economic emergencies of COVID-19, the widespread reckoning on racial justice, growing political polarization and violence, and the looming threat of climate change—have marked a watershed moment for the field of philanthropy.

Although philanthropy is often *insulated* from shifts outside the field by virtue of permanent endowments and limited regulatory and accountability requirements, funders have begun to recognize that they are no longer *immune* to responding to external changes. When the pandemic hit, many funders quickly launched emergency response funds, increased their spend-out rates, relaxed grant reporting requirements, and converted programmatic gifts to general operating support. Their reaction shows just how quickly long-held norms of practice can change in a crisis.

Now social change leaders, inspired by Winston Churchill's often-quoted admonition not to let a good crisis go to waste, are working with a renewed sense of purpose and possibility. They're hoping to use the current disruption of the status quo as a way to rethink long-entrenched systems and practices. But as we look to emerge from the pandemic, the sense of

hope for fundamental change is accompanied by the countermanding inertia of a return to normalcy and the pull of old ways of working. The good news is that we may be returning to normal; the bad news is that we may be returning to normal.

At this transitional moment, the potential for accelerating change goes beyond just the social and environmental issues that philanthropy aims to address; it also applies to the practice of philanthropy itself. It remains to be seen whether many of the recent changes in philanthropic processes will continue after the pandemic, or whether they will simply snap back to the way they were before. But what if the postpandemic years could represent an opportunity for philanthropy to begin to more fundamentally reimagine itself and the role it plays in society—in ways both large and small?

- What if, for example, philanthropy tried to take on bigger issues, influencing large systems and cultural narratives like capitalism, democracy, and systemic racism, rather than more narrowly focused challenges?

- What if funders optimized more for agility and innovation and less on meticulous processes and closely defined outcomes?

- What if funders set up community "accountability councils" instead of "advisory councils?"

- What if foundations shared their endowments with historically marginalized populations to truly begin building assets in those communities?

- What if funders paired each of their direct service grants with related investments in advocacy and policy change?

The seeds of ideas like these are already starting to take root in the field. New funders are challenging traditional assumptions about the foundation form. Established institutions of all sizes, from the Ford Foundation to the Whitman Institute, are rethinking their strategies, looking for ways to share power and make their giving more "proximate" to the communities they serve. Funders from Los Angeles to Montreal are experimenting with political action—advocating for policy change that can guide the allocation of large pools of government dollars. And popular books like *Winners Take All, Just Giving, and Decolonizing Wealth*, along with recent critiques and legislation focused on donor-advised funds, have called out harmful power dynamics and posed serious and existential questions about the practices and structures of philanthropy.

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Many of these developments are not new, but are seeing new life and new energy because of their fit with today's shifting social change landscape. Others represent fundamentally different ways of trying to meet the challenges that lie ahead.

What's clear is that philanthropy today takes place in a context that is radically different from the environment in which many of the field's traditional models, systems, and structures were developed. Even before the pandemic, economic uncertainty, demographic shifts, blurring sectoral roles, and the ubiquity of powerful new social media and mobile technologies were already fundamentally altering the landscape of social change.

This has led many to ask—at a moment that feels like it may be an important inflection point for the field—*what's next for philanthropy*?

WHAT WE'RE TALKING ABOUT WHEN WE TALK ABOUT PHILANTHROPY

It's hard to define or draw clean boundaries around the field of philanthropy today. The word literally means "love of humankind," but has come to encompass the wide range of ways people can share their time, talent, treasure, and ties to advance the common good.

It includes charitable, "giving with the heart," as well as more strategic, "giving with the head." It's institutional foundations and individual donors; small givers and large ones; private foundations, family foundations, donor-advised funds, giving circles, community foundations, and corporate foundations.

It's more than just the staffed foundations that are typically considered the center of "organized philanthropy," since many individual donors are just as thoughtful, intentional, and creative as the most established philanthropic institutions. And individual givers can now join together in new collectives and intermediaries, or use new technological platforms, to take actions that only large institutions could have attempted in the past.

At the same time, definitions of philanthropy are expanding as many of the traditional lines between the public, private, and independent sectors are beginning to blur with new hybrid organizations and cross-sectoral partnerships. Increasingly, social change is becoming "sector-agnostic," with people seeking impact on pressing societal problems without concern for where the solutions come from. Changemakers are experimenting with new ways to create social and environmental impact, from impact investing to political giving to socially responsible purchasing.

In this report, we intentionally use the words "philanthropy" and "funder" in a very broad way to mean givers of all types and sizes because we feel there is much to learn and share from across the diversity of the field. Too often, we have found that discussions about philanthropy tend to be siloed: Private foundations talk with other private foundations, individual donors with other donors, large foundations with other large foundations, community foundations with other community foundations. We're trying to bridge those divides.

Scaling Edges

THE INCREASINGLY VOCAL critiques of the field and the growing resolve of many funders to test new approaches in the face of recent crises belie the general trend that modern philanthropy as a whole has typically moved more slowly and unevenly. And despite all the experimentation in and around the field, most of the core practices and principles of giving remain largely unchanged for the vast majority of funders. Foundation presidents from a half-century ago would find themselves quite at home amid the board governance, organizational structures, endowment management, and primary grantmaking processes of today's funding institutions.

Despite all the experimentation in and around the field, most of the core practices and principles of giving remain largely unchanged for the vast majority of funders.

The pervasive stasis of the core of the field in the face of widespread change before the COVID-19 outbreak is easily recognizable to many who study organizational transformation. Deloitte's Center for the Edge, for example, argued that major private sector organizational change efforts fail more often than not, usually because they try to challenge the core of the organization head-on.[2] Deeply embedded structures, norms, relationships, and power politics serve as

antibodies to change, even as leaders say and do the "right" things. As a result, change efforts often end with a whimper when, after much reflection and consternation, the status quo largely remains.

This frame will no doubt feel familiar to anyone who's ever tried to create change in philanthropy, too—not just at the organizational level, but also at the field level. A quick skim of the 25,000 online search results that assert "philanthropy needs to" or "philanthropy must" take a particular action is telling. For every idea that really moves the field, there are a hundred (or maybe a thousand) that reverberate briefly in an echo chamber before fading.

To help address these challenges in a commercial context, our colleagues at Deloitte's Center for the Edge developed a methodology they call *Scaling Edges*, which we have found helpful in principle when thinking about field level change in the philanthropic space as well.

The *Scaling Edges* approach posits that the world is constantly changing, driven by a range of powerful social, economic, and political trends and forces. Alongside these shifts—and, in many cases, in response to them—people and organizations are continuously experimenting with new ideas and strategies at the edges of any field. Most of these new approaches remain small and marginal to the mainstream core of practice. But the "Edges" that are particularly well-aligned with the biggest of the shifts show an outsized potential to grow and to influence and reshape the core over time.

Big Shifts

WHILE FOUNDATIONS AND donors have significant freedom to ignore many large societal changes, certain big, fundamental shifts around the field have proved unavoidable and show up, often uninvited, into funders' work. This has happened throughout philanthropy's history—from the emergence of "scientific" and "professional" philanthropy during industrialization, to the "democratization" of philanthropy and the use of policy as a tool for social change in the 1960s and 1970s, to the rise of social entrepreneurs and "philanthrocapitalists" in the 1990s and 2000s. As Benjamin Soskis and Stanley N. Katz have written, philanthropic practices reflect the "particular historical moments in which the labels developed and the dominant modes of industry, commerce, and accumulation that they modeled."[3]

Our research suggests that there are at least seven critical "Big Shifts" occurring now that have the potential to create fundamental change in the philanthropic landscape (listed here in no particular order):

ECONOMIC INEQUALITY, which is at once producing tremendous new challenges and need in communities while also creating massive fortunes that are bolstering philanthropy at an extreme scale. And the growing awareness of this divide (and its interconnection with racial disparities) is producing a highly visible public backlash against the severe concentration of wealth that is fueling much of today's philanthropy.

EXTREME POLITICAL POLARIZATION that is dividing the population along partisan lines and politicizing previously apolitical issues. These divisions are making it increasingly difficult for philanthropy to remain outside the political

sphere (something the field has largely done since the Tax Reform Act of 1969) and, at the same time, opening up new opportunities to influence government funding streams and bring people together across differences.

SHIFTING DEMOGRAPHICS that are literally changing the face of our communities, as well as the issues they need to address. Traditional philanthropy—white, male, and older (oftentimes even dead)—is giving way to a far more diverse group poised to take up the mantle of community change. And as baby boomers reach retirement and millennials move into the workforce in record numbers, generational shifts are auguring new attitudes and new approaches in philanthropy.

NEW MOMENTUM AROUND RACIAL JUSTICE, which, after decades of work by activists, is driving significant increases in public support for addressing systemic racism and bias. In light of police violence and the growing visibility of systemic inequities affecting communities of color, public awareness of long-standing injustices has risen dramatically. Racial justice has become a critical backdrop to almost every other issue and has pushed organizations across sectors, disciplines, and geographies—including philanthropy—to grapple with systemic racism in both their external actions and their internal practices and cultures.

UBIQUITOUS TECHNOLOGY AND ACCESS TO INFORMATION that allow people to easily communicate and connect with one another, to access diverse perspectives, to build and share data, and to coordinate and organize action in new ways. This is creating new possibilities for generating impact, but also new challenges that philanthropy will need to address in its work,

especially as ownership of data, the spread of misinformation, the filtering of information flows, and expectations around participation and voice reshape public discourse.

A STATE OF CLIMATE AND SOCIAL EMERGENCY that, with the COVID-19 outbreak, is increasingly impossible to ignore at both the local and global levels. Health and environmental crises, as well as human-made ones, can exacerbate existing problems or swiftly and unpredictably trump the existing agenda of any community or funder. Think of how a hurricane or a flood might drastically change local priorities. And, as we are seeing with COVID-19, philanthropy can no longer escape being called upon to act and respond to what may become the "new normal" of increasingly frequent public crises.

A SOCIAL COMPACT IN FLUX, which is fundamentally reshaping both how people relate to the institutions of business, government, and the social sector, and how the different sectors relate to one another. More and more, businesses are engaging in social benefit activities, social enterprises are blurring the lines between nonprofit and for-profit, and philanthropy is increasingly being asked to fill in

where government has retrenched. And as public trust in traditional institutions declines and expectations shift about the roles that the different sectors play in people's lives, there is space for philanthropy to position itself very differently vis-à-vis the other sectors in the years ahead.

While none of these forces are new, and each of them is significantly changing the social sector on its own, they are also combining, accelerating, and reinforcing one another in complex ways that are fundamentally transforming our lives and our communities. Altogether, they are creating a whole new context for the work of philanthropy. Take, for example, how the challenges of the COVID-19 crisis were compounded as existing economic disparities, racial inequities, political polarization, distrust of public institutions, and the spread of misinformation through technology served as huge multipliers of the public health emergency.

To get a deeper understanding of how each of these shifts are impacting philanthropy, we recommend reading our more **detailed primers** about each of the Big Shifts, designed specifically for use with donors, boards, and staff.

Critical Edges for Philanthropy

FUNDERS ARE EXPERIMENTING with new ideas and new strategies to respond to these shifts.

These approaches aren't necessarily fully tested or robust enough to challenge the core practices of the field yet. But they show promise because they are particularly well-aligned to the shifts occurring in and around the field. And as a result, they have real potential to ride the momentum of the Big Shifts to grow in a way that will allow them to influence (or even overtake) the practices of the core over time.

Our aim is to identify promising Edges that, if scaled, could begin to challenge or change some of the core practices of the field that are no longer a good fit for today's philanthropic context. These are spaces for innovation where the Big Shifts are forcing philanthropic leaders

to adjust their approaches and strategies. What these Edges will look like in the future isn't entirely clear yet, but there is an opportunity for funders, both individually and collectively, to investigate, experiment with, and invest in the potential of these promising areas of activity.

Through our conversations, we surfaced four key Edges and, within each of them, four key "Edge Practices" that we believe represent critical frontiers for philanthropies and individual donors in the coming years. There is not necessarily a right answer for which approaches will be the best fit for specific funders, given their unique roots, circumstances, and goals. But grappling with each of the different Edges with an understanding of what is possible will allow funders to chart their own paths across the shifting landscape of philanthropy's future.

SHIFTS AND EDGES CHANGING THE CORE
OF PHILANTHROPIC PRACTICE

NEW MOMENTUM
AROUND RACIAL JUSTICE

SHIFTING
DEMOGRAPHICS

UBIQUITOUS TECHNOLOGY
AND ACCESS TO INFORMATION

EXTREME POLITICAL
POLARIZATION

BALANCING
POWER

CATALYZING
LEVERAGE

A STATE OF CLIMATE AND
SOCIAL EMERGENCY

RETHINKING
PHILANTHROPY'S
ROLE

(RE)DESIGNING
THE ENTERPRISE

ECONOMIC
INEQUALITY

A SOCIAL COMPACT
IN FLUX

CORE OF
PHILANTHROPIC
PRACTICE

FOUR EDGES WITH
THE POTENTIAL
TO CHANGE
PHILANTHROPY

SEVEN BIG SHIFTS
RE-SHAPING
THE WORLD

Following are brief explorations of each Edge in turn. For more information and deeper analysis of the pros, cons, and implications of these different Edge practices, we recommend reading our more detailed **Edge Overviews**.

Edge 1: Rethinking Philanthropy's Role

Many funders are beginning to explicitly reconceptualize their role in creating social and environmental change, thinking carefully about what impact they want to see in the world and getting intentional about the different tools they can use to create it. The approaches can vary widely, but we identified four practices that funders are using to match their strategies to fit their social impact ambitions:

CHANGING SYSTEMS AND CULTURAL NARRATIVES

Some funders are scaling up their ambitions, shifting their unit of analysis beyond narrowly

defined interventions to try to fundamentally change systems and influence large-scale policies, movements, and culture. For example:

- Akonadi Foundation's "All In for Oakland" initiative supports the work of a local "ecosystem of movement organizations" by investing in people of color–led organizing, advocacy, and power-building focused on ending the criminalization of Black youth and youth of color.

- Organizations like The Center for Cultural Power and Pop Culture Collaborative work with artists, journalists, entertainment leaders, social justice movements, cultural organizations, and others to try to shift popular narratives and cultural norms as a way of creating enduring change in public attitudes and mindsets about Black, Indigenous, and people of color (BIPOC) communities.

- Omidyar Network's "Reimagining Capitalism" initiative seeks to address structural challenges embedded in capitalism to shape a

new, more inclusive economy where markets serve the interests of all people and society.

GETTING OUT OF THE WAY

As some funders expand their scope of activities, others are more narrowly defining their role, finding ways to support the missions of high-quality nonprofits with as little complication as possible. As one foundation CEO noted, "Sometimes funders need to find ways to remove themselves from the equation in order to get the result they want." For example:

- MacKenzie Scott's decision to donate nearly $6 billion to approximately 500 organizations was notable for its scale, but also for what it doesn't include: no grant proposal process, no ongoing reporting requirements, and no naming rights.[4]

- A growing movement in the field has been to provide nonprofits with multiyear, general operating support rather than individual project grants. This type of funding allows nonprofits to use the resources in the manner that they believe will have the most impact, as opposed to meeting the preferences or dictates of funders.

FUNDING INNOVATION TO MAXIMIZE IMPACT

For many of the intractable social and environmental problems we now face, the solutions are not yet known. Existing approaches are proving insufficient, and many funders are exploring how they can intentionally fund social innovation and find new strategies with the potential to create breakthrough change. For example:

- The Robert Wood Johnson Foundation's Pioneer Portfolio uses a multipronged strategy that helps it scan for emerging new ideas, source innovations, make early-stage grants to explore new fields and accelerate promising new ideas, and support emerging opportunity spaces that have the potential to

produce important breakthroughs while also playing an important learning role in introducing new thinking, insights, and approaches to the work of the broader Foundation.

- Recognizing that nonprofit organizations often don't have the capacity to test and implement new or early-stage ideas, the Barra Foundation's Catalyst Fund provides risk capital, through grants and below-market-rate investments, for experiments and innovations that local nonprofit organizations believe could have an outsized impact on the Greater Philadelphia region and beyond.

INCREASING AGILITY TO RESPOND TO CRISES

In a rapidly changing world, some funders are finding that their grantmaking strategies need to be more nimble so that they can pivot when needed and adapt to respond to critical needs and opportunities. As one foundation executive explained, "Regardless of where you are, crises and disasters have become the new normal, and it's getting harder and harder for funders to just continue with business as usual when they happen." For example:

- In 2020, soon after the COVID-19 pandemic broke out in East Asia, the Hong Kong Jockey Club established a HK$100M (~US$13M) COVID-19 Emergency Relief fund that used a digital process to quickly accept applications and support more than 200 organizations, with grantees receiving funds in as few as 10 days. The Jockey Club also rapidly negotiated with regional mobile carriers to purchase data-carrying SIM cards for 100,000 students for remote learning, a pilot that the government scaled up at the start of the new school year.

- In the wake of Hurricane Katrina and the Deepwater Horizon oil spill, the Baton Rouge Area Foundation partnered with government and environmental leaders to create the Water Institute of the Gulf, which focuses on

research, data modeling, policy advocacy, and knowledge-sharing on topics related to water needs in the Gulf and around the world, including Vietnam and Argentina, as a way to ensure that the region can be better prepared for future water-related emergencies.

These different practices each represent a set of deeper assumptions about philanthropy's role in society. Should funders be using their unique assets and positioning to try to intervene in larger systems? To step back and simply finance the work of grantees who are closer to the issues and communities they are serving? To find and fund innovation where existing solutions are proving insufficient? To respond flexibly to the rapidly changing realities and needs of our communities?

There is no universal right answer to these questions, but as the world shifts in the years ahead, funders should expect to revisit the assumptions they make about their role in creating social change, and align their methods, actions, and structures accordingly.

Edge 2: Balancing Power

The power dynamics that underlie organized philanthropy—between grantors and grantees, donors and communities—have been an inherent part of philanthropy since its earliest days. But over the past decade, growing awareness of economic inequality and racial disparities has begun to make these often-unspoken undercurrents much more visible.

Although it can take markedly different forms, funders are grappling with how to navigate these difficult power imbalances. As Dimple Abichandani, Executive Director of the General Service Foundation, remarked, "We can't pretend that power dynamics do not exist anymore, but we *can* choose how we respond to them." Our research surfaced four practices funders are

exploring to address power dynamics in their work head-on:

SHARING POWER

Some funders are working to intentionally *share* power in ways that bring philanthropic decision-making more proximate to the communities they serve. A number of funders have focused on listening to the voices of grantees and communities and incorporating their viewpoints into their strategies and funding decisions. Others are more explicitly sharing decision-making authority and finding ways to come to consensus with grantees and communities on important strategic decisions. And others are actively ceding power to communities altogether. For example:

> **"We can't pretend that power dynamics do not exist anymore, but we can choose how we respond to them."**

- The Trust-Based Philanthropy Project, a five-year, peer-to-peer funder initiative, is pressing foundations to interrogate their relationship to power. Funders using the approach, such as The Whitman Institute, consciously reimagine their roles away from "compliance stewards" to "collaborative learning partners." They seek out mission-aligned organizations and provide long-term, patient resources (often in the form of multiyear unrestricted support), streamlining burdensome protocols, taking action on grantee and constituent feedback, and offering support beyond the check—trusting the nonprofits to make good choices and do their work without strategic interference.

- A group of Indigenous leaders and funders in Canada created the Indigenous People's

Resilience Fund, a fund fully managed by and for Indigenous communities and organizations, operating on the Community Foundations of Canada shared platform. The funders have provided unencumbered dollars and are not part of the decision-making process, recognizing that the Fund's Indigenous leaders have a much better sense of communities' needs.

USING POWER

As funders look for ways to share and cede power, many are also exploring how to intentionally use their power and influence to drive the changes that they want to see in the world. Funders that use power are really using their unique assets (money, influence, connections, and more) to spark change. For example:

- The California Wellness Foundation made a strategic pivot to use its communications and public voice to amplify its grantmaking and bring increased attention to issues it sees as priorities. The Foundation created a public affairs department and stepped up its external communications and thought leadership to advance the organization's agenda, including joining an amicus brief on a key immigration case and providing public comments on the 2020 Census "citizenship question."[5]

- Arnold Ventures has deliberately emphasized research, analysis, and policy advocacy on some of the most pressing problems in the United States, including gerrymandering, gun violence, pension reform, and criminal justice. The organization relies on the use of data and evidence to improve policy outcomes. As Laura Arnold, one of the founders, shared in a recent interview, "There are some legitimate questions as to whether somebody with vast amounts of resources should be in a position to influence policy.

[But] the common thread is simple: we want to improve people's lives."

SETTING GOALS AND EVALUATING WITH EQUITY IN MIND

As Jara Dean Coffey, founder of the Equitable Evaluation Initiative, explains, "There is a really interesting blind spot around evaluation in philanthropy. People aren't even thinking about how power dynamics impacts how we assess impact. Or, if they are, they are mostly just caught up in virtue signaling." To address this blind spot, some funders are beginning to reconsider how they work with nonprofits and communities to set impact and learning goals and how they can measure and evaluate outcomes more equitably. They are actively working to bring grantees and community members to the table when making decisions about what success looks like, what gets measured, and who gets to decide those questions. For example:

- The McConnell Foundation decided to more actively understand and respect community perspectives on goal-setting and evaluation with close partner the Winnipeg Boldness Project, and found that the originally planned focus on outcomes for individual children was incongruous with the family- and community-centric approaches of Indigenous partners. The Foundation fully supported the Winnipeg Boldness Project's decision to employ a community-led approach, which meant adjusting and expanding original goals to center holistic approaches to well-being that address mental, physical, emotional, and spiritual aspects.

