The Center on Philanthropy & Public Policy

FOUNDATIONS FOR THE FUTURE

Emerging Trends in Foundation Philanthropy

Lucy Bernholz

Research Paper - 1
January 2000

UNIVERSITY OF SOUTHERN CALIFORNIA

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Printed in the United States of America

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-Albert Einstein

Introduction

Foundations are currently experiencing an unprecedented period of change. Historically, change in the foundation sector has been created from within or in response to legislative and regulatory changes. At the cusp of the 21st century, however, foundations face a barrage of simultaneous external forces that are redefining the world in which philanthropy operates. Never before in the history of the philanthropic sector has so much change taken place, at such a rapid pace, outside of the control of the foundations themselves. This paper presents the societal trends that are affecting philanthropy, analyzes the impact they are having on foundation programs and operations, and discusses ways that foundations might reinvent themselves to capitalize on the unique opportunities present in today's environment.

An Overview of the Drivers of Change

A number of significant trends are driving change in the philanthropic sector as a whole, and in the foundation sphere specifically. The first is the growth of the sector due to the creation of new wealth, the intergenerational transfer of wealth, and the birth of 'conversion foundations' from formerly nonprofit organizations. At the projected rate of growth, the foundation sector stands to double within the next decade. The second trend is the rocketing availability of new tools and services to facilitate philanthropy, including the advent of *e*philanthropy and the explosion of charitable management by financial services firms. The third trend relates to business as a metaphor and a sphere of influence: philanthropy will be profoundly altered by the culture of entrepreneurship that now characterizes the American economy, especially the high technology sector. A fourth important force comes from changes in the nation's demographic base, including several states where whites will soon become minority populations, the role of second and third generation professional women, and the growth of the elderly population. Changes in public funding practices, primarily the devolution of funding and decision-making from the federal government to state and local jurisdictions constitute the fifth source of change. The sixth and final trend is the growing public awareness of philanthropy, largely a byproduct of the growth in the sector, but due also to increased media savvy by the foundations themselves and heavy media attention to the 'conversion' foundations.

These trends have numerous implications for the field of philanthropy. The exponential growth of the sector has produced an era of affiliation and association, with foundations aligned in a crazy quilt of common characteristics ranging from geography, to interest areas, to demographic identities. Individual giving, which has always dwarfed institutional philanthropy, is the target market for *e*philanthropy, and a force that harbors changes for institutional givers as well. There has been significant growth in internet-based giving, and internet services for nonprofits, donors, and foundations.

Changes in the private sector are having a significant impact on the philanthropic community. Community foundations are being spurred to change by the growing number of charitable management services in the private financial sector which utilize many of the tools of the online world. The emergence of social entrepreneurs, who exist because of the implication that government and philanthropic models are predestined to fail, challenges many traditional operating assumptions of foundations. Venture philanthropy has extended one model of corporate success to philanthropy. Public grantmaking charities are emerging in many forms, with some organized by geographic community, some by interest areas, and some by like-mindedness of their donors.

A number of macro-level, demographic forces are redefining who is participating in philanthropy, and where they live. The diversity of people participating in philanthropic institutions has increased, with some groups such as women and young people benefiting more from efforts to diversify than others, including people of color. There has also been a democratization of philanthropy, with new philanthropic tools and benefits opening doors to people of lesser means than traditional philanthropists. In addition, the geographic center of philanthropy is shifting: in 1998 California supplanted New York as the home to the greatest number of 'start up' foundations. Finally, the rise of public-private partnerships and the blurring of the lines which traditionally separated the public, private, and nonprofit sectors challenge philanthropy's operating principles.

New Structures for a New Century: The Information Foundation

While some of the drivers of change today, particularly the internet, may be revolutionary, the changes in foundations themselves are refinements and redirections of the past, not rejections of it. Today's models build directly on those created and refined earlier in this century. The way that the dramatic projected growth of the sector will impact the structure of foundations is much less predictable than the growth itself.