- Beyond simply using traditional metrics, such as the number of patients served, wait times, and health improvements experienced by patients, the Missouri Foundation for Health worked deliberately with grantees and found that these targets didn't assess how
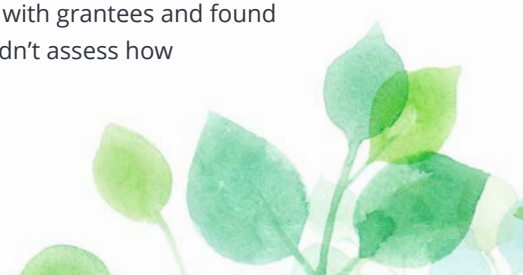
respectfully patients were treated and whether providers recommended affordable, accessible treatments. "I don't think it's acceptable to have better health outcomes but have people say they feel bad about the care they're getting," explained Kristy Klein Davis, the Foundation's Vice President for Strategy and Learning. "We shouldn't get those better outcomes at the expense of people's dignity or self-worth."[6]

DIRECTLY ADDRESSING RACE AND POWER

Power dynamics are inextricably linked to race, and many funders are beginning to reexamine both their external strategies, such as who and how they fund, and their internal practices, including operations, staffing, and representation at leadership levels. For example:

- The W.K. Kellogg Foundation has made racial equity a cornerstone of its work, both inside the Foundation and externally in its programs. The Foundation made an explicit commitment to becoming an antiracist organization and invested in developing research, tools, and other resources to support this work, which it is now seen as an inextricable part of the Foundation's "organizational DNA." And the commitment to racial equity is reflected externally as a focus in all of the Kellogg's grantmaking and programs, from its community-led Truth, Racial Healing, and Transformation efforts, to its Expanding Equity program, which supports racial equity training and work in private sector businesses.

- The Chicago Community Trust made the decision to center its strategy on closing the racial and ethnic wealth gap in Greater Chicago, recognizing it was the root of many of the city's challenges. The Trust is funding efforts to grow household wealth, catalyze

investment in disinvested communities, amplify the voices of community residents, and support people of color in building political and economic power in the city.

- In the coming years, as awareness of inequities continues to grow and organizations of many types begin to challenge their systemic biases, questions about navigating power will need to be addressed more explicitly and more often. Power dynamics exist, even when they aren't spoken about openly, and they show up in how funders invest, who they hire, what they do, how they make decisions, and how their efforts are judged and measured. Funders that deliberately recognize and reckon with these complex dynamics will be better positioned to navigate their way through them.

Edge 3: Catalyzing Leverage

Organized philanthropy's assets are typically dwarfed by those of other players. Individual donors give more than four times as much as institutional funders,[7] and the combined assets of both pale in comparison to that of the government and, even more so, the private sector.

So a growing number of funders have begun to recognize that they can have a greater impact by *catalyzing leverage*—mobilizing the assets of other stakeholders to better match the scale and scope of the problems they're seeking to address. They're moving from a traditional focus on "assets under management," to instead think about what Tony Mestres, the former President and CEO of the Seattle Foundation, termed "assets under influence." These funders are reorganizing their work to intentionally sway the outsized resources of other philanthropic funders, private sector companies, and government funding flows. This is happening in a variety of ways:

UNLOCKING AND GUIDING CAPITAL

Funders are testing ways to unlock dollars and influence donors both large and small to give more, give smarter, and give together. This includes increasing efforts to promote philanthropic giving, the proliferation of giving intermediaries and giving circles, and the growth of impact investing, political giving, socially responsible purchasing, and other ways of using capital to create social change. For example:

Many funders are moving from a traditional focus on "assets under management," to instead think about "assets under influence."

- The Giving Pledge, which calls upon many of the world's wealthiest individuals to make a public commitment to increase their charitable contributions, has grown from 40 donors in 2010 and is expected to grow to include more than 200 people committing upward of $600B to philanthropy by 2022.[8] Meanwhile, Communities Foundation of Texas's North Texas Giving Day, an online giving event aimed at enlarging the spirit of local giving, has grown from raising $4 million from 6,500 donors in 2009 to almost $80 million from more than 100,000 donors in 2020.[9] Whether a donor is giving a few dollars per day or a few dollars per second, these types of efforts aim to unlock greater charitable contributions to a wide range of causes, building community capacity and strength.

- New giving intermediaries, such as Blue Meridian Partners, New Profit, and Co-Impact, provide value to donors and to the field by pulling resources off the sidelines, aggregating funds for greater impact, and

directing dollars toward areas in need of greater investment. Co-Impact, for example, aggregates capital from individual donors, institutional foundations, and corporate funders and directs their dollars toward carefully vetted international systems change efforts.

- The Global Impact Investing Network (GIIN) has been instrumental in promoting the growth of impact investing over the past decade—from a nascent market to a more than $715B industry—as funders are looking to align their investments with their values and vision for impact. The growth of impact investment capital is elevating the importance of creating measurable social and environmental benefits alongside financial returns and has fueled new kinds of structures, from social impact bonds to B corporations, that are bringing new resources off the sidelines.

ALIGNING ACTION

While funder collaborations aren't new, many practitioners noted that as funders work on complex, interconnected issues across geographies, there has been more effort to partner with others and make shared progress. There's a sense that after years of growth, philanthropic collaborations may finally be hitting their stride. Philanthropic networks allow funders to identify and engage more of the stakeholders that are essential to addressing an issue, to build shared understanding of complex problems, to mobilize resources that match the scale of the challenges, to work together to test a range of possible solutions, and to create feedback loops and systems for sharing that can facilitate collective learning and action. For example:

- To gain the benefits of collective impact, the members of the Community Foundation Opportunity Network first came together in

2016 to share ideas and approaches related to narrowing the youth opportunity gap. In addition to compiling learning from across geographies, the Network facilitates "strategy action labs" where four to six foundations come together to make more concentrated progress on specific issues. More recently, the Network launched an aligned action network to dismantle structural and systemic racism and achieve social and economic mobility that seeks to leverage national foundation and donor funding.

- Founded in 2019 with support from Charles Koch, George Soros, and others from both sides of the political aisle, the Quincy Institute for Responsible Statecraft was formed as a deliberately "transpartisan" national security think tank. The Institute engages both conservative and progressive leaders to find areas of alignment and has produced a transition guide aimed at promoting American foreign policy centered on diplomacy and military restraint, rather than military intervention.

INFLUENCING AND PARTNERING WITH BUSINESS

As companies are articulating a greater sense of "purpose" and embedding it in their work, they are creating new openings for philanthropy to support or align efforts based on common interests. Because of the enormous size of businesses' workforces, direct sales, supply chains, and procurement, seemingly small changes, like fast food giants shifting their supplier requirements or grocers promoting organic produce, can have massive, cascading impacts on social and environmental goals. While many philanthropic funders have real questions about how much of the social purpose talk from businesses will turn into action, a number of interesting approaches for working together with companies to create social impact are beginning to emerge:

- In addition to funding career training programs that increase the "supply" of trained workers, The James Irvine Foundation is engaging directly with companies to increase the "demand" for workers as well. Irvine worked with the Entertainment Industry Foundation to develop a career pathway program that matches jobseekers in Los Angeles from underrepresented backgrounds with entry-level employment opportunities in film and television production and provides ongoing support as they advance in the industry.

- The David and Lucile Packard and Walton Family foundations have invested heavily in developing standards, ratings, and certifications programs in the global seafood industry. Recognizing growing consumer interest in sustainable and just business practices, the programs have pushed businesses to adopt practices that promote ocean conservation, disincentivize the capture of endangered fish, and help buyers identify compliant fisheries and merchants. Owing in part to these efforts, standards programs focused on sustainability now cover 47% of the world's seafood production.[10]

REDIRECTING GOVERNMENT FUNDING FLOWS

Funders are trying to achieve social goals by tapping into and influencing the allocation of local, state, and federal government dollars. Although the Tax Reform Act of 1969 limited political activities by foundations and changed the relationship between funders and the government for decades, in recent years, funders have begun to lean back into advocacy—with a clear understanding of both the legal limitations and the possibilities—because of the sheer potential for influencing the allocation of local, state, and federal government dollars.

- In Los Angeles, a consortium of 30 philanthropic funders—including the Conrad N. Hilton Foundation, California Community

Foundation, United Way of Greater Los Angeles, The California Endowment, Weingart Foundation, and many others, collaborated in an effort to influence government policies around homelessness and supportive housing. The funders supported nonprofits focused on homelessness, engaged housing developers, and built political support by raising public awareness through media campaigns and education about permanent solutions to homelessness. This long-term investment by funders in organizations focused on permanent housing led to instrumental change in Los Angeles. Nonprofit organizations passed Proposition HHH in 2016 and Measure H in 2017, which called for building upward of 10,000 permanent supportive housing and raising $3.5B in public sector revenue over 10 years, respectively—in addition to other policy wins.[11]

- The Raikes Foundation partnered with the State of Washington to stand up its Office for Homeless Youth. The Foundation worked closely with youth activists to shape the State's efforts with homeless youth and funded research to understand the scale and scope of youth homelessness in the region, evaluations, and even short-term staffing for the newly created Office. With its initial effort and investment, the Foundation helped to create durable government capacity that is now a fixed part of the State's budget and priorities.

Many of these practices may not seem like uncharted territory, as funders have long been pondering ways to collaborate together or with other sectors. However, today's increasingly complex and interconnected challenges, whether at the local, national, or international level, call for a range of viewpoints, a diverse set of skills and resources, and coordinated efforts. No one organization has the assets or reach to solve them alone. And we are beginning to see new angles and new energy emerging around many of these old approaches as funders look

for ways to increase their impact and amplify their own efforts.

Edge 4: (Re)Designing the Enterprise

The structure and configuration of philanthropic enterprises have long been guided by a number of "default settings" that continue to hold powerful sway over much of the field. That's not to say that there hasn't been some degree of experimentation in the field, but even as the world has shifted dramatically around philanthropy, the normal assumptions about how philanthropy should be governed, structured, and managed have remained largely unchanged over the decades.

Yet many of these traditional structures and approaches may no longer be an optimal fit for addressing today's complex challenges. Our research identified at least four key ways that funders have been actively trying to redesign the philanthropic enterprise:

RETHINKING ORGANIZATIONAL FORMS

The foundation form still provides a strong base for accomplishing many important charitable activities. However, donors are increasingly experimenting with alternative structures, such as donor-advised funds (DAFs), giving circles, 501(c)(4) organizations, and limited liability companies (LLCs), that have the potential to be more efficient or effective vehicles for funders seeking to influence policy and make for-profit investments.

- Charles and Lynn Schusterman Family Philanthropies, for example, includes both the charitable 501c(3) grantmaking funded through the Charles and Lynn Schusterman Family Foundation, as well as advocacy activities supported by the Schusterman

family. This gives the Schusterman family additional flexibility to use a wide range of advocacy investments, including supporting policies and legislation, to advance their values and work. While traditional foundations are able to do limited policy advocacy, this approach allows funders to connect its advocacy work more directly to its social impact goals.

The structure and configuration of philanthropic enterprises have long been guided by a number of "default settings" that continue to hold powerful sway over much of the field.

- Emerson Collective structured itself as an LLC in 2004 to be able to leverage a number of tools—from for-profit investments to policy advocacy—in addressing issue areas such as education, immigration, cancer research, media & journalism, and the environment. In media, for example, it has launched for-profit production companies like Concordia Studio to promote impactful storytelling and narratives. Guided by the belief that journalism is means to strengthen democracy, Emerson Collective supports nonprofit journalism entities such as ProPublica and The Marshall Project. The Collective's structure allows it to apply a range of different tools beyond just grantmaking to create social change.

RECONFIGURING ORGANIZATIONAL DESIGN AND TALENT MODELS

The rapidly changing landscape of public problem-solving is beginning to challenge many common assumptions about how funders organize and staff their philanthropic efforts. Funders are rethinking traditional practices, such as breaking work into issue-focused silos and hiring subject-matter specialists, and

exploring new models that better fit their strategies and aspirations. For example:

- The W.K. Kellogg Foundation has adopted Agile practices, a methodology from software development that relies on constant collaboration between cross-functional teams. The approach integrated internal silos and flattened hierarchies to move toward more self-sufficient programmatic teams. These teams were staffed with experts across a variety of functions who previously sat in separate units (e.g., communications, evaluation, grants eligibility). As a result, programmatic teams work collaboratively to answer their own questions rather than engaging in continuous back-and-forth with siloed functions.

- A growing number of donors are hiring intermediaries and consultants to outsource the staffing of their philanthropy. They're turning to community foundations and organizations like Tides and Arabella Advisors for help with identifying and selecting potential grantees and a range of other grantmaking and advisory services, bypassing the need to hire permanent staff or to establish a foundation altogether.

RECONCEIVING GOVERNANCE

Philanthropic foundations inherited their board governance structures from the corporate sector in the 1800s, but the models aren't necessarily well-designed to serve the unique needs of the social sector. As Rebecca Aird, Director of Community Engagement at the Ottawa Community Foundation, summarizes, "Boards are nineteenth-century solutions to twenty-first-century problems." As a result, some funders are reconsidering the makeup and role of their boards to try to better position trustees to add value and provide effective governance in the philanthropic context. For example:

- The Headwaters Foundation in Montana actively engaged board members and helped

them reconceive their duties and relationship with staff. As Brenda Solorzano, the Foundation's CEO, remarked, "I told the board that they would hold us accountable and be in partnership with us. They needed to stay at a governance level, think about our high-level strategic vision, and allow staff to create work plans beneath the strategic vision." The Foundation's board moved away from approving grants to setting and steering the overall strategy, spending and investment policies, and a yearly work plan that consisted of a strategic framework for each initiative, as well as aligning on high-level outcomes.

• Dimple Abichandani, Executive Director of the General Service Foundation, worked with her board to reexamine the Foundation's spending policies.[12] As she explained, "Spending policies are the invisible architecture in philanthropy. People get caught up in dividing up budget, but the real money is in the spending policy. And just like the budget, it's a reflection of one's values." So, she and her board very deliberately began a process of grappling with questions about how to balance their commitment to perpetuity with responding to the urgent needs of the moment. The board ultimately voted to increase the Foundation's annual spend to 10% for the upcoming four years.

IMPROVING GRANTMAKING PROCESSES

Innovating internal grantmaking processes is sometimes relegated to an afterthought in strategy processes, but improved systems can significantly drive program effectiveness, increase impact, and strongly signal a funder's values to external partners. As a result, some funders are looking at the policies and processes they use in their work to make sure their practices are clearly aligned with their values. For example:

• JustFund, a giving platform designed to reduce friction in grantmaking, created a common proposal for grantees, similar to the popular "Common App" for undergraduate university admissions. Grantees fill out the proposal once and use it to apply to funding opportunities while making their work visible to all funders.

• After the Autodesk Foundation makes a grant, due diligence records are available upon request to other funders and grantees, including notes on potential risks and impact opportunities. As Joe Speicher, Executive Director of the Autodesk Foundation, explains, "Those of us in philanthropy need to be clear about what we are funding, why we are funding it, and what the criteria is; it's the first step to reducing bias - and ultimately leads to better impact outcomes."

What's Next?

AFTER THE EVENTS of the past two years, it's become clear, if it wasn't already, that it's a mistake to try to make too many predictions about the future of philanthropy. The world can change quickly and dramatically, and even if philanthropy generally moves more slowly, funders will need to be prepared to change along with it. Yet while we don't know *exactly* how philanthropy will change over the next decade, we do know the general directions we should be looking in to spot the emerging seeds of what's next.

The Edges highlighted in this report represent our best suppositions about where funders are likely to be pushing the frontiers of philanthropy in the coming years. Our separate, more detailed, **Edge Overviews** illustrate many of the ways funders are *already* experimenting with new practices. But it's interesting to try to imagine some of the even more provocative directions that funders might head in response to the Big Shifts over the next decade.

For example, we're watching the way funders are beginning to **rethink the role they play,** thinking more critically about the impact they want create and more fully committing and aligning their actions to achieve it.

What if...

- **...philanthropies started to make the scale of the problems they take on even bigger?** Recognizing that the types of outcomes they have historically sought are inextricably part of much larger systems, look for more funders to scale up their efforts to influence larger systems and cultural narratives like capitalism, democracy, global governance, and systemic racism.

- **... funders went all in on people, relationships, and network-building in place?** As some funders begin to act as much like community organizers as they do like grantmakers, look for more philanthropies to invest significantly in building the relationships, trust, capacity, and infrastructure that enables local civic problem-solving.

- **...more funders simply started trying to get out of the way of their grantees?** Recent gifts have shown that big philanthropy doesn't necessarily have to mean big infrastructure and complex processes. Look for more funders to fully commit to supporting the strategies of nonprofits instead of developing their own.

- **...more foundations and donors began to optimize for agility and innovation rather than structure and proven outcomes?** Look for more funders to set aside a portion of their funding each year for experimenting with high-risk, high-reward efforts and responding flexibly to emerging crises and opportunities.

We're looking at the way foundations and donors negotiate how they **balance power with grantees and communities.** For many funders, openly grappling with the inherent power dynamics of the field are changing the ways they design, fund, and evaluate their strategies.

What if...

- **...funders began to set up "accountability councils" instead of "advisory councils?"** As the field reckons with how it can share power more with communities, look for more funders to explicitly name the communities to whom they are holding themselves accountable and to creating mechanisms for answering to them.

- **...sharing power also meant sharing your endowment?** As funders wrestle with centuries of power and economic imbalances, some are exploring how the accumulated wealth in their endowments could be used as a tool for rebalancing historic inequities. Look for some funders to use their endowments to share power, potentially even turning over a portion of their corpus to endow the work of BIPOC leaders and other traditionally marginalized groups.

- **...foundations and donors put dollars directly in the hands of local constituents?** Look for some funders to begin experimenting with using direct cash transfers to individuals as a way of putting dollars and decisions directly under the control of families and community members themselves.

- **...funders fully embraced the idea of using their power?** As funders get clear on the changes they want to see in the world, some are using fewer "half-measures" to achieve those changes. Look for more funders to aggressively leverage their voice, reputation, and political clout to unabashedly drive toward the impact they're striving to create.

We're looking at how funders are **catalyzing leverage** by using their assets to mobilize the resources of others toward important issues. Many funders are already playing a more active and direct role in designing, pitching, and brokering solutions with others.

What if...

- **...program officers were required to be fundraisers for their issues and organizations, not just grantmakers?** With more wealthy people entering philanthropy, there is an opportunity to unlock and guide capital to important issues. Look for more institutional funders to try to leverage their own strategies, due diligence, and expertise on social issues to guide the contributions of other donors.

- **...foundations became the go-to partners for helping businesses fulfill their DEI and ESG goals?** As the social compact shifts and sectors blur, funders continue to work across the public and private sectors. Look for funders to add capabilities to partner with businesses to cocreate corporate social impact solutions from the ground up.

- **...foundations and local governments formally partnered to test and scale solutions?** Philanthropy has long been seen as the "R&D wing" of the government, experimenting with new

ideas that the government could subsequently take over. But there are only a limited number of examples where that handoff has occurred. Look for funders to begin working more closely with government to experiment with new ideas that the government can scale and sustain if they prove successful.

- **...wealthy individuals began to see their businesses, investments, and philanthropy as part of a single, coordinated, mutually reinforcing portfolio?** A growing number of funders are blending for-profit and nonprofit investments, but look for donors to begin to go further, seamlessly integrating strategic corporate social impact efforts in their businesses with their individual philanthropy.

We're looking at how funders are **(re)designing the philanthropic enterprise** so that form follows function. Funders are exploring how they can make sure their structures, organizational design, staffing, governance, and processes stay aligned with values, goals, and actions.

What if...

- **...more donors began to rethink the need for creating a staffed foundation to do their philanthropy?** With the continued growth of philanthropic consulting, grantmaking intermediaries, and smart contracts, along with the rise of new, alternative vehicles for creating social impact, look for donors to explore what it means to do their philanthropy without the overhead of a staffed foundation.

- **...boards stopped approving individual grants?** It takes a tremendous amount of internal capacity to prepare grant dockets that require board members to get "in the weeds" to understand and approve each one. Look for more funders to develop higher-order, more strategic roles for their board that make better use of everyone's unique time and talents.

- **...funders complemented every grant they make with related investments in advocacy through in 501(c)(4)s?** As political polarization increases, more funders are adding policy advocacy to their repertoire and even launching new structures, like 501(c)(4)s, that allow for greater degrees of political activity. Look for more funders to take advantage of these kinds of tools and, even if they can't, to partner with those that can. At the same time, look for a growing concern about what that means for the increased politicization of philanthropy.

- **...funders moved from silos to networks?** Many funders cite Audrey Lorde's insight that "people don't lead single-issue lives" but stop short of thinking through the implications for their own siloed program structures. Look for more funders to come up with newer, more networked ways of structuring their organizations.

From the Edge to the Core

WHEN THERE IS a high degree of alignment between donors, boards, and staff, new ideas—even quite radical ones—can move from the edge to the core of an organization quite quickly. But for most funders, the situation is more complicated. They need to navigate across the different mindsets, expectations, and risk tolerances of donors, trustees, staff, grantees, and constituents. Balancing all these interests and viewpoints can produce a complicated status quo that can hold a funder in equilibrium for years or even decades. We've seen several recent examples of funders where staff has gotten out ahead of a board, only to be pulled back when trustees began to receive criticism from local policymakers and peers. Challenging the core directly raises organizational antibodies that dampen adaptation and protect current structures, programs, and grantmaking portfolios.

Yet the events of the past two years suggest that funders that *aren't* able to change and evolve to match the shifting realities of public problem-solving may, at best, be leaving potential impact on the table, and at worst, be at risk of losing relevance and influence as other, more adaptive funders grow in prominence and impact.

Our work here aims to provide a high-level approach for thinking about the type of experimentation that can make it easier for funders to change and adapt in response to a rapidly shifting future. We've created a rough game plan for how to get started on exploring and nurturing new Edges in your work, along with a simple toolkit of guides, inspirations, and even a game to help you engage. But at the heart of scaling Edges are really two key activities: *Finding Your Edges* and *Embracing Your Edges.*

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Find Your Edges

Edges are ideas and approaches that start at the periphery of an organization or a field. They may have modest beginnings, but because they are aligned to major shifts in society, they have the potential to grow, influence, and ultimately reshape the core over time. Organizations that are able to identify these Edges early are better positioned to take advantage of major shifts in the world and to have a greater impact on the people and communities they serve.

Because Edges start small, they aren't always obvious to find right away. But there are avenues to explore that can help you surface and identify these approaches.

LOOK INWARD TO CHALLENGE YOUR ORTHODOXIES

Orthodoxies are deeply held beliefs about "how things are done" that may or may not still be true, but that often go unstated and unchallenged and can become blind spots over time. Orthodoxies help create standard practices that allow individuals and institutions to function more efficiently. But they can also lead to a dogmatic resistance to change that can prevent individuals and organizations from developing better ways of working.

Creating time and space—even if it's just an hour at a staff or board meeting—to think explicitly about the orthodoxies within your own operations, can serve as an important reminder that, just because things have been done in a certain way in the past, that doesn't *necessarily* mean it's the best way to continue to do them in the future. For most funders, the goal isn't to find a specific orthodoxy that will upend the entire organization. Instead, finding orthodoxies can help uncover mindsets and practices that may no longer be a good fit for the changing world. And flipping them, either partially or completely, can help you uncover new Edges in

your organization where you can begin to test new approaches.

The customizable *What's Next **Orthodoxy Card Game*** serves as a fun and stimulating way of helping funders of various types challenge and potentially flip calcitrant ways of working.

LOOK OUTWARD TO UNDERSTAND YOUR CONTEXT

It's hard for funders to get on their front foot if they don't have a very good sense of what's coming. In a dynamic world, funders can create more impact by better anticipating emerging trends and getting ahead of what those changes might mean for their communities and the ways they work. By understanding these Big Shifts, funders can also help parse which new ideas have real staying power and which might be a flash in the pan.

There are a lot of "shiny objects" in philanthropy, and a fair critique of the field is that funders spend too much time chasing them. Building a clearer understanding of the Big Shifts can allow funders to better differentiate the meaningful Edges that can ride the momentum of the Shifts and ultimately have the power to transform the core of their work from other interesting ideas that come through the door.

The *What's Next **Big Shift Primers*** help boards, staff, and donors understand changing the social impact landscape, providing examples of how other funders are responding to these large, inescapable trends and forces.

LOOK AROUND TO FIND IDEAS AND INSPIRATION

Rethinking approaches to solving social and environmental challenges doesn't necessarily mean inventing something entirely new. Many of the seeds of successful interventions of the future already exist in practice today. As science fiction author William Gibson famously

explained, "The future is already here; it's just not evenly distributed." So it often helps to start by looking around at what is already working. The easiest way for funders to start rethinking their work is by simply "copying shamelessly" from what is already going on around them.

The four *What's Next* **Edge Overviews** tell the story of how funders are incorporating new Edge practices in their work, with more than **100** examples that can provide inspiration and ideas for funders of all sorts.

Embrace Your Edges

Once you find a promising Edge, it isn't always clear what to do. After all, funders see hundreds of good ideas, and they can't pursue them all. And because Edges start small and on the periphery, they may present themselves as off-strategy distractions from a funder's core work.

Despite these complications, the real risk of *not* embracing Edges is that funders can be caught flat-footed in times of great change. Recent events have helped demonstrate that when it comes to the types of Big Shifts now occurring in the world, it isn't a question of "if," but rather "when" they will directly affect your work. While most philanthropies responded to the crises of the past two years in one way or another, we found that some funders we spoke with were particularly well-positioned because they had already begun intuitively embracing critical Edge practices in their work. The point here isn't to laud these funders for their prescience—in fact, we won't even name them—but rather to demonstrate how small moves, smartly made, can have outsized effects when they are well-aligned with the big shifts occurring in a rapidly changing world.

While no one could have predicted the COVID-19 crisis, one funder we spoke with did actively anticipate that the likelihood and severity of social and environmental emergencies would continue to increase in the years ahead. So three years ago, it worked with its board to set aside more "dry powder" at the beginning of each year to respond to unforeseen events. Because the funder saw this external shift in the number and frequency of social and environmental emergencies and was able to devote a part of its budget to respond to them, the foundation was able to move quickly to respond to the health, social, and economic crises brought by the pandemic while also maintaining its other core programs, as well as its endowment.

Another funder was looking critically at harmful power dynamics between funders and grantees in the years leading up to the pandemic and eventually became an early adopter of trust-based philanthropy. When the pandemic hit, the foundation was able to ensure that its grantees continued to have the long-term general operating support needed to weather the storm. And as others in the field rushed to offer better and less onerous terms to grantees, this funder was able to offer lessons and insight to others on how to make large and lasting commitments to grantees without the normal hoops to jump through.

And several funders shared that recognizing racial injustice and inequity—and understanding them as root causes underlying a range of economic, health, and educational outcomes— helped them better respond to their communities in the midst of 2020. As one vice president of programs explained while discussing her foundation's efforts around race, equity, and justice, "When funders began to realize that we needed to start dealing with racial justice in our work because of what was going on across the country, our team wasn't on our heels. We were already doing it. And that wasn't necessarily because our captain was

intentionally guiding the ship there; it was where the currents were already taking us."

By embracing these currents of change and seeking out the Edges that align with them, funders can be better prepared for whatever comes next. To support these types of Edges in your work, we offer a few tips.

First, dedicate some time to learning and tracking what Edges are appearing in your work and where they are coming from. When most time and attention is focused on a funder's core work, it's surprisingly easy to miss emerging ideas. We've found that simply trying to intentionally capture and connect emerging approaches to your core work can help leaders understand the breadth of opportunities.

Second, give these ideas the space to be different without force-fitting them into the core of your work. Edges will likely pull you into new networks and new ways of working. Learn from them, as they point to what the future might hold. In an increasingly complex world, a natural reaction is to try and simplify, to focus in on the core of your work and eliminate seemingly unhelpful distractions. But we find that isn't the right approach in many cases. Instead, maintain the centrality and importance of your core work while also giving space to emerging ideas.

And third, watch the external landscape for signs that key Edges are building momentum. Take racial equity as an example. A decade ago, many funders took a "race-neutral" approach to their work. But increasingly, funders are applying a racial equity lens to their existing grantmaking, and a handful now view racial equity as the core of their work. When an Edge moves to the core, it can unlock powerful new perspectives and avenues for impact. It doesn't need to happen quickly or in one fell swoop, but understand that Edges will naturally pull on the core of your work, and may even transform it.

Change originating directly from the core is possible. Legislation, legal rulings, and sustained public critique all have the potential to challenge core philanthropic practices in major ways and demand new kinds of responses. But, in our experience, change in philanthropy, when it happens, more often starts from the edge. New ideas enter the field or organizations, percolate for a while off to the side, and eventually lead to bigger, more sustained changes if they can ride the momentum of larger societal shifts. And organizations that can find and embrace those Edges can get on their front foot in responding to a changing world.

Additional Tools for Exploring What's Next for *Your* Philanthropy

If you want to start finding and embracing the Edges in your philanthropy, we've designed a number of helpful do-it-yourself tools, discussion starters, and other supplemental materials for donors and philanthropic boards and staff.

- The customizable **What's Next Orthodoxy Card Game** helps you and those you work with to surface unproductive assumptions in how you do your work. Over the last decade, we've used this exercise with the boards and staff of hundreds of funders to them help identify existing blind spots, challenge established practices, and explore new ways of working that flip old assumptions.

  To download everything you need to start challenging your orthodoxies, **click here**.
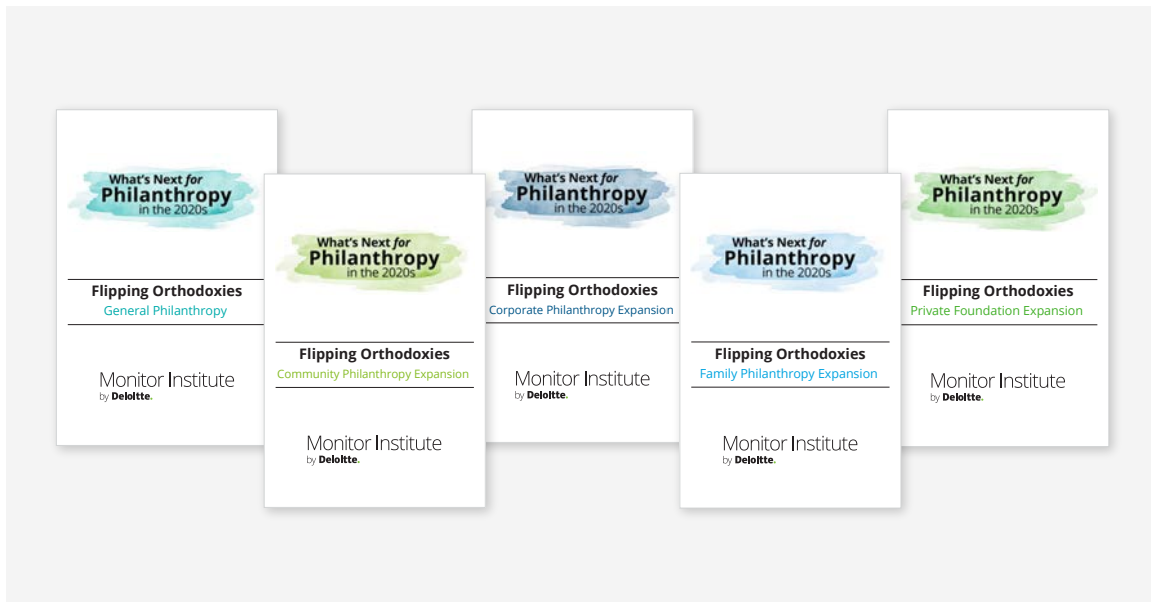
- **The Big Shift Primers** are a set of short, accessible modules that look more closely at the large scale economic, social, and environmental trends that are shifting the landscape of philanthropy. They are intended to help boards, staff, and donors begin a series of dialogues about the way their issues and communities are changing, and what that might mean for how funders do their work.

  To download the Big Shift Primers, **click here or on one of the seven Big Shift Primers:**

Economic Inequality	**Extreme Political Polarization**	**Shifting Demographics**	**New Momentum for Racial Justice**

Ubiquitous Technology and Access to Information	**A State of Climate and Social Emergency**	**A Social Compact in Flux**

- The **Edge Overviews** provide additional detail about the four Edges with the potential to change philanthropic practice. The report looks at different examples of how funders are experimenting with new practices and provide a deeper understanding of the implications and tradeoffs involved.

  To download the Edge Overviews, **click here or on one of the four Edge Overviews:**

  All materials are available at **www.futureofphilanthropy.org**.

Rethinking Philanthropy's Role	**Balancing Power**	**Catalyzing Leverage**	**Re(Designing) the Enterprise**
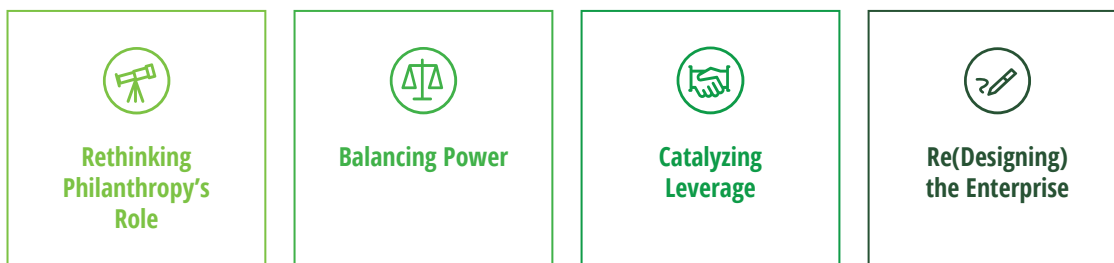
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12. *Spending policies* represent the high-level choices about a foundation's overall financial model. If *budgetary* decisions are about how to slice the pie of available funds, *spending policies* are about determining how big the pie itself will be.

Interviewees

We do not have the names of everyone who helped to co-create the ideas of this initiative. But the people noted below represent what we believe is a nearly complete list of those who provided us with critical feedback and input through interviews, review of draft materials, and participation in pilot workshops. We apologize in advance for anyone we have missed. Titles and roles are reflective of organizational affiliation at the time of interview.

Dimple Abichandani, Executive Director (General Service Foundation)

Shahira Ahmed Bazari, Managing Director (Yayasan Hasanah)

Rebecca Aird, Director of Community Engagement (Ottawa Community Foundation)

Natasha Alani, Chief Operating Officer (McConnell Foundation)

Ivye Allen, President (Foundation for the Mid South)

Ana Marie Argilagos, President (Hispanics in Philanthropy)

Carrie Avery, President (Durfee Foundation)

Sharon Avery, President and Chief Executive Officer (Toronto Community Foundation)

Leena Barakat, Director, Strategic Partnerships (Tides)

Eric Barela, Director, Measurement and Evaluation (Salesforce.org)

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What's Next for Philanthropy in the 2020s
Edge Overview: **Rethinking Philanthropy's Role**

Gabriel Kasper, Justin Marcoux, Jennifer Holk, and Jeff Morshed

About this Document

This document is a companion piece to the Monitor Institute by Deloitte's ***Seeing Philanthropy in a New Light*** report. It was created as part of the field-wide "What's Next for Philanthropy in the 2020s" initiative, supported by **Deloitte Tax LLP**, the **Robert Wood Johnson Foundation**, the **John D. and Catherine T. MacArthur Foundation**, the **W.K. Kellogg Foundation**, and the **McConnell Foundation**. The initiative engaged more than 200 philanthropy executives, professionals, donors, board members, experts, and grantees in a dialogue about the current state of philanthropic practice and where it might be headed in the coming years. To learn more about What's Next for Philanthropy in the 2020s, visit **www.futureofphilanthropy.org**.

N THE MONITOR Institute by Deloitte's *Seeing Philanthropy in a New Light* report, we explore how the world around philanthropy is changing, driven by a range of powerful social, economic, and political trends and forces. While foundations and donors have significant freedom to ignore many of these changes, certain "Big Shifts" around the field have proven to be inescapable.

Alongside these Big Shifts—and in many cases, in response to them—people and organizations are continuously experimenting with new ideas and strategies at the edges of the field. Most of these new approaches remain small and marginal to the mainstream core of philanthropic practice. But the "Edges" that are particularly well aligned with the Big Shifts show an outsized potential to sway and reshape the core over time. They can ride the momentum of the Big Shifts to grow in a way that will allow them to influence (or even overtake) the practices of the core over time.

Our aim is to identify promising Edges that, if scaled, could begin to challenge or change some of the core practices of the field that are no longer a good fit for today's philanthropic context. These are spaces for innovation where the Big Shifts are forcing philanthropic leaders to adjust their approaches and strategies. What these Edges will look like in the future isn't entirely clear yet, but there is an opportunity for funders, both individually and collectively, to investigate, experiment with, and invest in the potential of these promising areas of activity.

This document highlights one of these Edges: **Rethinking Philanthropy's Role**. It examines the new practices that are emerging, identifying intriguing "bright spots" emerging in the field and outlining the key implications and trade-offs that underlie the different approaches.

SHIFTS AND EDGES CHANGING THE CORE OF PHILANTHROPIC PRACTICE
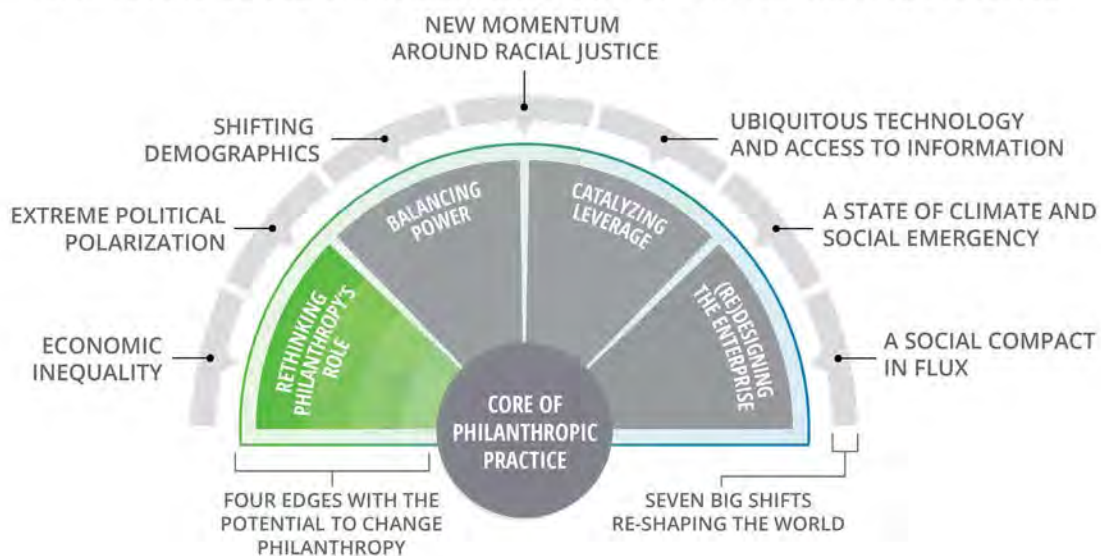
Rethinking Philanthropy's Role

FUNDERS HAVE DIFFERENT views on the scope and scale of change they are aiming to create and what they believe is needed to create that change. Depending on that viewpoint, funders can play radically different roles in the social change ecosystem. In education, for example, one funder might support local public school arts programs, while another might work to change education policy at the national or state level. While both approaches can have a meaningful positive impact, at their core, they employ different tools to achieve different aspirations.

With this in mind, our research suggests that many funders are beginning to work to deliberately *reconceptualize their role in creating social and environmental change*—thinking carefully about what impact they want to see in the world and getting smart about the different tools they can use to create it. The approaches can vary widely, but we identified four prominent practices that funders are using to match their strategies to fit their social impact ambitions:

- **Changing systems and cultural narratives.** Some funders are aiming to change large systems and even adopting strategies that go far beyond grantmaking to influence policy, culture, and movements.

- **Getting out of the way.** As some funders expand their scope of activities, others are more narrowly defining their role, finding ways to support the missions of high-quality nonprofits with as little complication as possible.

- **Funding innovation to maximize impact.** With so many pressing social needs, funders are exploring ways to embrace the upside of risk and fund projects with breakthrough potential.

- **Increasing agility to respond to crises.** In a rapidly changing world, some funders are finding that their grantmaking strategies need to be more nimble, intentionally building flexibility so that they can pivot when needed and adapt to respond to critical projects that may be "off-strategy."

In some respects, these different practices represent a set of larger assumptions about philanthropy's role in society. Should funders be using their unique assets and positioning to try to intervene in larger systems? To step back and simply finance the work of grantees who are closer to the issues and communities they are serving? To find and fund innovation where existing solutions are proving insufficient? To respond flexibly to the rapidly shifting realities and needs of our communities?

There is no universal right answer to these questions. Each funder will need to make its own choices about how it believes it can best create change in the world. But what's very clear is that funders will need to make sure that they are matching their methods and actions to fit their aspirations. How they align them influences every other aspect of their decision-making, from the issues they work on to what success looks like to where they operate and how they are structured.

Edge Practice 1: Changing systems and cultural narratives

Recognizing that no single organization in isolation is likely to be able to create lasting change on the types of complex, interrelated challenges we face today, some funders have begun to shift their unit of analysis from individual grants and narrowly defined interventions to more holistic and coordinated systems change. Systems change approaches look at the interconnected web of organizations, networks, practices, power structures, and conditions that create an ecosystem that ultimately affects outcomes. Beyond funding one element in that system, like a local school in the context of education, systems change funders would look for ways to intervene in the dynamic of the whole system to improve a wider range of outcomes, considering the interplay between schools, teachers, parents, policy, and socioeconomic factors that affect the education system.

Because systems are often large and complex, many funders pursuing a system change approach have chosen to focus in their work on a specific place.

CHANGING SYSTEMS "IN PLACE"

Because systems are often large and complex, many funders pursuing a system change approach have chosen to focus in their work on a specific place, where they can know the stakeholders, get their hands around the scale of the problems, and tailor context-specific solutions. The Stanislaus Community Foundation, for example, with the support of the James Irvine Foundation and in partnership with Open Impact Advisors, developed the New Leadership Network, a place-based initiative in California's Central Valley focused on connecting cohorts of leaders in the region and designing initiatives that improved existing systems. In one case, the network identified the fact that many first-generation community college students faced transportation challenges that hindered their education.[1] Going beyond their own organizational lens, leaders from the local community college, credit union, and transportation department came together to cocreate a solution that allowed students to ride the buses for free. The Foundation helped leaders understand the key pain points, visualize the wider landscape of institutions and stakeholders, and identify interventions that helped improve the region's overall transportation system.