One scenario is simply an expansion of business as usual, only on a much grander scale. Foundations could continue to act as idiosyncratic, tightly shielded institutions, accountable mostly to themselves, and generally unable, as an industry and as individual organizations, to measure their impact. They could continue to be dominated by boards of directors that do not reflect the demographics of the world around them. They may continue to require lots of paper-based materials to be submitted, make decisions that they need not explain, and base their funding cycles on their own institutional convenience rather than the needs of the organizations they fund. They may continue to fund new programs that they expect the public sector to carry forward, while they move on to start new organizations in other issue areas. Foundations may continue to model themselves on corporations, yet remain unbound by the market pressures that shape corporate decisions.

It is also possible that great change is at hand in how foundations operate, as well as how many and how large they are. Foundations of the future may be built from the Internet down, rather than from the filing cabinet and community up. They may have no more infrastructure than that required to be a dedicated button on a donor's personal money management web page. Board members may be selected from around the world and charged with identifying projects in their regions for funding. Decisions could be made by people who never meet in the same room, but instead view proposal recommendations at their leisure and hold a video conference discussion – or simply archive their decisions on a private Internet site and tally the votes.

Foundations also might seek a middle ground between the real and the virtual, the local and the global. If they are designed "from the web down," foundations should recognize that in gathering information from potential partners, reports from past grantees, and research on issues of interest, they have assembled an application process that is in turn a virtual library of issue-specific information.[1] The information a foundation collects and produces can be as valuable a tool for social change as are the foundation's financial resources. Foundations that recognize the value of this asset will place at least as mush emphasis on knowledge development, management and dissemination as they do on grants processing. How foundations provide access to the knowledge they have invested in creating presents many exciting possibilities.

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[1] In some senses, this process is akin to the widespread practice by Internet businesses to "turn customers into data." See Chuck Martin, *Net Future*, 149-184. It is, in some ways, the ability of the Internet to differentiate data and use it to make marketing more successful that is at the heart of the growth of e-commerce.

A true re-organization around information technology would allow foundations to leverage their own financial investments with information investments. Picture an organization that gathers data, makes decisions from that information, invests on those decisions with dollars and data-driven expertise gathered from and shared with the organizations it supports, and you have a new organization: the Information Foundation. Such an organization would force a re-valuing of foundation assets to include not only their financial resources, but also their information and knowledge base and learning system. It also presents new challenges for foundations seeking to measure their impact, as they would need to assess the impact of information as well as dollars. Despite this last difficulty, the above organization makes sense for the next century. As foundations are increasingly investing in information sharing, best practices discussions, and grantee networking, it only makes sense for them to position themselves as knowledge sources as well as financiers.

Essentially, what is at stake is much more than a matter of mechanics. How grant decisions are made, what format is used for submitting applications, and when and how staff or board members meet with community organizations are mechanical decisions. The new tools allow the processes to be done with less waste, in less time, and by telecommuters. If that is the extent of their impact, foundations will have missed a huge opportunity. What we are experiencing is a chance to reconsider the century-old way of doing the business of philanthropy. Why not consider the possibilities of "open source" research processes instead of proprietary work commissioned for foundation boards? Why not employ "viral marketing" to grant funding, and request that current grantees suggest two other organizations for funding as a requirement of every grant they receive?[2] Why not make all commissioned research that helps foundation board members understand the work available to the groups actually doing the work? Why not have community partners serve as "community partner in residence" and have them help foundations create processes that are helpful to the organizations in which they seek to build capacity?[3]

Conclusion

The environmental nature of the drivers of foundation change is important and unique to foundation history. The drivers are unorganized and disconnected, and so, we might predict, will be their impact. Only as the foundations or their critics (or both) seize hold of the new possibilities will there emerge a direction to these changes. Until then, it is important to consider how individual philanthropy is changing as a result of e-philanthropy, and look for connections between individual and institutional philanthropy. It is also critical to examine foundations themselves, and redefine the ways that foundations operate.

The scale and pace of change for foundations at the turn of the 21st century are unprecedented, and so is the source. These environmental trends are driving both the creation of new philanthropies and shaping the way they approach their work. How different 21st century foundations will look from those created in the twentieth century remains to be seen. But as Einstein noted, the future will be here soon enough.