Efforts like Akonadi Foundation's "All In for Oakland" initiative focus deliberately on movement-building to advance racial justice. In its efforts to transform Oakland's youth justice system, Akonadi supports the work of a local "ecosystem of movement organizations" by investing in people of color–led power-building, organizing, and advocacy focused on ending the criminalization of Black youth and youth of color.[2] Other funders focus more specifically on policy change. For example, Silicon Valley Community Foundation engaged legislators; appeared and testified at government hearings; funded 501(c)(3)s, 501(c)(4)s, and city government departments to conduct research and raise awareness; engaged directly in lobbying; and formed a coalition of grantee advocates against predatory payday lending, which disproportionately affects Black and Latinx people. As a result, legislators enacted laws strengthening consumer protections, stopped attempts to raise the maximum loan amount, and established a payday loan

alternative pilot.[3] More recently, the foundation has focused its policy work on early childhood development, affordable housing, financial security, and racial justice, including advocating for California Propositions 15 and 16.

SHIFTING NARRATIVES

Still other funders—recognizing that even large-scale policy changes can be ephemeral, have begun to ramp up efforts and investments to support culture change and shift longer-lasting popular narratives and mindsets on a range of important issues. As Favianna Rodriguez, Founder and President of The Center for Cultural Power, explains, "Those engaged in this work believe that cultural change precedes political change." Organizations like hers and the Pop Culture Collaborative work with artists, journalists, entertainment industry leaders, cultural organizations, and social justice movements to ensure that stories of Black, Indigenous, and people of color (BIPOC) communities are told by those communities and in an accurate and authentic way. The power to proactively shape and shift these stories is especially important, as they recur in media and have the potential to become stickier cultural narratives that feed public perceptions, reinforce enduring stereotypes, and trigger consequential responses that can either accelerate or hinder social change efforts.[4]

CHALLENGING PARADIGMS

A few funders are beginning to go even further upstream to reimagine some of the most fundamental paradigms and structures in our society. Several funders we interviewed expressed views similar to those of Stephen Heintz, President and CEO of the Rockefeller Brothers Fund, who explained, "We are experiencing a deepening obsolescence of three core operating systems that have benefited

civilizations for 300 years: capitalism, democracy, and the nation-state. But they are all showing signs of anachronism in the 21st century." In reimagining those operating systems, there is a critical need to recognize that these constructs haven't historically benefited large parts of the population—issues of colonialism, racism, and unchecked extraction were critical bugs (or maybe features) of these systems.

Over the past few years, some funders have taken steps to try to reimagine these systems for the future. The Omidyar Network's "Reimagining Capitalism" initiative, for example, seeks to "shape a new economic paradigm" to build a better society.[5] Specifically, the initiative has focused on building worker power and curbing monopoly power. Other funders are taking on different fundamental systems like improving democracy, moving past neoliberalism, and rethinking the international institutions developed after World War II.

IMPLICATIONS AND TRADE-OFFS

As foundations and donors take a more active aspiration to change systems, narratives, and societies, they have prompted mixed feelings from many in the field. Some see these actions as a generally positive development: Funders are finally acknowledging the size and scale of the challenges we face and are stepping up to take on problems that no one else is positioned to address. They're using their power and privilege to draw attention to issues and actively taking steps to address them. To many proponents of this approach, the choice to do anything other than intervene at a systems level can feel short-sighted. "In my view, it's a cop out. It isn't tackling the larger problem nor asking tough questions," says Bruce Lourie, CEO of the Ivey Foundation, which focuses on climate change.

Critics, however, wonder if it's the place of wealthy individuals and institutions to reimagine systems on behalf of others. Even with good intentions, funders can abruptly enter a space, disrupting the existing work of activists and even "capturing" a movement and shifting its focus to something that is more in-line with the funder's own preferences. As one advocacy leader told us, "You have funders who are new to a movement or advocacy and they are confident that they know what is best and they can't be challenged because they are paying everyone. That is the worst of the worst trend."

As funders elevate their ambitions to fundamentally change systems and societies, issues of power dynamics, expertise, trust, and inclusion come to the fore. Shifting system requires buy-in from a wide range of stakeholders, and that often means balancing traditionally top-down philanthropic approaches with more bottom-up, inclusionary coalition-building and power-sharing.

Edge Practice 2: Getting out of the way

"Are you the hero or the helper?" Trabian Shorters, a social entrepreneur and author of the *Asset-Framing* approach, asks of funders when talking about the role they play in supporting social impact. As philanthropy has become larger and more professionalized over the past couple of decades, many funders have expanded their role in creating change. Today, a common critique of funders is that they see themselves as the central character—the heroes and heroines in the story—as opposed to helpers working to support others.

However, some funders are carving out a more limited-by-design approach to philanthropy. MacKenzie Scott's decision to donate $6 billion to approximately 500 organizations in five

months is the largest example to date. Perhaps this gift is most notable for what it doesn't include: no grant proposal process, no ongoing reporting requirements, and no naming rights.[6] But Scott's example is just one of many ways funders are trying to support the missions of quality nonprofits with as little intervention or complication as possible. The push for funders to provide multiyear, general operating support for the organizations they fund as opposed to more restrictive project-based grants has been progressing slowly for decades.

This isn't to say that funders are writing checks and forgetting about the evolving needs of these organizations. This approach is also about listening to grantees and providing the funding that they say they need. A growing movement in the field has been to provide nonprofits with multiyear, general operating support rather than individual project grants. This type of funding allows nonprofits to use the resources in the manner that they believe will have the most impact, as opposed to meeting the preferences or dictates of funders.

> **Today, a common critique of funders is that they see themselves as the central character—the heroes and heroines in the story—as opposed to helpers working to support others.**

IMPLICATIONS AND TRADE-OFFS

The reasons why funders are choosing to play a more limited role are varied and complex. Some believe that this kind of support—simple, less restricted, and without interference—is just the

best way to create social impact. This sort of Tocquevillian ethos is driven by the idea that nonprofit organizations are best positioned to know how to create change, and donors should be supporting a wide range of important, independent voluntary organizations without meddling much in their specific strategies. Others view this approach with a reparative lens, looking to make up for the past ways that foundations have been too patriarchal, arrogant, and dismissive, especially toward organizations led by women and people of color. And some individual donors pursue a more hands-off role simply because they feel that the value added by large, bureaucratic foundations is limited.

For many funders, though, providing general operating support and related practices have been slower to catch on. The Center for Effective Philanthropy recently conducted a study looking at the disconnect between public philanthropic support for general operating support and the experience of nonprofits. According to their Grantee Perception Reports, only 12.4% of grantees describe themselves as receiving any kind of multiyear general operating support.[7] Strikingly, the report was unable to pinpoint why foundation leaders proclaim the need for general operating support but fail to deliver.

Our conversations with philanthropic leaders suggest several possible reasons for this disconnect. First, many foundation staff are themselves beholden to specific impact metrics and may have difficulty claiming success or attributing the precise impact of a grant if it is used for, say, employee health care benefits. Others cite the mechanics of providing general operating support don't always work. For example, if a place-based funder is supporting a national organization's work in a specific region, those grants generally need to be restricted to that certain geography. Lastly, some funders, in hushed tones, express concern about how the money will be used. One foundation executive

shared, "As someone who used to go asking for money, I'm all for general operating support. But it'll take a while before I get my board to agree with it being the right thing to do. They don't believe that nonprofits won't take you to the cleaners if you give them carte blanche!"

Over the past year, general operating support and loosening program restrictions have become increasingly common in the midst of the COVID-19 crisis, as funders have looked to get money out the door and on the ground quickly. Trusting others to be in the driver's seat has been seen as a critical component to philanthropy's COVID-19 response. But what remains to be seen is whether funders will be content with their role as passenger or whether they will take back the steering wheel when the crisis abates.

Edge Practice 3: Funding innovation to maximize impact

For many of the intractable social and environmental problems we now face, solutions are not yet known. Existing approaches are proving insufficient, and many funders have begun to explore how they can intentionally fund social innovation, driven by the need to experiment and find new strategies with the potential to create breakthrough change.

Since 2003, this type of experimentation has been at the heart of the work of the Robert Wood Johnson Foundation's Pioneer Portfolio. The Pioneer Portfolio uses a multipronged strategy that helps it scan for emerging new ideas, source innovations, make early-stage grants to explore new fields and accelerate promising new ideas, and support emerging opportunity spaces that have the potential to produce important breakthroughs. In addition, Pioneer plays an important learning role in the

organization, introducing new thinking, insights, and approaches to the work of the broader Foundation. As RWJF associate vice president for research, evaluation, and learning Brian Quinn explains it, "Pioneer helps the foundation continuously look up and look out into the future to see potential game changers."[8]

Other funders are taking on this challenge at a more local level. The Barra Foundation's Catalyst Fund gives grants as a way of promoting innovation in the Greater Philadelphia region. Recognizing that nonprofit organizations don't always have the capacity to test and implement new or early stage ideas, the Foundation provides risk capital, through grants and below-market rate investments, and "permission to fail" for experiments and innovations that nonprofit organizations believe could have an outsized impact on the area.[9]

And for philanthropies that may not be able to build an infrastructure for innovation from scratch, competition and challenge platforms such as Lever for Change and InnoCentive are emerging to help funders conceptualize the innovations they are looking to support, establish systems to help screen proposals, and publicize challenges and competitions to surface new ideas.

SUPPORTING THE INFRASTRUCTURE FOR INNOVATION

A few funders of innovation have taken a significantly different approach, working to build a sort of "greenhouse" that provides the networks, infrastructure, support, and experimental space to help transformative ideas bloom. For example, in collaboration with Dark Matter Labs and MaRS, the J.W. McConnell Foundation has seeded a platform known as the Emergence Room, which envisions a democratic economy and society where governments and institutions are accountable to the health and well-being of people and planet, and for generations to come.[10] To do so, it encourages

collaborative mission-building of innovators from multiple domains and sectors who want to incubate and test bold initiatives in an integral, hybrid space, but are unable to in the existing confines of single-issue agencies with siloed mandates. Initiatives range from embedding participatory governance models in communities to creating finance mechanisms that can underwrite transition infrastructure fit for this age of long emergencies. Rather than just offering traditional grant dollars, the Emergence Room provides innovators and organizations with a dynamic and safe space to pursue ideas with the backing of both financial and nonfinancial resources.

MANAGING RISK

At the heart of funding innovation is a different sort of calculus of risk and reward than the one that drives more traditional grantmaking. As Eric Toone, the former principal deputy director of the US Department of Energy's Advanced Research Projects Agency (ARPA-E), has noted, "When you're doing innovation, the first question is not 'Is this going to work?' but rather, 'If it works, would it matter?'" Funders looking to fund breakthrough innovation trade a lower likelihood of success for a greater potential for social transformation.

Yet even as funders trumpet their desire to make big bets, most remain reluctant to take on much real risk. As Tim Silard, President of the Rosenberg Foundation, puts it, "If 90% of the grants we are making are succeeding, doesn't that say that we aren't being terribly risky?"

"If 90% of the grants we are making are succeeding, doesn't that say that we aren't being terribly risky?"

Some funders are exploring ways to share the risk in funding innovation, opting to pool their resources to support new ideas and approaches. A number of funders jointly established the Climate Breakthrough Project.[11] Teams receive $2 million to develop breakthroughs that can reduce or capture emissions by hundreds of megatons. While any individual project may have a low probability of success, by creating a portfolio of projects in partnership with several funders, they are spreading the risk to maximize long-term impact. And by combining resources, these funders are able to create a larger pool of resources for climate innovators while also spreading the cost and risk of those ideas that ultimately fail.

IMPLICATIONS AND TRADE-OFFS

As the challenges philanthropy faces continue to grow larger and more complex, funding innovation offers an opportunity to find game-changing ideas, technologies, and approaches with the potential to create outsized progress. But organizations are learning that funding innovation isn't easy. It requires them to align their internal efforts differently to allow them to effectively select, support, and scale new innovation. Funders are exploring ways to look beyond the "usual suspects" in their grantmaking to find creative thinkers; to craft measurement and evaluation systems that are nimble and flexible enough to track the pivots and evolution of emerging ideas; and to create the partnerships and funding ecosystems that can help scale innovations once they've been seeded.

Another key critique of funding innovation relates to who gets to decide what is "innovative" and who gets a chance to innovate and fail. Social entrepreneurs and smaller nonprofits, especially those led by people of color, often have difficulty finding dollars to test innovative ideas or solutions. And the challenges go beyond money. One "failed" initiative could be

the end of the road for a social entrepreneur of color or small nonprofit, and these groups seem less likely to get the benefit of the doubt early in their work when innovations are not yet proven or disproven. Innovation, as a result, at times appears to be meant for the chosen few, and those few may be chosen in a biased way by funders.

Edge Practice 4: Increasing agility to respond to crises

Over just the past few years, the United States and Canada have faced a steadily growing number of natural disasters, a pandemic that has left hundreds of thousands dead, nationwide social protests over issues of inequity and racial justice, and even political violence. As one foundation executive we spoke with explained, "Regardless of where you are, crises and disasters have become the new normal, and it's getting harder and harder for funders to just continue with business as usual when they happen." As a result, many funders recognize that they need to become more agile in responding to emerging crises and disasters, whether natural or human-made.

RESPONDING QUICKLY TO URGENT NEEDS

That challenge is seen as one of the most critical ones in the field, according to leaders from the Hong Kong Jockey Club. In 2020, soon after the COVID-19 pandemic broke out in East Asia and public health measures quickly escalated to stem the transmission of the virus, the Jockey Club established a HK$100M (~US$13M) COVID-19 Emergency Relief fund that supported over 200 organizations in the city with grants of up to HK$500,000 (~US$64K).[12] The entire process was handled digitally, from the submission of the application to the transfer of funds, with grantees receiving funds in as few as 10 days. The Jockey Club also addressed the fallout of the

pandemic on Hong Kong's education system. To

pandemic on Hong Kong's education system. To ensure that children in underprivileged areas had internet access to participate in virtual learning, it negotiated with all four mobile carriers in the region to purchase data-carrying SIM cards for 100,000 students. The idea, executed from March to July 2020, was so successful that the government carried forward the effort at the start of the new school year. None of these activities were preplanned, but each level of the organization—from program staff to Board—resolved to move rapidly. "That's agility," says Leong Cheung, Executive Director of the Jockey Club: "thinking ahead, acting quickly, reprioritizing your initiatives, and mobilizing what's needed."

For funders looking to be more agile in responding to unexpected emergencies, there are a range of different possible approaches to take. Some funders are drawing from their endowments to give them greater flexibility to fund unexpected events, while others are deliberately making room in their existing budgets. The Hewlett Foundation, for instance, has established a pool of unallocated funds that allows it to maintain existing grantmaking promises without increasing its overall spend out.[13] During "normal" times, these unallocated funds can be used to support other out-of-strategy efforts, such as special initiatives. But in times of crisis, the unallocated funds are a valuable safety net to compensate for a reduced grantmaking budget due to a downsized endowment and/or to provide emergency grants to address fallout from the crisis.

GETTING PREPARED

Other funders are looking at the "expected emergencies" on the horizon and building resilience to deal with them before they become major catastrophes. After living through Hurricane Katrina in 2005 and the Deepwater Horizon oil spill in 2010, it was clear to the Baton Rouge Area Foundation that waterways around the world were likely to be at the center of future natural and human-made disasters. The Foundation partnered with government and environmental leaders to create the Water Institute of the Gulf.[14] The Institute, which received seed funding from the Foundation and other funders, focuses on research, data modeling, policy advocacy, and knowledge-sharing on topics related to water management in the Gulf and around the world, including Vietnam and Argentina. With the knowledge and networks spurred by the Institute, all of South Louisiana is better prepared to adapt to rising seas and vanishing wetlands.

> **Funders are looking at the "expected emergencies" on the horizon and building resilience to deal with them before they become major catastrophes.**

But this kind of foresight isn't always the norm for funders. As Patty McIlreavy, President and CEO of the Center for Disaster Philanthropy, notes, "Funders tend to discount the harms that don't happen," leading to a tendency to respond swiftly to immediate suffering, but less attention to preventing the next emergency.

IMPLICATIONS AND TRADE-OFFS

Focusing on agility allows funders to be proactive and responsive to circumstances as they happen. But jumping at every opportunity or responding to every emergency makes it more difficult for funders to thoughtfully plan ahead, offer a consistent stream of multiyear grants to grantees, or invest in broader, systemic change that requires consistent attention and focus over time. Foundations are one of the few institutions that can stick with problems and fund organizations over time, and that capacity can be diminished if funders reflexively shift attention and resources to respond to urgent, unexpected needs.

Altogether, funders are trying to strike a balance between constraining themselves with important (but sometimes rigid) strategies and responding to opportunities or emergencies as they arise. This tension, though, is a healthy one for many funders to explore and revisit over time. As Kristi Kimball, the executive director of the Charles and Helen Schwab Foundation, has explained, "A necessary piece of strategy is actually reserving some of your resources to go outside your strategy."[15]

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What's Next for Philanthropy in the 2020s
Edge Overview: **Balancing Power**

Gabriel Kasper, Justin Marcoux, Jennifer Holk, and Jeff Morshed

About this Document

This document is a companion piece to the Monitor Institute by Deloitte's ***Seeing Philanthropy in a New Light*** report. It was created as part of the field-wide "What's Next for Philanthropy in the 2020s" initiative, supported by **Deloitte Tax LLP**, the **Robert Wood Johnson Foundation**, the **John D. and Catherine T. MacArthur Foundation**, the **W.K. Kellogg Foundation**, and the **McConnell Foundation**. The initiative engaged more than 200 philanthropy executives, professionals, donors, board members, experts, and grantees in a dialogue about the current state of philanthropic practice and where it might be headed in the coming years. To learn more about What's Next for Philanthropy in the 2020s, visit **www.futureofphilanthropy.org**.

N THE MONITOR Institute by Deloitte's *Seeing Philanthropy in a New Light* report, we explore how the world around philanthropy is changing, driven by a range of powerful social, economic, and political trends and forces. While foundations and donors have significant freedom to ignore many of these changes, certain "Big Shifts" around the field have proven to be inescapable.

Alongside these Big Shifts—and in many cases, in response to them—people and organizations are continuously experimenting with new ideas and strategies at the edges of the field. Most of these new approaches remain small and marginal to the mainstream core of philanthropic practice. But the "Edges" that are particularly well aligned with the Big Shifts show an outsized potential to sway and reshape the core over time. They can ride the momentum of the Big Shifts to grow in a way that will allow

them to influence (or even overtake) the practices of the core over time.

Our aim is to identify promising Edges that, if scaled, could begin to challenge or change some of the core practices of the field that are no longer a good fit for today's philanthropic context. These are spaces for innovation where the Big Shifts are forcing philanthropic leaders to adjust their approaches and strategies. What these Edges will look like in the future isn't entirely clear yet, but there is an opportunity for funders, both individually and collectively, to investigate, experiment with, and invest in the potential of these promising areas of activity.

This document highlights one of these Edges: **Balancing Power**. It examines the new practices that are emerging, identifying intriguing "bright spots" emerging in the field and outlining the key implications and trade-offs that underlie the different approaches.

SHIFTS AND EDGES CHANGING THE CORE OF PHILANTHROPIC PRACTICE

Balancing Power

THE POWER IMBALANCES that underlie organized philanthropy—between grantors and grantees, donors and communities—have been an inherent part of philanthropy since its earliest days. But over the past few decades, growing awareness of economic inequality and racial disparities has begun to make these often-unspoken undercurrents much more visible.

The asymmetric power dynamics of philanthropy have risen to greater prominence with a recent series of public critiques of the field by Anand Giridharadas, Edgar Villanueva, Rob Reich, and others, who have raised concerns about power, efficacy, and the influence of philanthropy on democratic society. They fear that too much power is in the hands of the wealthy, who are funding nonprofits doing important work, but not necessarily challenging the systems that helped them amass their wealth. They posit that funders need to reckon with the fact that philanthropy has created—and, in some cases, is still creating—harm, especially in low-income communities of color.[1] And as funders and donors aim to maximize impact and drive specific social outcomes, critics worry that they can intentionally or unintentionally divert the direction of movements and treat nonprofits as "subcontractors," exerting undue financial leverage to get what they want.

Although it can take markedly different forms, many funders are now grappling with how to navigate these difficult power dynamics. As Dimple Abichandani, Executive Director of the General Service Foundation, remarked, "We can't pretend that power dynamics do not exist anymore, but we *can* choose how we respond to them." Our research surfaced four practices funders are exploring to address power dynamics in their work head-on:

- **Sharing power:** Some funders are working to intentionally *share* power, incorporating grantee and constituent voices into decision-making or even ceding power altogether.

- **Using power:** Other funders are actively seeking to find ways to *use* their power and influence to advocate for the changes they want to see, taking a stance and pushing to drive solutions that align with their world view.

- **Setting goals and evaluating with equity in mind:** Many people are rethinking what constitutes *effective* philanthropy and recognizing the value of "proximate" expertise in setting meaningful goals and evaluating progress along the way.

- **Directly addressing race and power:** Power dynamics are inextricably linked to race, and many funders are beginning to reexamine both their external strategies (such as who and how they fund) and their internal practices (including operations, staffing, and representation at leadership levels).

In the coming years, as awareness of inequities continues to grow and organizations of many types begin to challenge their systemic biases, questions about navigating power will need to be addressed more explicitly and more often. Power dynamics *exist*, even when they aren't spoken about openly, and they show up in how funders invest, who they hire, what they do, how they make decisions, and how their efforts are judged and measured. Funders that deliberately recognize and reckon with these complex dynamics will be better positioned to navigate their way through them.

Edge Practice 1: Sharing power

Jeff Walker, the board chair of the venture philanthropy organization New Profit, explained to us, "The days of philanthropists knowing the answers are over. You need to be a listener. You need to be proximate." His colleagues at New Profit, Angela Jackson, John Kania, and Tulaine Montgomery, elaborated further in a piece in the *Stanford Social Innovation Review*. "Leaders who are proximate to the communities and issues they serve have the experience, relationships, data, and knowledge that are essential for developing solutions with measurable and sustainable impact. Importantly, proximate leaders also have the ability to recognize and leverage assets within communities that are often overlooked or misunderstood when viewed through a dominant culture lens."[2]

A growing number of funders have begun exploring how to share power in ways that bring philanthropic decision-making more proximate to the communities they serve.

With this in mind, a growing number of funders have begun exploring how to share power in ways that bring philanthropic decision-making more proximate to the communities they serve. Some focus on listening to the voices of grantees and communities and incorporating their viewpoints into their strategies and funding decisions. Others are more explicitly sharing decision-making authority, and finding ways to come to consensus with grantees and communities on important strategic decisions. And some are ceding power to their constituents

entirely, "following" the strategies of grantees and communities fully rather than leading with their own theories of change.

LETTING GRANTEES LEAD THE WAY

The Trust-based Philanthropy Project, a five-year, peer-to-peer funder initiative, is focused on balancing power dynamics between funders and grantees. Funders using the approach, such as the Whitman Institute, are willing to interrogate philanthropy's defaults moored in control and compliance. They recognize the ways that nonprofits often have to waste time and energy accommodating shifting donor whims and seek to become "more trust-worthy partners in meaningful social change." Funders identify mission aligned grantees and then provide multiyear, unrestricted support, trusting the nonprofits to make good choices and do their work without strategic interference. As John Esterle, Co-Director of the Whitman Institute, explained, "Some people ask me if trust-based work is about sharing power. I reply no—it's actually about *giving up power*. That can manifest in your internal culture, who your board is, your relationships with grantee partners, [and] how you manage your funds, including spending out."

GIVING DECISION-MAKING POWER TO COMMUNITIES AND GRANTEES

Some funders are going even further, devolving grantmaking decisions typically held by foundation staff and board members to grantees and communities. The Chorus Foundation, a spend-down foundation that will sunset in 2023, dedicates a portion of its funding to "anchor grantees" with 8-10-year general operating support across several geographies. These anchor grantees, as well as broader community members in each region, then advise and decide on additional funding by the Foundation. In one of its focus areas in Richmond, California, the Foundation handed control of all unallocated funding dedicated to Richmond through its spend-down to a local

coalition—the Richmond Our Power Coalition—by establishing an independent fund at a nearby community foundation so local leaders could manage the money at their own their discretion.[3] In the end, the Foundation not only listened to the grantees; it actually put them at the center of its decision-making and helped create a more democratic infrastructure for resource allocation.

CEDING POWER

A small number of funders are even experimenting with structured ways to fully cede power to grantees and communities. In Canada, a group of Indigenous leaders and funders created the Indigenous People's Resilience Fund (IPRF), a fund managed by and for Indigenous communities and organizations in Canada, operating on the Community Foundations of Canada shared platform. The funders have provided unencumbered dollars and are not part of the decision-making process, recognizing that the Fund's Indigenous leaders have a much better sense of communities' needs. While the IPRF was developed during the pandemic, it has been designed with the intention of becoming a permanent, stand-alone foundation.

IMPLICATIONS AND TRADE-OFFS

Funders focused on sharing power with grantees and communities are driven by a range of motivations. Some argue that philanthropy is simply too powerful, and the act of sharing power with the community is a modest, but important, remedy for deconcentrating and decolonizing the power of wealthy people and institutions. This group feels that sharing power is an end unto itself, a reparative act that moves some power back to historically marginalized groups. Other funders focus on effectiveness, believing that sharing power can lead to greater impact and better outcomes for communities by putting more resources and decision-making authority in the hands of proximate leaders that know their communities best. In this way,

sharing power can also be a means to an end: greater community impact. These two viewpoints, of course, aren't mutually exclusive.

As funders become more interested in sharing power, there are also some emerging concerns. One fear is that listening to grantees and making token gestures to share decision-making becomes primarily a performative act for funders who want to inoculate themselves against criticism of power and privilege. When justifying a philanthropic strategy, "because we listened to our grantees" sounds better than "because we wanted to." Another concern is that power-sharing arrangements tend to result in slower decision-making and higher costs, a challenge for those who prioritize agility and responsiveness. One funder whose foundation practices participatory grantmaking shared that the approach "costs an additional 50 cents for every dollar we get out the door."

> ## Sharing power can happen in many different ways, but it is a delicate process.

Sharing power can happen in many different ways, but it is a delicate process. Funders who are looking to share power should plan carefully and understand why they are sharing power, what it takes to get the work done, and what is "in-bounds" for grantees and communities to make decisions on. As Kaberi Banerjee Murthy, Director of Programs and Strategy at Meyer Memorial Trust, says, "The sky is the limit in terms of what you can do. [But funders should know] that this is an organic process and much depends on how much power you want to give up. The transparency considerations are real and you risk eroding trust with your board and

community if it's not handled with intention and sensitivity." Nevertheless, for many funders, the benefits of sharing power far outweigh these potential complications.

Edge Practice 2: Using power

While some funders are looking for ways to share and cede power, others are leaning into their power, exploring how they can intentionally *use* their power and influence to drive the changes that they want to see in the world. Funders that use power are really leveraging their unique assets (money, influence, connections, and more) to spark change. They can bring attention to previously overlooked challenges, take stands on critical issues, and shift public agendas.

USING THE BULLY PULPIT

As Judy Belk took the helm at the California Wellness Foundation, discussions with community leaders encouraged her and the staff to use their institutional voice more and more loudly. In response, the Foundation made a strategic pivot to use its communications and public voice to amplify its grantmaking and bring increased attention to the issues it sees as priorities. The Foundation created a public affairs department and stepped up its external communications and thought leadership. Ms. Belk began to speak to the media and author op-eds to advance the Foundation's agenda in California. These public commitments led the Foundation to take additional stances on policy, eventually joining an amicus brief on a key immigration case and providing public comments on the 2020 Census "citizenship question." Reflecting on the experience, Ms. Belk wrote, "Every day, we funders make choices about how we use our power. We can and should wield it for good, in thoughtful ways that challenge our privilege and align with the

interests of the communities we want to support."[4]

SHAPING NEW POLICY

Other funders are actively using their power and influence to directly inform and shape public policy. The Ivey Foundation, which has worked for 75 years to support Canada's transition to a sustainable economy, has taken a different approach than most environmental activists, working directly with government and industry, rather than community groups, to rethink energy systems. They've created a set of new organizations with the technical expertise to draft regulations that will increase sustainability. "Some people find that this isn't appropriate, for us to decide what kind of organizations should exist. But we need technical policy expertise, we needed people doing energy systems modeling. We needed to do more than just scream at the government for better policies. We needed to be the ones who can actually create them," said Bruce Lourie, President of the Ivey Foundation. For example, they helped establish the Ecofiscal Commission, which informed the development of Canada's national and provincial carbon pricing systems, now in place in all jurisdictions in Canada, and are set to be among the most stringent of any country in the world.[5,6] Their work has been successful in bringing previously reticent organizations and lawmakers to the table and convincing them to change their practices.

IMPLICATIONS AND TRADE-OFFS

In many cases, funders who are seeking to deliberately use power are driven by their beliefs: a deep moral certainty about the rightness of their actions and a need to use their bully pulpit to push for change. Our interviews highlighted that a number of newer entrants to philanthropy are showing less hesitancy to roll up their sleeves and advocate for the changes they believe are needed. As Laura Arnold, one of

the billionaire philanthropists behind Arnold Ventures, shared in a recent interview, "There are some legitimate questions as to whether somebody with vast amounts of resources should be in a position to influence policy. [But] the common thread is simple: we want to improve people's lives."[7]

As economic inequality worsens, environmental crises grow more frequent, and a cascade of other challenges face our communities, deliberately using power often allows funders to move quickly and decisively. By exercising power, they are able to push for change faster, unconstrained by bureaucratic red tape. This can be an especially useful tool when working on complex technical social issues like climate change, regulatory environments, or cybersecurity, where funders are able to bring their expertise and voices to the conversation as a counterweight to business and other perspectives.

Philanthropic advocacy is not without its critics, though. There is a fine line between using and *ab*-using power, and some emphasize that doing philanthropy *to* communities rather than *with* them will inevitably reduce the impact and long-term sustainability of social change efforts. It can be construed as top-down, taking away power from those most impacted by the challenges they aim to solve. As Michelle Tremillo, Executive Director and Cofounder of the Texas Organizing Project, shared, "You're talking for people instead of letting them speak for themselves. Funders should take our lead, and let us determine what is most helpful for them to do. We're perfectly capable of advocating for ourselves."

For all the concerns though, using power can represent another effective tool to create change. Both foundation boards and individual donors should recognize that they have power and an ability to wield it, should they choose.

Edge Practice 3: Setting goals and evaluating with equity in mind

Power dynamics in philanthropy regularly extend to how community impact goals are set and how grantees are evaluated. Funders often use their power to set the agenda, determining which objectives should be prioritized and using their funding to incentivize nonprofits to focus on those goals. Similarly, traditional measurement and evaluation processes can be seen as extractive, pulling data from communities, then using that data to drive grantee accountability and communicate how the funder's efforts sparked community benefit.

> **Traditional measurement and evaluation processes can be seen as extractive, pulling data from communities, then using that data to drive grantee accountability.**

As Jara Dean Coffey, founder of the Equitable Evaluation Initiative, explains, "There is a really interesting blind spot around evaluation in philanthropy. People aren't even thinking about how power dynamics impacts how we assess impact. Or, if they are, they are mostly just caught up in virtue signaling." To address this blind spot, some funders are beginning to reconsider how they work with nonprofits and communities to set impact and learning goals and how they can measure and evaluate outcomes more equitably. They are actively working to bring grantees and community members to the table when making decisions about what success looks like, what gets measured, and who gets to decide those questions.

BRINGING COMMUNITY VOICE INTO GOAL-SETTING

In 2014, the J.W. McConnell Foundation decided to more actively understand and respect community perspectives on goal-setting and evaluation with close partner, the Winnipeg Boldness Project. The Project planned to address early childhood outcomes within Indigenous communities, which suffer from some of the lowest socioeconomic outcomes in Canada due to historical traumas, structural inequalities, and underinvestment.[8] Initially, the Winnipeg Boldness Project's evaluation metrics prioritized outcomes for individual children. However, as a result of meaningful engagement with Indigenous partners, it was realized the original intentions were not congruous with the family- and community-centric approaches of this neighborhood. The Winnipeg Boldness Project adjusted course, expanding the original goals to reflect Indigenous and holistic approaches to well-being that address mental, physical, emotional, and spiritual aspects.[9] "How can we look at the success of a child without also considering the success of the family and the larger community?" asked Diane Roussin, Project Director of Winnipeg Boldness.

COCREATING IMPACT MEASURES

Other funders are experimenting with collaboratively designing measurement and evaluation techniques with their nonprofit partners, hoping to design more culturally relevant, equitable, and useful metrics. Rather than dictating terms to their grantee partners, the Missouri Foundation for Health collaborated with care providers on health care access metrics.[10] Traditional evaluation approaches would've pointed the Foundation toward using metrics such as the number of patients served, the length of wait times, and the level of utilization at a facility. But by deliberately working with grantees, the Foundation recognized that, for the community, it was also important to assess how respectfully patients

were treated and whether providers recommended affordable, accessible treatments. As a result, the Foundation was able to match its supports to outcomes that mattered most for care providers and patients rather than on arbitrary benchmarks.

INTEGRATING CONSTITUENT FEEDBACK

Fund for Shared Insight builds capacity among foundations and nonprofits to establish feedback loops and give greater voice to constituents. Through its Listen4Good initiative, the funder collaborative is working with nonprofit organizations across diverse fields to implement a largely standardized questionnaire for their constituents based on the Net Promoter System methodology (an approach used in the private sector that can help predict future growth and profitability). The approach allows the organizations to benchmark constituent feedback against comparable organizations over time.

RETHINKING REPORTING

Too often, grantee reporting can feel like a compliance exercise done for the benefit of the funders holding the purse strings. Additionally, the difficulty in measuring social change can prevent philanthropy from implementing meaningful, community-driven strategies that impact policies and systems over time. CareQuest Institute for Oral Health, a national nonprofit championing a more equitable future where every person can reach their full potential through excellent health, tries to lessen the reporting burden on grantees while demonstrating success in longitudinal systems change, community power-building, and the strengthening of partnerships. CareQuest Institute provides opportunities for grantees to shape their overall evaluation strategy and approach, and invites (rather than requires) grantees to participate in a learning community model of engagement, which allows for

evaluation and collaboration to exist in the same vein. The intent is to balance accountability and learning and to make evaluation processes and products useful tools for the grantees. By doing so, CareQuest Institute can build alignment defining what success looks like, enhance investments through creating multiple points of leverage, and advance grantees' strategies—in effect, building data-collection efforts that the grantees would have wanted to pursue to guide decisions on interventions and methods of engagement.

IMPLICATIONS AND TRADE-OFFS

Undergirding each of these examples is a belief that those who are closest to the need have the expertise required to set effective, meaningful goals, and that evaluation should focus on what is most impactful for grantees and communities, not just funders.

But this way of thinking about evaluation can also create challenges. Some have noted that allowing grantees to set their own bespoke, context-specific goals makes it difficult for funders to roll up work across different grantees to understand the effectiveness of their funding strategies. And others note that including community voice in evaluation efforts can be fraught with the legacies of the past. As Jara Dean Coffey has noted, "Just because you've decided to be in relationship with communities and grantees in a new way does not mean that they will want to participate. Even if your intent is authentic, the community might not buy it. They remember all the other program officers that left when they didn't get the 'right results,' and they may not trust you to stay."

For funders with well-established evaluation programs, there may be space to reconsider existing practices and incorporate new techniques and tools that are more responsive to grantees and community needs. What's

equally exciting is that for funders who have not yet established robust measurement systems, there is an opportunity to leapfrog existing, sometimes harmful, measurement and evaluation approaches.

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Funders are challenging orthodoxies in philanthropy that have resulted in "philanthropic redlining," which limits the level of access people of color have to capital, knowledge, skills, and networks.

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Edge Practice 4: Directly addressing race and power

Questions about power in philanthropy are inextricably linked to race. As funders aim to address or even counteract power imbalances stemming from race and racism, many are taking on this change effort both *inside* and *outside* their organizational walls.

Externally, funders are looking to support nonprofits rooted in communities of color, especially those working toward equity in political and socioeconomic outcomes. Internally, funders are focused on reflecting diversity, equity, and inclusion in their internal processes and structures, especially in leadership and on the board. Others are challenging orthodoxies in philanthropy that have resulted in "philanthropic redlining," which limits the level of access people of color have to capital, knowledge, skills, and networks.[11]

ADDRESSING EQUITY EXTERNALLY

As more funders intentionally put race at the center of their work, they are looking to design more equitable structures in society, centering their strategies on racial justice, and working to counteract historical inequity and underinvestment in communities of color. In fact, a study of applicant pool for the social innovation fund Echoing Green showed that revenues of Black-led organizations are 24% smaller than the revenues of their white-led counterparts partly because leaders of color have historically gotten less funding and access to capital.[12]

A number of funders have begun to make a focus on issues of racial and economic equity their guiding "North Star." The Chicago Community Trust, for example, made the decision to center its strategy on closing the racial and ethnic wealth gap in Greater Chicago, recognizing it was at the root of many of the city's challenges. In addition to grants to grow household wealth, catalyze investment in disinvested communities, and amplify the voices of community residents, the Trust funded activists pushing for policies to expand the Earned Income Tax Credit to include more people of color, commissioned research on predatory lending and municipal fines that disproportionately impact Black and Brown communities, and plans to advocate for state and local policy changes that will support people of color to build power and wealth in the city.[13]

The Foundation for Louisiana has centered racial justice in its community engagement efforts and has tackled the issue on a variety of social, economic, and economic levels. For instance, an analysis showing the challenges of Black-owned businesses spurred a concerted effort to provide an assortment of tools (loans, grants, PRI investments, community, and policy work) to support these businesses. Moreover, the Foundation has invested in local nonprofits in

communities across the state to train local leaders of color in addressing climate change and housing equity. And it has addressed some of the State's most sensitive issues, such as police accountability and criminal justice, to advance racial equity. The TOGETHER Initiative, as an example, has helped improve the accountability of law enforcement in New Orleans by supporting efforts to strengthen the independence of the Orleans Independent Police Monitor, an independent organization that provides civilian oversight for the New Orleans Police Department.[14]

As funders address race and power in their work, they are also realizing the need to act as a counterweight to historically inequitable practices. The venture philanthropy organization NewSchools Venture Fund previously supported the broader ecosystem of social entrepreneurs focused on education. In acknowledging the historical legacies of inequity and the lack of access to capital, networks, and other resources for organizations led by people of color, they decided to make shifts in their investment strategy. Now, they have designed funding opportunities focused specifically on the unique assets and challenges of social entrepreneurs of color.

ADDRESSING THE INSIDE OF THE HOUSE

In addition to external efforts, many funders are also working to address racial power dynamics inside their organizations by creating new tools for accountability and even restructuring to increase diversity in leadership.

For some organizations, the place to start looking at race and equity internally is by formally taking stock of their practices through equity audits, which can help an organization consider how well they are living out their commitment to racial equity. Equity audits encompass a variety of assessments that look at

everything from programs and policies to vendor selection to training and staffing considerations like team, leadership, and board composition. Ten years ago, the Hamilton Community Foundation in Canada was one of the early adopters of equity audits. Now they are on their third audit, examining their hiring practices and board composition. CEO Terry Cooke reflected on the experience: "Do I think most foundations will embrace this? Some will. Some won't. But I think there will be a greater willingness by the board members and executives. For many years, philanthropy could be defined by the people they excluded. They looked more like country clubs than communities. If we want to remain relevant, we need to be responsive." While auditing practice alone won't change behavior, it can nevertheless help shine a light on opportunities to improve equity.

Other funders are creating training and tools to help their staff improve equity. Investment firm Illumen Capital, for example, believed that it could address structural racial and gender bias by combining investment capital with tools designed to reduce bias in the investment process. To do so, Illumen partnered with Stanford University's SPARQ to develop a bias-reduction coaching and curriculum for fund managers. Ultimately, they aim to drive greater, more equitable investment in social entrepreneurs and communities of color.[15] Similarly, the Meyer Memorial Trust created the Diversity, Equity, and Inclusion Spectrum Tool to make racial equity and power a factor in grantee selection. The Spectrum Tool helps program staff and prospective grantees to discuss how racial power dynamics currently manifest in an applicant's organization and opportunities for growth.[16] By making the implicit explicit, these kinds of tools can help organizations incorporate racial equity into their decision-making.

Increasing diversity at the executive leadership and board levels can also help shift power dynamics. The Whitman Institute implemented a coleadership model where its original Executive Director, John Esterle, shared responsibilities with Pia Infante, his long-time colleague and a leader of color at the foundation. Although both were eager to embark on this model, there was still a learning curve. "John had to adjust to sharing decision-making at every level," Pia mentioned, "and it took me some time to get used to being a grantmaker." The foundation and the field ultimately benefited from this arrangement, as both leaders had frank, public conversations about racial equity in grantmaking, as well as how to reflect racial equity principles in the organization's culture and structures.

SPANNING THE INTERNAL AND EXTERNAL

Many funders focusing on equity, diversity, and inclusion acknowledge the importance of doing both internal *and* external work. As our colleague Kerri Folmer likes to put it, "Your insides should match your outsides."

One foundation working hard to make its insides match its outsides is the W.K. Kellogg Foundation. Kellogg has made increasing racial equity a cornerstone of its broader mission both internally and externally for years and has done significant work in developing toolkits and trainings for helping its team embrace equity as part of its commitment to become an antiracist organization. It refers to this work as a part of its "organizational DNA." And the Foundation takes a systems approach to its work, recognizing the interconnected, multifaceted nature of racism and inequity.

In 2016, Truth, Racial Healing, and Transformation (TRHT) was launched as a multipronged, community-based effort to unearth hidden biases affecting how individuals and communities view race. The initiative used insights from its research to create a handbook on effective approaches for promoting systemic change. Over time, the Foundation took these learnings into other sectors. In 2020, it established "Expanding Equity: Advancing Racial Equity in Business," an initiative designed to train private sector leaders in identifying blind spots and dispelling assumptions affecting how they advocate for racial equity.[17] And the Foundation partnered with the competition group Lever for Change to launch Racial Equity 2030, a $90M initiative to scale solutions addressing political, social, and economic disparity.[18] By taking a wide view and looking both internally and externally, Kellogg is engaging leaders across sectors to create change not just for individual actors, but also for entire systems.

IMPLICATIONS AND TRADE-OFFS

Funders who aim to address issues of race and power point to multiple imperatives. For many, it is a prerequisite to a fair, inclusive, and equitable democracy and economy. It can also be a more fundamental, moral imperative for many. By using power to influence stakeholders or by sharing power with grantees and communities, philanthropy can start conversations on racial justice and mobilize concrete action. As Clotilde Perez-Bode Dedecker, President and CEO of the Community Foundation for Greater Buffalo, said, "Pick your rationale for pursuing racial justice, and be intentional about how you apply it throughout your philanthropic work."