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[2] Viral marketing is a term that defines the practice of having customers sell products to other customers at a rapid and proliferating pace.

[3] See Chuck Martin, *Net Future*, New York: McGraw-Hill, 1999 for more on societal and economic trends created by the new information technologies.

"I never think of the future. It comes soon enough."
Albert Einstein

The two time scales – the one human and emotional, the other geologic – are so disparate. A sense of geologic time is the most important thing…the slow rate of geologic processes – centimeters per year – with huge effects if continued for enough years.[4]
Eldridge Moores, Professor of Geology
University of California, Davis

Introduction

For almost a century American philanthropy has been characterized by dichotomies: giving a little or giving a lot, giving time or giving money, giving individually or giving through institutions. Foundations fall at one end of these pairings, as they constitute the archetypal institutional giver. Our visions of foundations also are set up dichotomously. They are lauded for their innovation and derided for their closed-mindedness; looked to for leadership and faulted for being followers; praised for their risk-taking and condemned as unaccountable, uncontrollable organizations. And like many other institutions at the close of the century, foundations find themselves carefully deliberating over how to catch up with the rapid changes of the day.

Foundations are products both of time and place. The changes in the economy and social structures of the late 20th century are having as great an impact on the field of foundations as they are on Americans' sense of identity, the pace of modern life, community and family values, and the ways Americans view national and global affairs. Foundations are by no means immune to the changes brought on by new information technologies, new wealth creation, growing disparities between rich and poor, and new ways of doing business. On the contrary, this paper argues that American foundations are subject to tremendous change as a result of these broad societal shifts. While we may not yet be able to accurately predict how foundations will change for the future, we can confidently predict, from the changes already underway, that they will.

The modern foundation came into being at the turn of the 20th Century. Supported by the fortunes of the industrial revolution, the institutions created by titans of steel and oil continue today. Many have served as models for thousands of similar endowments. As we enter a new century, new fortunes are being created and vast amounts of wealth are being transferred between generations. In turn, new philanthropic organizations are forming in great numbers and of vast size. How do these new institutions differ from their predecessors? How are they similar? What is driving the current changes in the field and where might these changes lead? These are some of the questions addressed in this paper.

[4] Eldridge Moore, quoted in John McPhee, *Assembling California*, New York: Farrar, Straus and Giroux, 1993, p. 48.

In her study of American foundations from the Progressive Era to the New Deal, Judith Sealander writes:

> "During the first three decades of the twentieth century, profound change wrenched the United States from its nineteenth-century moorings. Few of its major institutions remained unaltered. New ones emerged. One, the incorporated philanthropic foundation, transformed long-standing traditions of charity among the very rich."[5]

These same observations apply to much of American society in this final decade of the twentieth century. New communications methods, new media, and new mechanisms for conducting business have not only hurled our basic institutions of commerce, government, and the nonprofit sector in new directions, it all has happened at a previously unthinkable pace. What took thirty years to change at the dawn of the twentieth century is changing by the month at the century's close.

This shift in the pace of change is important. For almost a century, American foundations have looked and acted the same. Their numbers have increased, their professional and industrial associations have grown more interconnected, and their geographic dispersal has shifted significantly from east to west, but their general operational values, structures and strategies have not radically altered from the earliest established modern foundations. Now change is upon us, and it is happening quickly.

How significant will this moment and these changes be in the long picture of foundation history? We can only guess. Geologists, who focus on an entirely different scale and scope of change than do historians or philanthropists, call gaps in the geologic record "unconformities." The possibility exists that this period of rapid new organizational development will either not appear at all in the record of foundations when examined a century from now, or we may be in the midst of a truly transformative period in American and global philanthropy. Only time will tell. For now, we can only see the world change around us, compare it to the past and feebly attempt to predict the future. We can't know while we are in it if this time is an "unconformity;" all we can know for sure is that the future will be here soon enough.

This paper presents several societal trends that are affecting philanthropy: the transfer of wealth, the size and changing scope of the philanthropic industry, the availability of new tools and services, changes in the nation's demographic and public funding practices, and the role of the media. The paper then provides numerous examples of how these trends are reshaping foundation programs and operations. Finally, the paper discusses how foundations might reorganize themselves to take advantages of the opportunities of the times.

Section I. The Historical Context of Foundation Change

Change over time

Some of the drivers of the current changes mimic events from the turn of the 19th to the 20th century. The creation of great wealth, and its concentration within segments of the population,

[5] Judith Sealander, *Private Wealth and Public Life: Foundation Philanthropy and the Reshaping of American Social Policy from the Progressive Era to the New Deal*, Baltimore, MD: Johns Hopkins University Press, 1997, p. 1.

gave birth to the “new” philanthropy of the early twentieth century. These early institutions of philanthropy were established to shift the method of the donor’s giving from a “charitable” relationship to one of “policy making,” and the new foundations operated within the universally understood prescribed boundaries between the public, private and not-for-profit sectors. The foundations also reflected their founder’s experience with and belief in the power of the corporate structure and scientific rationalism. As a result, they took the form of incorporated entities, were staffed by professionals, and proceeded with scientific precision.

Similar forces are at work now. The new wealth created by technological advances has transformed certain segments of American society at an unheard of pace. The simultaneous demographic revolution is leading to an anticipated transfer of wealth between generations that has no historical peer. Unlike their predecessor institutions, new philanthropists and new foundations have an industrial framework within which to build, as the nation is currently home to more than 44,000 foundations. New donors are building on these existing models, applying the same business values and technological tools that generated their wealth to their philanthropy and revising traditional grantmaking strategies to fit their definitions of success. In effect, new philanthropists and their social entrepreneur peers may replace scientific philanthropy with a commercial model, just as science replaced charity a century ago. Finally, the very structures or philanthropy are changing. As their predecessors brought in the corporate model, a significant discussion is occurring in philanthropy about the entrepreneur as model and metaphor for institutional philanthropy in the twenty-first century.

There also are drivers of change at work now that are unlike those of the past. The industry of American philanthropy is itself a driver of change, as the size, scope and density of foundations affects how they work and how new ones are formed. The rapidly changing racial and ethnic face of America, the growing wealth of segments of communities of color, the changing roles of women in the workplace, and the opportunities for young people to act philanthropically are all influences on the shapes of foundations. The interactions between foundation “givers” and nonprofit “do’ers” are also in transition. The interdependent relationship that often has been downplayed is sporadically and slowly showing up at the center of negotiations. Important trends in how nonprofit organizations do their work are influencing foundations. Finally, the very tools of the new economy are being applied to philanthropy. As Internet tools are applied to giving and volunteering opportunities, the same dynamics of change that occurred in commercial enterprise are showing themselves in the philanthropic realm. How exactly the characteristics of speed, efficiency, global and local, transaction-based, information access, and choice will change philanthropy is largely unknown at this point. But that they will cause change is indisputable.

Building on the past

While some of the drivers are new and some are old, the changes in foundations are at best evolutionary. Today’s models build directly on those created and refined earlier in the century. While some of the drivers, particularly the Internet, may be revolutionary, the changes in foundations themselves are refinements and redirections of the past, not rejections of it.

The modern foundation has roots in ancient Egyptian and Greek structures and English charity laws.[6] The current organization is as much a product of the early twentieth century industrial revolution as were the creation of steel and oil fortunes, the shift from agrarian to urban population centers, and the transformation of society spurred on by rapid advances in communication and transportation technology. The progressive era and its reformist tendencies, as much as the creation of enormously concentrated new wealth and beliefs regarding the power of the professional corporation, shaped the early American national foundations. New York City, financial capital of the time, was home to most of these first foundations, even if the sources of wealth were the steel mines of Pennsylvania and oil fields of the West.

Much has been written about the scientific philanthropy. In creating new endowments to address social ills and "advance humankind," the Sages, Rockefellers, Carnegies and others strove to institutionalize the best management practices of the business world with the problem solving strategies that had led to recent medical and scientific discoveries. Defined by broad mission statements, corporate leadership, and the involvement in the earliest years at least by a living donor, American philanthropic foundations have counterparts across the globe. This structure, corporate in nature, broad in vision, and driven by the founder, are fundamental characteristics of foundations, old and new.