Most funders aiming to address race and power recognize that the path forward is complex and often slow-moving. For one, the high levels of socioeconomic and political disparities in communities of color necessitate coordinated and sustained levels of multi-stakeholder commitment. A single funder or a five-year strategy alone is not enough to address enduring racial power disparities. Some funders also have expressed difficulty in getting broader buy-in, especially from white donors. In 2019, the Central Indiana Community Foundation (CICF) launched a five-year strategic plan centered on racial equity, but lost donors in the process. Pamela Ross, CICF's Vice President of Opportunity, Equity and Inclusion, noted that the Foundation's strategy met skepticism from donors who may not have recognized their own implicit biases and felt uncomfortable with a "different kind of truth that we just don't want to face."[19]

And beyond the work on individual funders, the data and systems for accountability are lacking across philanthropy. Carly Hare, National Director/Coalition Catalyst at Change Philanthropy, notes, "The systems of accountability we have are really flawed. They don't capture the right information. While some funders may release information about the racial and ethnic makeup of their grantees, it isn't commonplace. As a result, the information isn't available or searchable across funders. And when looking at intersectional issues of race, ethnicity, gender, disability, and others, the data is even murkier."

As funders work to address race and power, what's clear is that no one single organization has arrived at the answer. Work on racial justice and equity is ongoing and will continue as more people and organizations from all backgrounds work to rebalance power in our organizations, systems, and society.

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What's Next for Philanthropy in the 2020s
Edge Overview: **Catalyzing Leverage**

Gabriel Kasper, Justin Marcoux, Jennifer Holk, and Jeff Morshed

About this Document

This document is a companion piece to the Monitor Institute by Deloitte's ***Seeing Philanthropy in a New Light*** report. It was created as part of the field-wide "What's Next for Philanthropy in the 2020s" initiative, supported by **Deloitte Tax LLP**, the **Robert Wood Johnson Foundation**, the **John D. and Catherine T. MacArthur Foundation**, the **W.K. Kellogg Foundation**, and the **McConnell Foundation**. The initiative engaged more than 200 philanthropy executives, professionals, donors, board members, experts, and grantees in a dialogue about the current state of philanthropic practice and where it might be headed in the coming years. To learn more about What's Next for Philanthropy in the 2020s, visit **www.futureofphilanthropy.org**.

N THE MONITOR Institute by Deloitte's *Seeing Philanthropy in a New Light* report, we explore how the world around philanthropy is changing, driven by a range of powerful social, economic, and political trends and forces. While foundations and donors have significant freedom to ignore many of these changes, certain "Big Shifts" around the field have proven to be inescapable.

Alongside these Big Shifts—and in many cases, in response to them—people and organizations are continuously experimenting with new ideas and strategies at the edges of the field. Most of these new approaches remain small and marginal to the mainstream core of philanthropic practice. But the "Edges" that are particularly well aligned with the Big Shifts show an outsized potential to sway and reshape the core over time. They can ride the momentum of the Big Shifts to grow in a way that will allow

them to influence (or even overtake) the practices of the core over time.

Our aim is to identify promising Edges that, if scaled, could begin to challenge or change some of the core practices of the field that are no longer a good fit for today's philanthropic context. These are spaces for innovation where the Big Shifts are forcing philanthropic leaders to adjust their approaches and strategies. What these Edges will look like in the future isn't entirely clear yet, but there is an opportunity for funders, both individually and collectively, to investigate, experiment with, and invest in the potential of these promising areas of activity.

This document highlights one of these Edges: **Catalyzing Leverage**. It examines the new practices that are emerging, identifying intriguing "bright spots" emerging in the field and outlining the key implications and trade-offs that underlie the different approaches.

SHIFTS AND EDGES CHANGING THE CORE OF PHILANTHROPIC PRACTICE
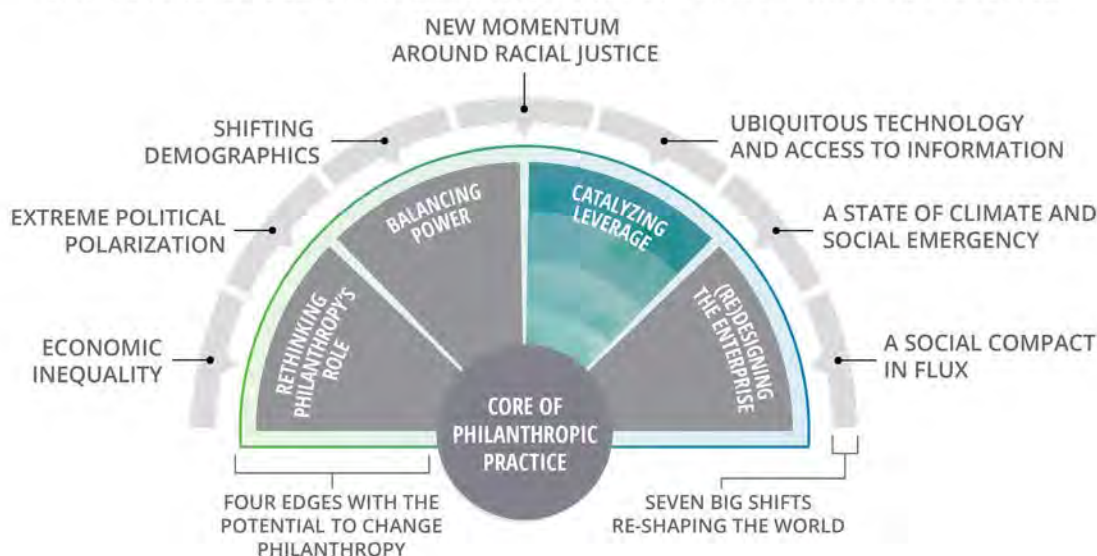
Catalyzing Leverage

"FUNDERS WANT TO know how to make '1+1=3'," shared Jim Pitofsky, Managing Director of Strategic Alliances at the John Templeton Foundation. This sentiment has been echoed over and over by leaders across the field: Philanthropy is an important part of creating social impact, but funders can have an even greater impact by fostering dialogue; finding common ground for partnerships; and creating alliances with others, both inside and outside of the social sector.

Organized philanthropy's assets are typically dwarfed by other players: Individual donors give almost four times as much as institutional funders, and the combined assets of both pale in comparison to that of the government and, even more so, the private sector.

So a growing number of funders have begun to recognize that they can have a greater impact by catalyzing leverage—mobilizing the assets of other stakeholders to better match the scale and scope of the problems they're seeking to address. They're moving from a traditional focus on "assets under management" to instead think about what Tony Mestres, the former President and CEO of the Seattle Foundation, has termed "assets under influence." These funders are reorganizing their work to intentionally sway the outsized resources of other philanthropic funders, private sector companies, and government funding flows.

There are a variety of ways that funders are trying to catalyze leverage. Some of the most prominent include:

- **Unlocking and guiding capital:** Funders are testing ways to unlock dollars and influence donors to give more, give smarter, and give together.

- **Aligning action:** Funders are coordinating their activity and combining efforts in new ways.

- **Influencing and partnering with business:** As companies are articulating a greater sense of "purpose" and embedding it in their work, they are creating new openings for philanthropy to support or align efforts based on common interests.

- **Redirecting government funding flows:** Funders are trying to achieve social goals by tapping into and influencing the allocation of local, state, and federal government dollars.

Many of these practices may not seem like uncharted territory, as funders have long been pondering ways to collaborate together or with the other sectors. However, today's increasingly complex and interconnected challenges, whether at the local or national level, call for a range of viewpoints, a diverse set of skills and resources, and coordinated efforts. No one organization has the assets or reach to solve them alone. And we are beginning to see new angles and new energy emerging around many of these old approaches as funders look for ways to increase their impact and amplify their own efforts.

Edge Practice 1: Unlocking and guiding capital

One way to catalyze leverage is by simply getting more dollars to support philanthropic causes. Strong markets and rising economic inequality have resulted in vast individual fortunes, as well as large numbers of "mass-affluent" donors. Their resources have the potential to be used for philanthropic purposes, but many leaders remain concerned that a great deal of capital for social impact remains sitting on the sidelines. The share of Americans making any charitable donation has declined from 65% in 2008 to 56% in 2014, and experts predict additional downward pressure on philanthropic giving, as changes in US tax laws will likely result in fewer people itemizing their deductions over time.

UNLOCKING MORE CAPITAL

To promote more giving, a growing number of efforts are focused on trying to unlock philanthropic capital by encouraging new giving from donors both large and small.

> **Many leaders are concerned that a great deal of capital that could be used for social impact remains sitting on the sidelines.**

At one end of the spectrum, the Giving Pledge calls upon many of the world's wealthiest individuals to make a public commitment to increase their charitable contributions. Starting with 40 donors in 2010, the Giving Pledge is expected to grow to include more than 200 people committing upward of $600B by 2022.[3] Other efforts focus on givers of more modest means. In 2009, the Communities Foundation of Texas (CFT) started North Texas Giving Day, an online giving event aimed at enlarging the spirit of local giving. This initiative has consistently grown each year since, from raising $4 million from 6,500 donors in 2009 to almost $80 million from more than 100,000 donors over two events in 2020.[4] These types of efforts aim to unlock greater charitable contributions to a wide range of causes, building community capacity and strength.

GUIDING NEW PHILANTHROPIC CAPITAL

For donors looking for more direction and coordination, recent years have seen significant growth in the number of intermediaries that are playing an important role in unlocking philanthropic dollars and guiding capital. Groups such as Blue Meridian Partners, New Profit, and Co-Impact provide value to donors and to the field by pulling resources off the sidelines, aggregating funds for greater impact, and targeting areas in need of greater investment. Co-Impact, for example, aggregates capital from individual donors, institutional foundations, and corporate funders and puts their dollars toward systems change efforts in international development settings. Olivia Leland, Founder and CEO of Co-Impact, describes the gap in the social sector that intermediaries can fill. She says, "There are few effective mechanisms to match leaders looking to solve social issues at scale with the philanthropists interested in providing the right size and kinds of capital, and the partners needed to succeed. Consequently, these two types of powerful assets remain relatively disconnected, causing both to fall short of their full potential for impact."[5] Successful intermediaries help to create a flywheel that aggregates donor capital, guides it to impactful efforts, and, over time, can create a stronger social impact funding ecosystem.

Another interesting intermediary that is bridging the gap between individual and institutional funders is Gates Philanthropy Partners, a "sidecar" fund that lets donors give seamlessly to Gates Foundation grantees and initiatives. The program has grown from 138 to 5,120 donors between 2017 and 2020 and received more than $100M in donations in 2020 alone.[6] While managing these donations is certainly more work, it represents an interesting model for how institutional funders can better connect with individual donors and direct more resources to the important work of their grantees.

Additionally, giving circles—groups of people who pool individual donations and then work together to choose the recipients of their collective philanthropy—have seen explosive growth over the past two decades. There are now more than 2,000 giving circles in the United States, involving more than 150,000 individuals, and the first infrastructure group for giving circles, Philanthropy Together, was formed in 2020. These groups allow a diverse range of participants to connect, give, and learn about grantmaking and community issues.[7]

NEW KINDS OF CAPITAL FOR SOCIAL IMPACT

Beyond increasing charitable contributions, funders are also unlocking different kinds of capital for social change. Impact investing has grown from a nascent market to a more than $715B industry over the past decade as funders look to align their investments with their values and vision for impact.[8] The Global Impact Investing Network has been instrumental in promoting this growth and has helped elevate the importance of creating measurable social and environmental benefits alongside financial returns. The development of the impact investing space has also fueled new kinds of structures, from social impact bonds to B

corporations, that are bringing new resources off the sideline. And other forms of giving, like crowdfunding for individuals, socially responsible consumer purchases, and political contributions are also altering the landscape of giving and creating new ways to unlock and guide capital toward social impact.

IMPLICATIONS AND TRADE-OFFS

Persistent wealth and economic inequality continues to create both increased need in communities and a growing number of people with large fortunes. Around the world, this is prompting larger conversations about society and wealth distribution and whether wealthy individuals should be *persuaded* to give more or *compelled*. This discussion manifests in different ways—in public debates about taxation and in philanthropic conversations about charitable policy and foundation payout rates. Some funders and experts, for example, are advocating for policies like the "Initiative to Accelerate Charitable Giving" that mandate or incentivize greater levels of giving.

But others are experimenting with more voluntary efforts to unlocking capital. By doing so, funders can help move resources off the sidelines and into important efforts that can benefit people and the planet. And as more donors enter philanthropy for the first time, intermediary and advisory organizations can help guide that capital to increase impact. Yet, some still wonder whether simply producing more philanthropy, on its own, is enough. As Kim Syman, a Managing Partner at New Profit, has asked, "What's the good of unlocking new dollars if they are just following existing dollars and perpetuating a broken system?" She suggests that funders take a step back and ask whether philanthropic dollars are fixing the root causes of society's challenges or just masking them with the veneer of benevolence.

Edge Practice 2: Aligning action

Catalyzing leverage goes beyond just dollars. Funders are collaborating in different ways to better leverage their relationships and resources to share knowledge, influence others, and bridge the divides of increasing polarization. While funder collaborations aren't new, many practitioners noted to us that after years of growth, philanthropic collaborations may finally be hitting their stride. As funders work on complex, interconnected issues across geographies, there has been more interest and effort to connect with others and make shared progress.

NETWORKS FOR LEARNING AND ACTION

One funder collaborative that helps to wrestle with complex issues across geographies is the Community Foundation Opportunity Network (CFON), a national leadership and action network of community foundations committed to increasing social and economic mobility. Many funders were working independently on issues related to education and economic opportunity. But ideas and approaches from one community weren't always being shared with others so, in 2016, a group of community foundations first came together to form the Network that adapted the strategic framework of the U.S. Partnership on Mobility for Poverty and the research of Raj Chetty to dramatically increase social and economic mobility.

CFON is designed to empower foundations and their partners on the ground to learn faster, develop new approaches, rapidly prototype those ideas, attract significant philanthropic investments, and scale innovations and strategies that produce results. To help increase impact, CFON facilitates "strategy action labs" where four to six foundations come together to learn and share experiences to make more concentrated progress on a given issues area identified within the strategic framework of the U.S. Partnership.

Most recently, the Community Foundation Opportunity Network has organized and launched the Network for Equity + Opportunity Nationwide (NEON), an aligned action network of leading community foundations committed to the goal of dismantling structural and systemic racism and achieving equity in social and economic mobility in their communities. These foundations have agreed on common metrics and specific strategies that they will address collectively. Based on the value of collective impact, NEON seeks to leverage national foundation and donor funding to scale evidence-based approaches to achieve this goal.

> **While funder collaboration isn't new, many practitioners noted that after years of growth, philanthropic collaborations may finally be hitting their stride.**

These kinds of collaboratives have been valuable and enduring because they gather funders, promote the cross-pollination of ideas and tools, offer a space to coordinate action, and even serve as an invitation to others to join in important work. As challenges become more complex—across issues and geographies—collaborations of all sorts are poised to help funders make greater impact than they could alone.
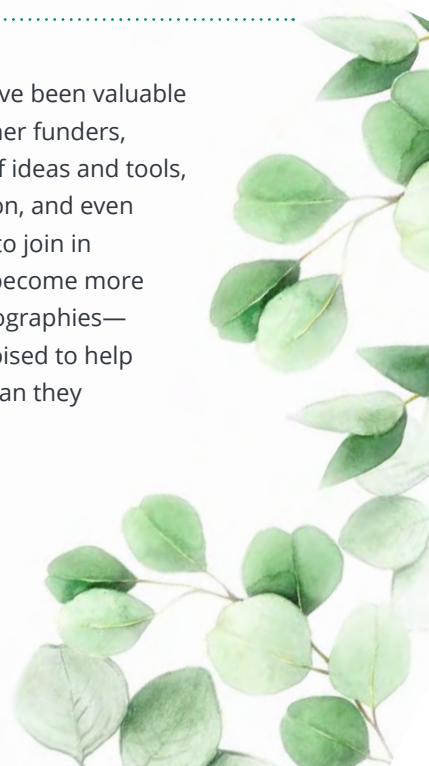
NETWORKS OF NETWORKS (OF FOUNDATIONS, DONORS, AND COMMUNITY GROUPS)

Funder networks are also increasing in their scope and scale, working to bring together different actors all committed to a common goal. The Solidaire Network, a network of 250 wealthy, social justice–minded donors, helps to support grassroots movement-building organizations and emergency funds. Individual donors are the central core of Solitaire's network. Executive Director Rajasvini Bhansali explains Solidaire's efforts, stating, "What's unique about our donors is that they act as 'donor organizers'—working quickly to mobilize others to move critical resources to people and organizations on the front lines—and, in the process, transforming their relationship to power and wealth."[9] These donors don't just sign on to write a check. They also commit to grow resources and relationships in service of the network's goal of supporting long-term social movements.

Solidaire's network of donor organizers is only part of the equation. The fund's members are constantly scouting for and funding organizations, and that information can be shared rapidly. For example, many of its members wanted to make donations to initiatives supporting racial justice in the weeks after the killing of George Floyd. Solidaire initially drafted a spreadsheet with the contact information of organizations in the "Black liberation ecosystem" that its members had previously supported. But this spreadsheet was circulated rapidly because of the trust and credibility of the network. So Solidaire established the Black Liberation Pooled Fund, which amassed $800,000 in just a few months and later received multimillion-dollar commitments from large institutional foundations.[10]

Emergent Fund, now its own social justice fund, brings together grassroots movement supporters and institutional funders to fund rapid-response efforts for BIPOC movement leaders. This network of networks (donor organizations, on-the-ground partners, institutional funders, and even other donor networks) represents an expansion of the traditional institutional funding collaborative.

COLLABORATING ACROSS LINES OF DIFFERENCE

While many collaborations focus on bringing together like-minded individuals and organizations, other funders are looking to align action in ways that start to bridge important social divides. To that end, many who hold opposing political ideologies are actively exploring partnerships around a shared set of interests. For example, the Quincy Institute for Responsible Statecraft, a "transpartisan" national security think tank advocating for US military restraint internationally, was established in 2019 with support from funders across the political aisle, particularly Charles Koch and George Soros. Despite deep political divides in the foreign policy arena, the founders of the Institute believed that there was political alignment on the issue of military interventions and knew that they needed to engage funders across the political aisle to establish credibility. Trita Parsi, Cofounder and Executive Vice President of the Quincy Institute, shared, "It was clear to us from the very outset that this would need to have the support of both the left and right, that this is not a perspective that only belongs to one specific political angle."[11] Other efforts to bridge across difference are emerging as well, as a number of funders recognize the growing challenges of political polarization and are looking for ways to find common ground.

IMPLICATIONS AND TRADE-OFFS

When done well, philanthropic networks allow funders to identify and engage more of the stakeholders that are essential to addressing an issue, to build shared understanding of complex problems, to mobilize resources that match the scale of the challenges, to work together to test a range of possible solutions, and to create feedback loops and systems for sharing that can facilitate collective learning and action.

This type of collaboration isn't new, but networks today can be bigger and move faster, aided by advances in technology. And as philanthropic networks grow in size and scope, there is an opportunity for funders to align action in new ways and bring more resources, attention, and creativity to address pressing social issues. They can help established funders access new and diverse perspectives and leverage their knowledge and experience to guide the resources of their peers while allowing newer entrants to move into and learn about new spaces much more quickly and easily. Yet many funders struggle to fit collaboration into their already busy "day jobs." Working collaboratively means giving up individual control; overcoming logistical barriers to working together; being patient with time-consuming group processes; and figuring out ways to manage conflicting priorities, timetables, cultures, and goals. Moreover, funders don't "have" to collaborate. Because the field is voluntary and independent by nature, there's no pressure that requires any one funder to respond to another, to learn, or to

change course. As a result, what gets called collaboration in philanthropy can often just be the "Venn diagram" space where the interests of funders happen to overlap. Critics argue that the collaborative process doesn't necessarily involve meaningful compromise, learning, or long-term behavior change by any of the stakeholders involved. Some have also questioned whether collaborative funds allow philanthropies to offload doing the internal work required to more effectively work with grantees on challenging issues. In the racial equity space, for example, several nonprofits noted how funders are able to support a pooled fund making grants to BIPOC leaders and movements without having to do more significant work on their own internal processes and practices.

What gets called collaboration in philanthropy can often just be the "Venn diagram" space where the interests of funders happen to overlap.

Edge Practice 3: Influencing and partnering with business

In recent years, the private sector has begun discussing social and environmental "purpose" less as a feel-good aspiration and more as a strategic imperative. As BlackRock CEO Larry Fink notes, "Without a sense of purpose, no company, either public or private, can achieve its full potential." And corporations are increasingly talking the talk of social impact. In a 2019 survey of business CEOs, respondents ranked societal impact (related to diversity, income inequality, and environment) as the top factor they used to measure success of their company's annual performance.[13]

While philanthropic funders have real questions about how much of this talk will turn into action, it is clear that companies are facing growing pressure from employees, consumers, investors, and regulators around questions of purpose and social impact. And these growing pressures are creating new opportunities for mutual benefit between funders and businesses.

PARTNERING WITH COMPANIES

Funders and businesses haven't historically been the closest of allies. As one foundation leader told us, "Companies don't really want anything that foundations have to offer." Business leaders know they can't access philanthropic financial resources, and their corporate social responsibility work typically centers on nonprofits, not foundations. Meanwhile, many funders philosophically see companies as part of the problem—not part of the solution. They note that even "high-road" companies operate in broken systems and that a funder's limited resources are categorically better spent changing these systems than partnering with companies to better operate within them.