Another common trait of foundations is the pre-existing conditions for their existence. The rise of foundations depends on the creation or transfer of wealth. One of the inherent tensions for foundations is that the conditions they need to exist – the power of capitalism and favorable-treatment under democratically written tax laws – also give voice to their most consistent critics. Their presence, and certainly their growth, is not universally welcomed, nor is it presumed altruistic or positive by many who observe the field.

A timely historical coincidence illustrates the challenging relationships that shape common American attitudes toward wealth and philanthropy. At the heart of these relationships are fundamental questions about wealth, democracy, and civil society.

Here is the historical coincidence. Newspaper headlines in 1999 have been filled with tales of Bill Gates' philanthropic largesse. In a matter of months, gifts to the endowment of his foundation catapulted the organization from a large, western foundation to the second largest foundation in the world and the largest in the country.[7] The Gates family also made enormous gifts directly to nonprofit organizations in the last year, granting one billion dollars for academic scholarship support for African Americans, Hispanics, and Native Americans.[8] These stories were headline news, often sharing the front page with the breaking stories of the Justice Department's case against Gates' company, Microsoft. The nation's attorneys argued that Microsoft, was able to "use its prodigious market power and immense profits to harm any firm...", an opinion the presiding judge agreed with in early November.[9] Op-ed pages quickly

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[6] Robert H. Bremner, *American Philanthropy*, Chicago: University of Chicago Press, 1960. James Allen Smith, "The Evolving American Foundation," in Charles T. Clotfelter and Thomas Ehrlich, (Eds.) *Philanthropy and the Nonprofit Sector in a Changing America*, Bloomington, IN: Indiana University Press, 1998, pp. 34-51.
[7] Jennifer Moore, "Gift Makes Gates Fund No. 1 in U.S." *Chronicle of Philanthropy*, August 26, 1999
[8] "Gates Foundation Establishes $1 Billion Fund for Minority Scholarships," *Philanthropy News Digest*, September 21, 1999.
[9] Tom Stein, "Microsoft ruled a Monopoly," *San Francisco Chronicle*, November 6, 1999.

challenged the motives for Gates' philanthropic gifts, charging that he was using a small portion of the wealth created by his company's relentless grip on the software industry to buy the favor of the public.

Newspapers of 1910 carried much the same story. When John D. Rockefeller petitioned the United States Congress to charter his eponymous Foundation, described on the Senate floor as Rockefeller's "greatest gift yet to the nation and the world," the response was resounding skepticism, not gratitude. Three years passed, during which the Supreme Court called for the dismantling of Standard Oil, Rockefeller's vertically designed monopoly. Three attempts to win a federal charter for the foundation met defeat, and the family and its advisors instead sought and received license from the State of New York.[10]

Rockefeller's attempt to win federal support for his foundation floundered and the government successfully dismantled Standard Oil into 30 separate companies. Ironically, this re-organization of Standard Oil led to a huge increase in Rockefeller's personal wealth. A court of law recently found factual support for the charges of monopolistic practice against Microsoft, although a decision is pending on guilt or innocence and no actions have been taken to break up the company yet. The court of public opinion remains out on whether or not Gates' philanthropic activities can make recompense for any unseemly (or illegal) business practices; although early indications are that the two camps of public opinion are not likely to be swayed in either direction by the findings of law.[11]

These two stories raise questions beyond simply the old adage regarding the repetition of history. The image of foundation philanthropy in the media, public perceptions of the wealthy, large donors and major foundations, and prevalent tensions between the role of the private sector, government regulations, and nonprofit organizations are a part of both stories. They shaped Rockefeller's experience in 1910 and they are very much a part of the story of institutional philanthropy at the turn of the century.

Section II. The Drivers of Change Today

The current period of time, unconformity or not, is marked by several significant trends that are driving changes in the philanthropic sector as a whole and in the foundation sphere specifically. The first of these is the creation of new wealth and the transfer of wealth between generations. One prediction estimated the amount of wealth to be passed between American generations somewhere between $41 trillion and $120 trillion over the 55-year period from 1998-2052.[12] A more conservative estimate made by a Cornell University economist using the 1989 U. S. Government Survey of Consumer Finances calculated the wealth transfer at $10 trillion by the year 2040. This conservative estimate averages out to transfers of more than $225 billion per year for the next forty years. At this rate of growth and using conservative estimates of the

[10] Sealander, pp. 218-224. See also Raymond Fosdick, *The Story of the Rockefeller Foundation*, NY: Harper and Brothers, 1952.
[11] Matt Beer, "Gates Upbeat at Comdex Show," *San Francisco Examiner*, November 15, 1999.
[12] John J. Havens and Paul G. Schervish, *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*, Boston: Boston College, October 19, 1999.

percentage that will pass to philanthropy, it is possible that the foundation sector will double again in the next decade or so.[13]

Growth in the sector has also been stimulated by the creation of philanthropic foundations from the assets of converted nonprofit organizations into profit-making corporations. This trend has profoundly changed the landscape of institutional philanthropy in the last decade, and appears to have staying power. Almost all of these foundations have been created from the conversion of health-related assets, usually health-maintenance organizations, insurance companies, or hospitals. As such, the trend has been confined to the health sector. Within that one sector, the effect has been enormous. By 1997, more than 80 new foundations had been created controlling more than $9 billion in assets.[14] There are reasons to believe that the same forces that drove organizational transformation in health may come to bear on education, social services, and other sectors, potentially leading to new foundation creation in these other sectors as well.

Business as metaphor and sphere of influence

The three-way relationship of private wealth, public policy, and nonprofit action is at the heart of American philanthropy. A significant shift in the balance of that relationship is apparent. Private foundations exist at the intersection of public policy, particularly tax laws, and the private wealth that is necessary to endow the foundations. Foundations in the twentieth century have largely operated with an eye toward the private sector as an organizing principle: it is the corporate structure of modern foundations that distinguishes them from other (significantly larger) forms of philanthropy, such as individual giving. At the same time, foundations have kept their eyes on the public sector to craft the direction of their giving. By their own accord and the words of the historians who study them, strategic philanthropy distinguishes itself from charitable giving by its interests in altering systems or public policy. As institutions, foundations often structure their areas of giving to mimic public sector categories and they refer heavily to the directions being taken in public policy as an influence on their own decisions.[15] The staffing patterns and requirements of many of the nation's largest foundations both reflect and may give cause to this mirroring between philanthropic practices and the public sector. For the three decades immediately following World War II, the predominant trend in large foundation hiring was toward academic training (doctoral degree holders) and government service.[16]

Since the 1950s and 1960s, foundations have settled into several fairly predictable practices as means of achieving their goals. In a chart comparing philanthropists to venture capitalists, Leslie R. Crutchfield identified these standard foundation practices. See Table I: Foundation characteristics.

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[13] Waldemar A. Nielsen, *Inside American Philanthropy*, Norman, OK: University of Oklahoma Press, 1996, pp. 6-7.
[14] *Conversion Foundations: A Status Report*, Washington, DC: Grantmakers in Health, 1997.
[15] On foundations and public policy see Ellen Condliffe Lagemann, *Private Power for the Public Good*, and Lagemann, *The Politics of Knowledge*; Sealander; *Private Wealth and Public Life*.
[16] On staffing structures and decision making see Richard Magat, *The Ford Foundation at Work: Philanthropic Choices, Methods, and Styles*, NY: Plenum Press, 1979; Joseph C. Goulden, *The Money Givers*, New York: Random House, 1971; and Warren Weaver, *U. S. Philanthropic Foundations: Their History, Structure, Management, and Record*, New York: Harper and Row, 1967.