As companies are growing more open to conversation about their purpose and impact though, some funders are increasingly approaching relationships with companies not by telling them what to do, but by proactively looking for places where interests overlap.

One area that seems particularly fruitful is around workforce issues, where funders are looking to create opportunities for workers facing structural barriers to employment while employers are looking for new sources of talent and thinking through ways to advance diversity, equity, and inclusion within their organizations. In addition to funding training programs that increase the "supply" of trained workers, The James Irvine Foundation is engaging directly with companies to increase the "demand" for workers as well. For example, Irvine partnered with the Entertainment Industry Foundation (EIF) to understand hiring and training challenges facing Hollywood studios and convene industry executives on opportunities for greater coordination; this resulted in the launch of the EIF Careers Program, a platform for aspiring workers from underrepresented backgrounds to find entry-level employment in the Los Angeles television and film industry and receive ongoing support as they advance in the industry.[14] Beyond funding training programs, Irvine and EIF took a novel approach by partnering with employers who wanted to solve a systemic industry challenge around diversity, equity, and inclusion.

INFLUENCING INDUSTRY STANDARDS

Funders can also work with the private sector to change industry standards that influence the behavior of a much larger number of businesses and companies. The David and Lucile Packard Foundation and the Walton Family Foundation, for example, have invested heavily in developing standards, ratings, and certifications programs in the global seafood industry. Recognizing growing consumer interest in sustainable and

just business practices, these programs have pushed business to adopt practices that promote ocean conservation, disincentivize the capture of endangered fish, help buyers identify compliant fisheries and merchants, and establish human rights expectations in fisheries across the globe. Owing in part to these efforts, standards programs focused on sustainability now cover 47% of the world's seafood production.[15]

IMPLICATIONS AND TRADE-OFFS

The allure for funders of engaging with businesses is simple: creating sustainable change at scale. Because of the enormous size of businesses' workforces, direct sales, supply chains, and procurement, seemingly small changes—like fast food giants shifting their supplier requirements or grocers promoting organic produce—can have massive, cascading impacts on social and environmental goals. And if shifts in these corporate practices are reinforced by market incentives, they don't necessarily require continued philanthropic subsidy over time.

But getting past historical barriers to collaboration can be much more complicated for funders and businesses. Many foundations and their staff have to work through deeply ingrained attitudes about the private sector and are mistrustful of corporations and their commitment to achieving social and environmental goals (rather than the public relations benefits that accompany working toward them).

Funders also need to manage concerns about the opportunity costs associated with working with employers. Most foundations would need to invest both in building internal capacity to work with for-profit companies (hiring people who are more familiar with businesses and their needs) and in creating the space for convening and partnering with businesses (which often don't have significant budgets available for exploring new potential social impact opportunities). Critics argue that funders effectively end up "subsidizing" businesses by investing heavily in areas where they feel companies should be taking the lead.

> **Because of the enormous size of businesses' workforces, direct sales, supply chains, and procurement, seemingly small changes can have massive, cascading impacts on social and environmental goals.**

Edge Practice 4: Redirecting government funding flows

The idea of funders partnering with government is as old as institutional philanthropy. Everyone knows the story of Andrew Carnegie's public libraries, where he essentially went to municipalities across the country, offering to build a library for their residents if the town would cover the ongoing costs of maintaining the libraries. And this notion of working together with government—of philanthropy serving as the "R&D wing" of the government—has remained pervasive through much of philanthropy's history. Given that, for most places and issues, government funding to social causes dwarfs that of private funders, government was naturally seen as a key lever for impact.

But in the 1960s, policymakers began to grow concerned about philanthropy unduly influencing government. The Tax Reform Act of 1969 limited political activities by foundations and had a chilling effect on the relationship between funders and the government for decades.

In recent years, however, funders have begun to lean back into policy and advocacy—with a clear understanding of both the legal limitations and the possibilities—because the sheer scale of resources and opportunities for impact are so high.

ENGAGING IN ADVOCACY TO UNLOCK RESOURCES

In Los Angeles, a consortium of 30 philanthropic funders—including the Conrad N. Hilton Foundation, California Community Foundation, United Way of Greater Los Angeles, The California Endowment, Weingart Foundation, and many others—collaborated in an effort to influence government policies around homelessness and supportive housing. The funders supported nonprofits focused on homelessness, engaged housing developers, and built political support by raising public awareness through media campaigns and education about permanent solutions to homelessness.

This long-term investment by funders in organizations focused on permanent housing led to instrumental change in Los Angeles. Nonprofit organizations passed Proposition HHH in 2016 and Measure H in 2017, which called for building upwards of 10,000 permanent supportive housing and raising $3.5B in public sector revenue over ten years, respectively—in addition to other policy wins.[16]

The collaborative philanthropic dollars served as an important catalyst. Millions of dollars in philanthropic investment by the various funders helped leverage billions of dollars in public support and action.

BUILDING GOVERNMENT CAPACITY TO PROVIDE NEW SERVICES

In other cases, foundations are actually working on the other side of the coin, partnering to build the capacity of government to needed public services. Some funders are recognizing that without investing in the capacity of government, typically at the state and local levels, important social needs can slip through the cracks.

For example, the Raikes Foundation worked with the State of Washington to stand up its Office for Homeless Youth (OHY). The Foundation worked closely with youth activists to understand that youth homelessness was unique and needed dedicated representation and expertise in the state's government. To make this vision a reality, the Foundation funded research to understand the scale and scope of youth homelessness in the region, convenings to bring together stakeholders, pilots to test approaches, evaluations, and even short-term staffing for the newly-created OHY. The Foundation was clear from the start that it wouldn't fund long-term service delivery—seeing that as the role of the State—but that it would be a long-term partner on the issue and work in a coordinated way to support young homeless people in the state.

> **In recent years, funders have begun to lean back into policy and advocacy—with a clear understanding of both the legal limitations and the possibilities—because the sheer scale of resources are so high.**

In addition to supporting the OHY, the Foundation continues to fund youth activists, who help to voice their lived experience on issues of housing and homelessness and hold the Office accountable. While many funders would find it tense to work with government agencies and activists at the same time, the Raikes Foundation finds that each group (state, youth activists, and philanthropy) each have a common goal and complementary roles to play in shaping, influencing, and implementing important priorities.

IMPLICATIONS AND TRADE-OFFS

Working with government is a clear way to unlock more resources for important social issues. Doing so sometimes requires engaging in the political process in appropriate ways to influence government priorities and funding flows. Funders may also need to invest in government capacity to implement important changes. When it works, there is a complementarity between the role of government and the role of philanthropy that creates greater impact on a range of public and social issues.

But there are also tradeoffs and unintended consequences of these kinds of relationships between philanthropy and government. Some feel philanthropy may be taking too much of the lead. They see philanthropy providing services that governments ought to and are concerned that private funders are too powerful, as they can unduly influence major government processes. Others see the government as too powerful in terms of what social sector organizations get funded and to what extent. Howard Husock, Senior Executive Fellow at The Philanthropy Roundtable, notes that when government and philanthropy work together, philanthropy has become the "junior partner" in the relationship, as funders contort their giving to align to government priorities and fund the gaps that government grants to nonprofits don't cover. He says, "Philanthropy is best when it reflects the normative views of donors, rather than imposing those views through government action."

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What's Next for Philanthropy in the 2020s
Edge Overview: **(Re)Designing the Enterprise**

Gabriel Kasper, Justin Marcoux, Jennifer Holk, and Jeff Morshed

I N THE MONITOR Institute by Deloitte's *Seeing Philanthropy in a New Light* report, we explore how the world around philanthropy is changing, driven by a range of powerful social, economic, and political trends and forces. While foundations and donors have significant freedom to ignore many of these changes, certain "Big Shifts" around the field have proven to be inescapable.

Alongside these Big Shifts—and in many cases, in response to them—people and organizations are continuously experimenting with new ideas and strategies at the edges of the field. Most of these new approaches remain small and marginal to the mainstream core of philanthropic practice. But the "Edges" that are particularly well aligned with the Big Shifts show an outsized potential to sway and reshape the core over time. They can ride the momentum of the Big Shifts to grow in a way that will allow

them to influence (or even overtake) the practices of the core over time.

Our aim is to identify promising Edges that, if scaled, could begin to challenge or change some of the core practices of the field that are no longer a good fit for today's philanthropic context. These are spaces for innovation where the Big Shifts are forcing philanthropic leaders to adjust their approaches and strategies. What these Edges will look like in the future isn't entirely clear yet, but there is an opportunity for funders, both individually and collectively, to investigate, experiment with, and invest in the potential of these promising areas of activity.

This document highlights one of these Edges: **(Re)Designing the Enterprise**. It examines the new practices that are emerging, identifying intriguing "bright spots" emerging in the field and outlining the key implications and trade-offs that underlie the different approaches.

SHIFTS AND EDGES CHANGING THE CORE OF PHILANTHROPIC PRACTICE

NEW MOMENTUM AROUND RACIAL JUSTICE

SHIFTING DEMOGRAPHICS

UBIQUITOUS TECHNOLOGY AND ACCESS TO INFORMATION

EXTREME POLITICAL POLARIZATION

A STATE OF CLIMATE AND SOCIAL EMERGENCY

ECONOMIC INEQUALITY

A SOCIAL COMPACT IN FLUX

BALANCING POWER

CATALYZING LEVERAGE

RETHINKING PHILANTHROPY'S ROLE

(REDESIGNING THE ENTERPRISE

CORE OF PHILANTHROPIC PRACTICE

FOUR EDGES WITH THE POTENTIAL TO CHANGE PHILANTHROPY

SEVEN BIG SHIFTS RE-SHAPING THE WORLD

(Re)Designing the Enterprise

THE STRUCTURE AND CONFIGURATION of philanthropic enterprises have long been guided by a number of "default settings" that continue to hold powerful sway over much of the field. That's not to say that there hasn't been some degree of experimentation in the field, but even as the world has shifted dramatically around philanthropy over the decades, the normal assumptions about how philanthropy should be governed, structured, and managed have remained largely unchanged.

This is at least in part because philanthropy lacks many of the external pressures that typically spur organizational adaptation and innovation in other industries. Philanthropy doesn't have to adapt to keep its customers. It's not answerable to voters at the ballot box. And the result is that the traditional ways that many funders approach board structures, staffing, programmatic focus, and organizational roles have remained largely the same.

Yet many of these traditional structures and approaches may no longer be an optimal fit for addressing today's complex challenges. As funders begin to work differently—incorporating impact investing, engaging in public policy, working with businesses, catalyzing local systems change, shifting culture and popular narratives, and much more—they are experimenting with alternative organizational structures that may fit better to facilitate those activities. Funders are also redesigning their operations—from their daily grantmaking processes to board governance—to help them more effectively learn from their efforts, adapt, and create lasting change.

Our research identified at least four ways that funders have been actively trying to redesign the philanthropic enterprise:

- **Rethinking organizational forms:** Funders are experimenting with new structures for accomplishing their philanthropic goals, including DAFs, 501(c)(4)s, and LLCs.

- **Reconfiguring organizational design and talent models:** Funders are looking for new ways to organize and staff their work that better match their strategies and objectives.

- **Reconceiving governance:** Some funders are thinking carefully about the makeup and role of their boards to better position trustees to add value and provide effective governance.

- **Improving grantmaking processes:** Other funders are looking at the policies and processes they use in their work to make sure their practices are aligned with their values.

How an organization governs, structures, and organizes itself will have significant implications for how easily it can deliver on its aspirations, how it is reproducing or challenging existing power dynamics, and how well it collaborates with others to catalyze leverage. Where philanthropic form and function are mismatched, effectiveness and impact will inevitably suffer.

Edge Practice 1: Rethinking organizational forms

The "foundation" form still provides a strong base for accomplishing many important charitable activities. However, donors are increasingly experimenting with alternative structures, such as donor-advised funds (DAFs), 501(c)(4)s, and limited liability companies (LLCs), that have the potential to be more efficient or effective vehicles for impact. From influencing policy to investing in social enterprises, these new structures offer their own unique benefits. And donors don't necessarily have to choose amongst the options; they can be used alongside each other to create a wide-ranging portfolio of impact initiatives that support a funder's goals.

THE GROWTH OF DONOR-ADVISED FUNDS AS A GIVING VEHICLE

Donor-advised funds are not new, but interest in DAFs has exploded in the past decade (see the sidebar). DAFs allow donors to set aside money for charitable use without immediate pressure to decide how to use those funds—a "charitable piggy bank" of sorts. DAFs are also attractive because they offer tax benefits, allow donors to give anonymously, and are relatively simple to create and administer. As Elise Westhoff, CEO of the Philanthropy Roundtable, put it simply, "They allow people to get more money into the sector without the overhead or inconvenience of the private foundation structure."

While DAFs have been an incredibly effective vehicle for attracting philanthropic capital from wealthy donors, skepticism remains about how DAFs are being used. Unlike private foundations, DAFs do not have a minimum required distribution. Although DAF payout in aggregate was 22.4% in 2019,[1] well above the 5% minimum required of traditional foundations, critics argue that an unknown number of DAF accounts are hoarding assets that are locked away in investment accounts while receiving very favorable tax benefits. Critics also note that DAFs may overinflate the value of certain illiquid assets and that the funds are sometimes used by private foundations to game their minimum payout requirements. While the advantages to donors are clear, these critiques in aggregate call into question how DAFs could potentially be made more beneficial to communities and nonprofits.

Some have called for greater regulation on DAFs, while others are experimenting with variations on the DAF model that ameliorate some of these concerns. The North Star Fund, for example, requires its donors to actively make substantial gifts from their DAFs within three years of establishing them, alleviating the concern that DAF holders hang on to their funds for too long. Alternatively, the Napa Valley Community Foundation allocates up to 5% from all DAF accounts each year toward discretionary community impact funds as a way of ensuring that donor dollars are targeted effectively towards regional needs.[2]

DAFS BY THE NUMBERS[3]

- Grantmaking from DAFs in 2019 exceeded $27B, up 93% from 2015

- Assets in DAFs in 2019 reached $141.95B, up 84% from 2015

- Grant payout rate from DAFs was 22.4% in 2019

NEW FORMS FOR NEW FUNCTIONS

DAFs and traditional charitable 501(c)(3) structures hold up well for funders who are primarily focused on making grants to nonprofits. Yet, more and more philanthropies are broadening their aspirations and using other tools, such as policy advocacy or impact investing, to create social impact outside of grantmaking. The 501(c)(3) structure does not lend itself as easily to those functions, and for some wealthy donors, the tax incentives derived from giving through a 501(c)(3) structure are less important than the benefits of using a less restrictive vehicle for creating social impact. Two structures in particular, 501(c)(4)s and limited liability companies (LLCs), have been growing in popularity as ways of giving funders additional latitude to do different kinds of philanthropic work.

501(C)(4)S

A growing number of funders have begun to engage in policy and advocacy in recent years, and since the 2010 *Citizens United v. Federal Election Commission* decision, those with specific policy and political agendas have increasingly embraced the opportunities afforded by 501(c)(4) social welfare organizations, which are permitted to lobby broadly for legislative and regulatory changes.

Charles and Lynn Schusterman Family Philanthropies, for example, includes both the charitable 501(c)(3) grantmaking funded through the Charles and Lynn Schusterman Family Foundation, as well as advocacy activities supported by the Schusterman family. This gives the Schusterman family additional flexibility to use a wide range of advocacy investments, including supporting policies and legislation, to advance their values and work. While traditional foundations are able to do limited policy advocacy, this approach allows funders to connect its advocacy work more directly to its social impact goals.

501(c)(4)s are also becoming an important part of the portfolios of some established foundations (that aren't able to create new (c)(4) structures), given the outsized potential of 501(c)(4)s in influencing policy and the resource flows that accompany them—although it needs to be done carefully. As Tim Silard, President of the Rosenberg Foundation noted, "We try to align and complement our grants to nonprofits with support for 501(c)(4)s working on the issues. In most cases, we don't need new ideas to create the change we want to see. We know what we need. We just need the political will and muscle to win."

LLCS

Limited liability companies, of course, are not new, but using them as a vehicle for philanthropy has become more prominent over the past decade. LLCs have comparatively fewer legal and financial constraints than 501(c)(3)s and allow funders to bring multiple different philanthropic vehicles together under one umbrella. Some parts of an LLC can generate profit, other parts can support social enterprises, and some can engage in policy advocacy and political activity—providing greater flexibility, as well as greater integration, across different efforts.

Emerson Collective structured itself as an LLC in 2004 to be able to leverage a number of these tools when addressing issue areas like education, immigration, cancer research, media & journalism, and the environment. In media, for example, it has launched the for-profit documentary film production company Concordia Studio to promote impactful storytelling and narratives. Guided by the belief that journalism is a means to strengthen democracy, Emerson Collective also supports nonprofit journalism entities such as ProPublica and The Marshall Project. As Anne Marie Burgoyne, a Managing Director of the Emerson Collective, has explained, "We're structured as

an LLC, which allows us … to have a wide variety of individuals with very different skills, very different ways of coming at the world, and different ways of thinking about problem-solving. Our goal has been to ask not just 'How do we make a grant here?' The cry we use is 'How do you go beyond the grant?' … 'How do you use an array of different kinds of tools to create social change?'"[4]

IMPLICATIONS AND TRADE-OFFS

501(c)(4)s and LLCs both provide useful options for funders, providing them a wider array of options for creating change and allowing them to pick the right tool for the job to create impact. Funders who choose to address climate change, for example, may intervene on a number of levels—pushing for policy change through direct political activity, making private sector investments in green energy, and providing traditional grants to local conservation organizations.

And while 501(c)(4)s and LLCs provide funders greater flexibility, there remain a number of concerns. For one, there are worries about the rise of "philanthropic dark money," as these vehicles allow for donors to undertake large-scale philanthropic, political, and financial activities with very limited reporting requirements compared to a traditional foundation structure.[5] Kathleen Enright, President and CEO of the Council on Foundations, notes, "Because LLCs and 501(c)(4)s are less transparent, it is difficult to know who is doing what—and that can ultimately lead to mistrust of our sector. That can feed concerns already raised by critics and ultimately hurt trust. This is worrying for philanthropy's ability to achieve what we hope to because trust is at the heart of strong organizations, effective collaborations, and thriving communities."

Another concern is the general rise of politicization of the social sector. While adding a 501(c)(4) may be the right move for an individual funder or for accomplishing a particular goal, the collective growth of these models has the potential to change the nature of the field as a whole in ways that aren't easy to predict as funders blend charitable and political activity. It could lead to greater scrutiny and regulation, or it could produce more "zero-sum" spending, as philanthropic funders on the right and left of the political spectrum engage in an arms race that leads to more money for lobbyists at the expense of more traditional charitable spending for schools, parks, and the arts. Or the shift could lead to a boon of better public policy that is highly aligned with effective philanthropic activity. No one really knows what will happen, but with greater use of 501(c)(4)s and political spending, the philanthropic sector is heading into uncharted waters.

> **501(c)(4)s and LLCs both provide funders a wider array of options for creating change and allowing them to pick the right tool for the job.**

Nevertheless, it's clear that these alternative structures are becoming increasingly popular with donors who want to be able to use a wider range of tools beyond just grantmaking to achieve their impact goals, meaning that they are, more likely than not, here to stay.
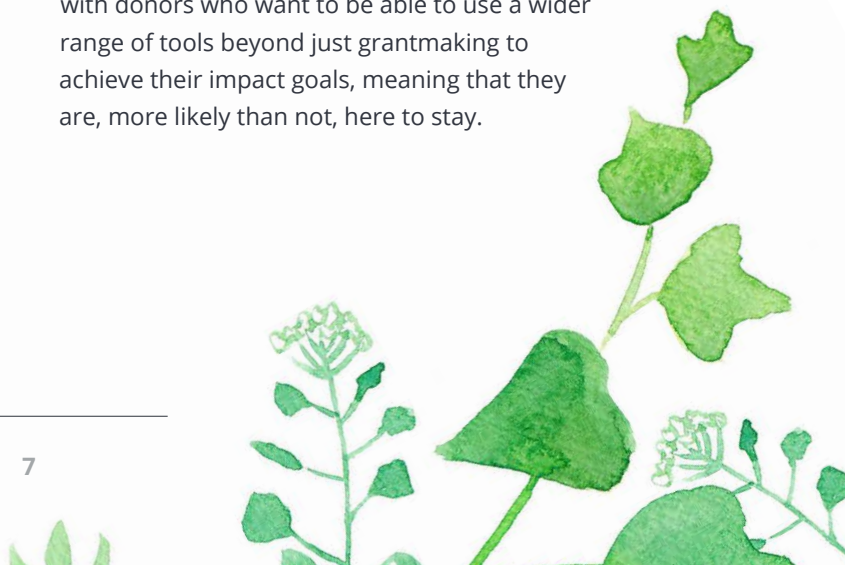
Edge Practice 2: Reconfiguring organizational design and talent models

The rapidly changing landscape of public problem-solving is beginning to challenge many common assumptions about how to organize and staff philanthropic efforts. The default structure for a funder has been to organize under issue areas and hire subject-matter specialists in those areas, but some funders are rethinking this configuration as they clarify their aspirations.

ORGANIZATIONAL DESIGN

With the recognition that people don't live their lives in silos, more funders are questioning why philanthropy is organized that way. "Silos don't work for the interconnected problems we face today," shared Alandra Washington, Vice-President for Transformation and Organizational Effectiveness at the W.K. Kellogg Foundation. Describing the Foundation's journey to become more "networked," she continued, "We needed to start breaking the silos down. After a certain point, we realized we needed to reengineer our whole structure to do that."