Table I: Foundation Characteristics[17]

Target of funding:	Nonprofit organizations
Objectives:	Social change
Focus of giving:	Programs
Performance measures:	Program-specific, if at all
Length of investment:	One to three years
Average investment:	$1,000 - $200,000; number varies by foundation
Partnering role:	Usually limited to program evaluation, can include technical assistance
Risk:	Low; Regulated by IRS payout requirement
Exit strategy:	Close of grant period; occasional renewal

In the last decade, the focus for foundations, both emerging and established, has been away from the government model and toward the private sector. The table above was extracted by Michael Collins to facilitate comparing the structures it describes with venture capital firms.[18] While the structure of many foundations, especially long-established organizations, continues to be the corporate model, the entrepreneur is the new metaphor and model for their missions, their grantmaking strategies, and their staffing patterns. These metaphors and models are employed not just to describe the philanthropies themselves (venture philanthropy), but they also capture their view of the whole nonprofit sector (social entrepreneurs).[19] This shift in perspective, from a strictly corporate and government model to one centered around entrepreneurial action, captures much of what is being talked about, and to some, put into action, in foundation philanthropy.

This shift has stimulated new tools of philanthropy. The last two years alone, indeed the last six months, have seen the emergence of Internet-based giving processes. These processes, which fall into a few sub-categories, essentially allow individuals with access to the Internet to give time and/or money from their desks. New websites offer the highest levels of efficiency in giving – point a finger, give a dollar. Some of the sites specialize in certain types of causes, such as social change or the environment, others are linked to retail shopping destinations, and others are heavy with information on specific organizations. Some of the sites focus specificially on volunteerism while others raise funds, and some do both.[20] Taken together, these models are the first, prolific entries into the field of "e-philanthropy." Their scope and scale change daily, and their impact is as yet unknown. That said, e-philanthropy is perhaps the fastest growing new philanthropic tool in the history of giving. Having emerged from a few volunteer-oriented sites in 1994, by one count, more than 300 separate websites and organizations were operating as of December, 1999.[21]

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[17] Modified from Leslie R. Crutchfield, "Guerilla Philanthropy: The Robin Hood Foundation," *Who Cares*, September/October 1997, pp. 36-39.
[18] Michael Collins, et al, "Assessing Venture Philanthropy," p. 2.
[19] See Dees, 1998; Dees, 1998; Letts, et al, 1997; Collins, 1998.
[20] See, for example, Impact Online, a volunteer site, (www.ImpactOnline.org); iGive, a fundraising vehicle, (www.iGive.com); and Helping.Org, a site that assists people in giving either time or money (or both). (www.helping.org).
[21] Author interview with Tom Reis. Data based on his count. The author has counted more than 200 such sites.

In addition, the line between business and philanthropy has blurred. Since the early 1990s, a small but growing number of financial services firms have added charitable management to their portfolio of services. Long the purview of private banks, the creation and quick growth of the Fidelity Charitable Gift Fund brought this type of service out of the wood-paneled board room and onto the office desks of donors across the country. In less than five years, the Fidelity Charitable Gift Fund has become one of the nation's fastest growing charities, joining the ranks of century-old institutions such as the Salvation Army and YMCA.[22] Fidelity Investments, the money management company behind the Charitable Gift Fund, was quickly joined by its competitors who rushed to provide similar services to their clients. How these new vehicles for giving interact with and affect foundations is a question with many answers, many still unknown.

Still other changes are resulting from a culture of entrepreneurship that has transformed the American workplace and is quickly rippling through the nonprofit and philanthropic sectors. The cult of the start-up is being replicated in the nonprofit sector. Certain ideas, such as nonprofit-owned and managed profit-generating ventures, are increasingly common. Nonprofit managers who can diversify their operations to include such revenue sources are highly sought after. On the donor side, phrases such as venture philanthropy, first heard in the mid-seventies, have gained ground as an organizing tool and strategy for making grants and investing in nonprofits.[23] The two terms, social entrepreneurship and venture philanthropy, are loosely used to describe activities on two sides of the traditional funding equation, grant seeker and grant maker. Which is driving which is unclear and somewhat unimportant, as their simultaneous development and infusion into the dialogue of mainstream nonprofit and foundation discussions better represents the values of both terms.[24]

Several broader trends in society also are having profound impacts on foundations and philanthropy. The changing demographics, including several states where whites will become a minority population group in the next decades, the role of second and third generation professional women, and the growth of the elderly population are having profound effects on homelife, worklife, medical care, education systems, politics, and philanthropy.