By breaking down silos, funders can take more interdisciplinary approaches to addressing issues and even be more nimble. The W.K. Kellogg Foundation adopted Agile practices—a methodology from software development that relies on constant collaboration between cross-functional teams. The approach integrated internal silos and flattened hierarchies. The Foundation moved away from having distinct functional departments toward more self-sufficient, programmatic teams. These teams were staffed with experts across a variety of functions who previously sat in separate units (e.g., communications, evaluation, and grants eligibility). As a result, programmatic teams work collaboratively to answer their own questions rather than engaging in continuous back-and-forth with siloed functions. The Foundation's leadership also decentralized grant approval responsibilities to programmatic team leaders, further empowering them to take ownership of decision-making processes.

TALENT MODELS

As funders rethink their organizational design to work with more agility across silos, they are also considering new talent models. Graham Macmillan, President of the Visa Foundation, reflected on which skills have been valued over time. He said, "Previously, credibility in the field was given to practitioners with advanced degrees in a technical topic. The past twenty years, I've recognized a shift in valuing interdisciplinary skill sets and market-based skills, driven by project management capabilities. Looking ahead, I believe there will be an increased appreciation of the need for values alignment on issues like social justice, equity, diversity, and power."

Funders are looking for skills and experiences that match their approach to creating impact. Those focused on grassroots movement building may hire activists and community organizers, where those engaged in impact investing might hire finance professionals.

One funder shared with us how it shifted its talent model to better address climate change in the United States. In response to a highly polarized political context, bridging the political divide was critical to the foundation, so it built a broad political coalition in the places where it works. Its CEO reflected, "If you believe you need a much bigger tent of coalition members, then you need a ringmaster to organize that tent." So, the funder did something unexpected and hired staff without traditional issue area expertise. When finding talent, the funder prioritized those individuals who possessed deep regional relationships and an ability to engage with stakeholders from across the political spectrum.

Funders are also recognizing that you can "staff" beyond your organization. Why should a foundation define its talent base as only those it directly employs—instead of finding ways to tap the new resources made possible in a more dynamic and networked professional landscape? To do this, some are hiring intermediaries or consultants to help them identify and select potential grantees, bypassing the need to establish a foundation. Others are turning to organizations like Arabella Advisors or Tides to outsource a suite of grantmaking and advisory services. These approaches allow donors to have the benefits of deep social sector and programmatic expertise without the complications of hiring a permanent team. Many community foundations are adding advisory services as well. The Boston Foundation, for example, merged with a philanthropic consulting practice called The Philanthropic Initiative to expand the range of advisory services it could offer to donors.[6]

IMPLICATIONS AND TRADE-OFFS

Efforts to update organizational design and talent models are an important way for funders to better align their daily activities with the impact they hope to create. Doing so recognizes the interconnectedness of the challenges funders are facing and the opportunity to create complementary approaches to engage more (and different) stakeholders, foster collaborative relationships, weave networks, and learn together.

But changes to organizational design and talent models must be carefully planned and implemented. Like most shifts, it is a balancing act, and there are real reasons for having silos in the first place. Silos allow for well-defined programs with clear goals that are staffed with topical or functional specialists. Many funders intentionally build this deep organizational and programmatic expertise over years or even decades. Funders that want to move away from silos may struggle to figure out where in the

organization to house that issue area expertise. And on a practical level, many foundation professionals have worked in a specific organization model for years. Configuration changes can impact morale, staff engagement, and, ultimately, attrition if not handled with care.

Despite these challenges, the upside of integrated, networked approaches to organizational design and talent is bringing some funders back to the drawing board, where they are reconfiguring teams and adjusting talent models to maximize their ability to advance their social impact goals.

Edge Practice 3: Reconceiving governance

The first corporate boards in the United States were born in the 1800s, with a form and function borrowed from Great Britain. Philanthropic foundations later inherited these board governance structures from the corporate sector, but they were not necessarily designed to serve the unique needs of the social sector. As Rebecca Aird, Director of Community Engagement at the Ottawa Community Foundation, summarizes, "Boards are nineteenth-century solutions to twenty-first-century problems."

Grantees, program staff, executive leadership, and board members themselves have all expressed some frustration with modern board governance in the philanthropic context. For instance, board governance can be too slow when responding to crises, too "in the weeds" when approving each and every grant that a foundation makes, too opaque in how they make decisions, and too insular in their composition. Given these challenges, a number of funders are exploring how to ensure that boards and governance are done in a way that adds value and uses board members to their highest and best purpose.

RECOMPOSING THE BOARD

There is little doubt that foundation boards, as currently constructed, often lack significant diversity. A BoardSource survey of foundation CEOs found that 85% of their board members were white.[7] Furthermore, 40% reported that they did not have a single person of color on their board. This gap in racial diversity reinforces the point that philanthropic boards are rarely reflective of the communities they serve. If they were, though, some funders believe that boards could be a powerful catalyst for change. As Arelis Diaz, Director, Office of the President at the W.K. Kellogg Foundation, shared, "If we really changed the face of boards in philanthropy, we could spark significant movement. By changing the composition of leaders that hold power and make decisions, we could collectively inspire and provide the cover for all institutions to change."

In addition, some funders are also changing board composition to prioritize different skills and experiences for new board members. For some funders, this means adding board members with lived experience and community expertise in areas that a funder supports. Others are looking to add more people with foundation and nonprofit expertise on their boards—recognizing that corporate boards are filled with corporate experts and so, perhaps, foundation boards should have greater social sector expertise. The issue of board composition is even more complex for family foundations who are sometimes looking to add nonfamily perspectives to their boards. The Barr Foundation, which was governed by two family members for its first two decades, began an intentional process of adding nonfamily trustees.[8] The Foundation codified this commitment, declaring that the majority of its board must be composed of nonfamily members.

RESHAPING THE ROLE OF THE BOARD

While some funders are thinking about the composition of the board, others are exploring how to rethink the board's role. One of the most traditional roles for boards is program and grant approval. This can be a major pain point for boards and staff alike. Board members feel frustrated when asked to approve grants for organizations they know little about. At the same time, foundation executives and staff devote significant time and energy to preparing for board meetings and managing board members' expectations. Ultimately, many see this as an intricate dance where the result—a rubber stamp for most proposals—leaves everyone dissatisfied.

A handful of funders have begun rethinking board governance processes so that board members, executives, and program staff can play to their strengths. Brenda Solorzano, CEO of the Headwaters Foundation in Montana, actively engaged her board members and helped them reconceive their duties and relationship with staff. She remarked, "I told the board that they would hold us accountable and be in partnership with us. They needed to stay at a governance level, think about our high-level strategic vision, and allow staff to create work plans beneath the strategic vision. After all, why did they hire me if they still needed to be in the weeds?" The Foundation's board moved away from approving grants to setting and steering the overall strategy, spending and investment policies, and a yearly work plan that consisted of a strategic framework for each initiative, as well as aligning on high-level outcomes. As CEO, Solorzano assumed the responsibility of approving grants, and the program staff was free to focus on operationalizing the Foundation's strategic vision rather than dedicate high levels of effort to board management.

RECONSIDERING SPENDING POLICIES

Even if some funders are moving boards out of grantmaking and budgeting processes, boards still play an important role in determining a funder's spending policies. For large foundations, the default setting used to be existing in perpetuity, spending enough to meet their legal payout requirements while allowing their endowment to grow.

Conversations about spending policies have been ongoing in the background for years, but the dialogue has recently been accelerated as a part of philanthropy's rapid response to the COVID-19 pandemic. Now, boards are increasingly asking about whether their organizations should spend more and the implications of doing so.

Many board members have reflexively set their organization's spending rates right around the legal minimum of 5%, with small and infrequent deviations, in order to be good stewards of resources and to ensure that assets grow for

SPENDING DOWN

Beyond just changing their spending rates, some funders are choosing to spend down entirely. In fact, half of all newly established foundations in the past two decades are time-limited, spend-down institutions. Funders are choosing to spend down for several reasons.

For some, spending down allows a funder to make a bigger and more immediate impact. The Aaron Diamond Jr. Foundation, which decided to spend down its assets in response to the HIV/AIDS crisis, invested heavily in research resulting in the discovery of combination drug therapy, which reduced the mortality rate of HIV in America and Western Europe by 80%.[9] For funders focused on pressing issues today, there is more consideration of whether spending resources today will ameliorate conditions in the future.

Another reason to spend down more quickly relates to family dynamics and donor intent. As many family foundations are going through generational changes, sunsetting a foundation allows the family to bypass the complexity of managing a perpetual foundation, whose staff members are often navigating the conflicting preferences of multigenerational boards. It also gives living donors more control to ensure that the foundation's spending is in line with their original intent.

Regardless of one's reasoning for spending out, the decision to do so needs to be planned carefully, as it can have unintended consequences. Some proponents of perpetuity note that if everyone were to spend down, it would jeopardize philanthropy's ability to respond to the next crisis and to assure long-term resources for ongoing needs.[10] Others point to the ripple effect on other funders, as well as grantees and communities. Funders whose grantmaking dollars balloon in the short term and then fall to zero creates unusual financial pressures for grantees and the other funders who support them, who sometimes need to make up the loss when a major funder exits an area.

As spend-down foundations grow more popular, their boards need to carefully consider the opportunities and challenges of spending down. Barbara Kibbe, former Director of Effectiveness at the S. D. Bechtel, Jr. Foundation, described how the Foundation thought about life after it closed its doors in December 2020. She said, "We realized we could hurt the field with the money we were pumping out. We had to think about life after we were gone and the durability of our impact. So, we started having conversations with grantees about what would help them continue the work. We decided to make a combination of grants, including programmatic and general operating support, to help them build capacity."

use in future generations. Some funders are making this somewhat mechanical decision more explicit and bringing new analyses to the question. Dimple Abichandani Executive Director of the General Service Foundation, explains, "Spending policies are the invisible architecture in philanthropy. People get caught up in dividing up budget, but the real money is in the spending policy. And just like the budget, it's a reflection of one's values." So, the Foundation adapted the legal principle known as the "Balancing Test" (a process for complex decision-making that allows participants to weigh multiple factors) to reassess its spending policy.[11] Abichandani engaged the board, dividing them into pairs and assigning each to one of seven factors that would guide the Foundation's future spending. These factors included questions about the Foundation's commitment to perpetuity, as well as their approach to responding to the urgent needs of the moment. Each pair presented its perspective, and, after group deliberation, the board voted to increase the Foundation's annual spend to 10% for the upcoming four years.

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"Spending policies are the invisible architecture in philanthropy. People get caught up in dividing up budget, but the real money is in the spending policy."

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IMPLICATIONS AND TRADE-OFFS

There is appetite from many philanthropy professionals, including some board members, to reconceive both the mandate and composition of boards. But these changes can be difficult to make in practice. To address this, some funders have engaged in ideation processes where board members can imagine new possibilities for themselves and even learn about analogous success stories. Brenda Solorzano remarked that members of her board were more inclined to reconsider their responsibilities after they spoke with other foundation leaders who had embarked on a similar journey.[12] Leaders should be mindful, however, that this journey is lengthy and needs to be handled with care. Program and investment staff may see their responsibilities change as the board's role changes. It is important to be transparent about how changes for the board will ripple across everyone's work and have a proactive plan to help teams and leaders navigate these transitions.

While these types of questions about governance and efforts to reform boards are nothing new, there is real opportunity to increase impact by reconceiving governance. Generational shifts for long-established foundations, combined with more nuanced discussion on power across the field, are creating increasingly fertile ground and momentum to do just that.

Edge Practice 4: Improving grantmaking processes

In response to COVID-19, many funders have changed their philanthropic processes, accelerating existing trends related to grantee selection, reporting cycles, due diligence, and measurement. More than 800 funders signed onto the Council on Foundations' pledge to reduce or eliminate restrictions on grants and ease grantmaking and evaluation processes during the crisis. Now that funders have made some significant adjustments though, questions remain about what will stick and what will snap back.

Updating internal grantmaking processes is sometimes relegated to an afterthought in strategy processes, but improved systems can drive program effectiveness, increase impact, and signal a funder's values to external partners. The processes can be just as important to a funder's work as goal-setting and strategy. That's because, outwardly, funders are committed to helping grantees achieve their goals, but inwardly, they are structured to optimize for their own, rather than grantee needs. And every hour grantees spend on entering information into foundation systems is one hour fewer spent on programmatic work. That's part of why changes to processes can have deep implications for how funders and grantees work together.

MAKING THE APPLICATION PROCESS EASIER AND MORE EFFECTIVE

Many funders are trying to improve the application and due diligence processes, making them less burdensome and more useful for potential grantees. JustFund, a giving platform designed to reduce friction in grantmaking, created a common proposal for grantees, similar to the popular "Common App" for undergraduate university admissions. Grantees fill out the proposal once and use it to apply to funding opportunities while making their work visible to all funders. Alternatively, the Robert Sterling Clark Foundation asks prospective grantees to submit an application that they previously sent to another funder.[13] This way, the Foundation can understand the nonprofit's work and make decisions on providing multiyear general operating support without requiring the organization to write a new proposal.

Other funders are making the application process more collaborative and productive for grantees, acting as a real partner through the process. The John D. and Catherine T. MacArthur Foundation's *100&Change* prize competition, which awards a single $100M grant to an organization with potential breakthrough ideas, aims to improve its due diligence process by bringing a learning orientation. The Foundation works to help push potential grantee ideas forward, even during the application stage. MacArthur and its affiliate, Lever for Change, have developed an organizational readiness tool that allows nonprofits to self-assess their application and established a peer-to-peer review process where prospective applicants review each other's proposals. Proposals that pass this initial screening receive feedback from five "wise-heads," global luminaries and thought leaders from across sectors. Finalists are assigned a technical reviewer who has expertise in the field to continue refining the project idea. Importantly, it is a co-creative process. The goal is for nonprofits to advance their ideas during this stage, not just have them evaluated. The competition also promotes top-ranked, vetted proposals in the "Bold Solutions Network," a marketplace that allows other funders to consider financing these ideas. The network has already unlocked an additional $419M beyond what 100&Change has funded.[14]

While there are many different approaches to improving application processes, many are grounded in the belief that funders should aim to reduce the burden on grantees, allowing them to put their time and energy into the work with communities, rather than their work with funders.

BUILDING LONG-TERM GRANTEE PARTNERSHIPS

One of the most cited pain points for grantees is the expectation that they will jump through fundraising hoops—*annually*. One nonprofit leader exclaimed, "[The process] blows my mind. We've been around for years and partnered with the same funders repeatedly, but we still need to submit meticulous funding applications every year. Just trust us already!"

To reduce this burden, some funders are exploring longer-term options and take a more graduated approach to building a relationship and trust. Mijo Lee, a board member of Grassroots International, described its "long-term partnership" model. Both sides enter a partnership, in the beginning, through a small grant. As the relationship deepens, rather than establishing a funding relationship and revisiting it annually, Grassroots International is making a long-term commitment to accompany its partners, in recognition of the long-term nature of deep societal transformation. Lee shared, "Once we establish that partnership, our partners don't have to worry about whether their funding will get renewed every year. As long as we are in operation, they can depend on it; it does not change with a change in leadership or some new trend. Only once, in my five years, have I seen a long-term partner defunded. That was a mutual decision because the grantee decided to pursue a new vision altogether. Ultimately, it becomes less of a funder-grantee relationship, but more of a political ally, who is not looking for short-term outcomes, but long-term change and

movement building." This kind of long-term approach invests heavily in the funder-grantee relationship initially, building trust for the long run.

INCREASING TRANSPARENCY

To some, transparency is about being clear on what you do and do not fund, but a more complete picture of transparency involves much more. It's about having "glass pockets" about who you work with, what you do, and how you do it. Louise Pulford, CEO of the Social Innovation Exchange, shared, "Most foundations think they are more transparent than they really are. There is so much that goes on inside the 'black box,' especially with regard to how decisions are made. These decisions include how people are hired, how grants and contracts are given, how strategic focus areas and topics are decided upon, and what considerations drive funding decisions."

The Autodesk Foundation is one example of an organization working to build transparency and accountability into all aspects of its work. Through an open discovery form hosted on the Autodesk Foundation website, any interested organization can self-nominate and connect with Autodesk Foundation's Portfolio & Investment team. After a grant is awarded, due diligence records are available upon request to other funders and grantees, including notes on potential risks and impact opportunities. Moreover, the Foundation has published a five-year road map of its funding areas, rationale, and impact targets to create accountability and provide clarity to current and prospective portfolio organizations. Joe Speicher, Executive Director of the Autodesk Foundation, said of these efforts, "Those of us in philanthropy need to be clear about what we are funding, why we are funding it, and what the criteria is; it's the first step to reducing bias - and ultimately leads to better impact outcomes."

MEASURING EFFECTIVENESS IN GRANTMAKING

Alongside grantmaking processes, many funders are also rethinking the way they approach monitoring, evaluation, and learning as new data methods, tools, and analytics continue to expand. Andrew Dunckelman, the Impact and Insights Lead for Google.org, for example, explained, "Philanthropy struggles to talk about our impact and measure it. But technology can help. We think about 'lean data.' We want to get maximum insights from the minimum amount of input." The Google.org team is exploring how artificial intelligence and machine learning can reduce the burden on grantees while helping organizations to learn from each other more effectively.

But you don't have to be a technology firm with artificial intelligence capabilities to be thoughtful about evaluation. As the Monitor Institute by Deloitte's 2018 *Reimagining Measurement* report noted, the starting point for measurement shouldn't be about metrics and methods, but rather on deeper questions about what decision-makers need to know to make better choices. As one expert told us, "Instead of evidence-based decision-making, we need decision-based evidence-making."

The challenge is for funders to think about how they can work with grantees and other partners to learn more productively and improve their efforts. The Open Society Foundations, for example, have recognized that it's hard to focus on lessons to be learned from various projects when evaluation is considered only in relation to what grants to support and renew. So the foundations have separated conversations about funding allocations from those focused on learning from projects they supported.[15] That way, nobody feels as though they are being graded or penalized, and what's learned can be useful in future grantmaking.

IMPLICATIONS AND TRADE-OFFS

Funders are looking to strike a balance with many of their grantmaking processes. Funders are looking to find the right mix between providing longer-term funding to core grantees while also moving beyond the proven "usual suspects"; between easing burdens on grantees and getting the right information; between having an open door and saying a lot of "no's" or having more targeted process and saying "yes" to more applicants. For each funder, this balance looks different.

Another reason that funders are focusing on their processes is that, without developing internal processes that match their stated values, funders can inadvertently undercut the authenticity and intent of their work. So, while conversations about workflows and processes may not attract headlines any time soon, they have meaningful implications for how much effort nonprofits are dedicating to their work in communities and how much they are dedicating to funder management.
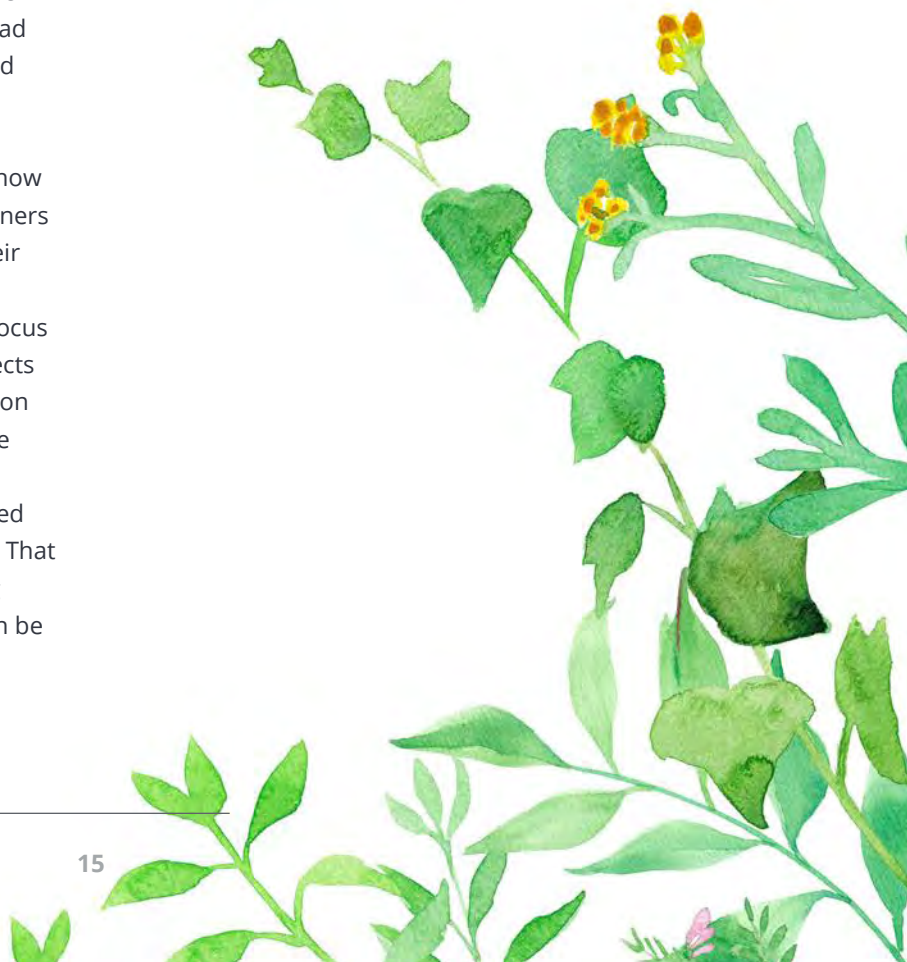
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