These demographic changes relate to philanthropy in a number of ways. More women, people of color and young people are involved in foundation giving. At the same time, not all Americans are rising on the tide of prosperity that makes this possible. Reports in mid-December from food banks, the Salvation Army, and United Ways across the country noted record levels of need.[25] As welfare reform settles in to its third year and poverty rates drop, the number of working poor

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[22] "Raising the Roof," *The Chronicle of Philanthropy*, November 4, 1999, p. 1, 33-59.

[23] Bill Somerville, Founder and Executive Director of the Philanthropic Ventures Foundation, Oakland, California, claims to have coined the term in the early seventies.

[24] On Social Entrepreneurship see J. Gregory Dees, "The Meaning of Social Entrepreneurship," Draft working paper for the Social Entrepreneurship Funders Working Group and the Kauffman Center for Entrepreneurial Leadership, Stanford, California, 1998; J. Gregory Dees, "Enterprising Nonprofits," Harvard Business Review, January-February, 1998, Reprint Number 98105. On venture philanthropy see Christine Letts, William Ryan and Allen Grossman, "Virtuous Capital: What Foundations Can Learn from Venture Capital," *Harvard Business Review*, April 1997; and Michael Collins, Christopher Capers, and Shahna Gooneratne, "Assessing Venture Philanthropy," unpublished paper, 1998.

[25] Peter T. Kilborn, "Prosperity Yields a Lag in Charity Toward the Poor," *The New York Times*, December 12, 1999, p. 1, 34.

who need assistance and the percentage of families seeking food and shelter continues to rise. Individual giving to human service organizations that provide assistance exclusively to the poor has decreased steadily since 1970 according to both Independent Sector and the United Way. Indeed, the rich are getting richer, the poor are getting poorer, and the giving patterns of individuals are changing.[26]

Demographics changes also influence philanthropy in so far as the creation of new wealth in the American West is concerned. In the last decade the geographic centers of philanthropy have moved from the east to the west coast. More attention needs to paid to foundations in all regions of the country, including the south, northwest and midwest, which have been, for the most part, unstudied. Whether or not these foundations develop along a similar organizational trajectory as their New York-based predecessors remains to be seen. We know little about how geographic location, density, and/or decade of formation influence individual organizations and the field as whole. What we do know is that foundation philanthropy has spread far and wide from its long-held center in New York City to include all parts of the United States.

The devolution of funding and decision-making from the federal government to state and local jurisdictions also influences foundations, as most are still organized to serve places such as selected metropolitan areas or a single state.[27] As philanthropic dollars grow at the same jurisdictional level at which decision making on public funding takes place, the potential for public-private partnerships, alliances or turf battles increase. Sectoral blurring, in which nonprofits run businesses and Goldman Sachs invests in companies to run schools, is on the rise and will influence local and national philanthropy.

Finally, there is a growing public awareness of philanthropy that may influence how foundations operate in the future. To some extent, this awareness is merely a byproduct of the sector's growth. It also can be attributed to increasing media attention on foundations, much of which is self-generated as foundations come to recognize the value of publicity for themselves and their programs. It also is a result of the conversion foundations mentioned earlier, which were born and have spent their formative years in the public eye. The increasing media and public attention to foundations differentiates this moment in time from those past.

Section III. The Impact of Change on Foundations

The growth of the philanthropic industry

Shear numbers drive much of what is happening in philanthropy today. The intergenerational transfer of wealth, the scope of new wealth being created, and the number of philanthropic institutions, are all growing at breakneck paces. In the last twenty years, the number of

[26] Ibid., p. 34; *Giving and Volunteering in the United States*, Washington, DC: Independent Sector, 1999, Executive Summary.

[27] Community foundations and conversion foundations always focus on specific regions, usually within a state. Corporate foundations tend to serve the cities where their employees work. Independent foundations have taken the greatest latitude in setting their geographic boundaries, and many serve the world. Even these tend to set aside funds for places with special meaning to the founding donor or family.

philanthropic foundations in the United States has more than doubled, from 20,000 to more than 44,000. The rate of formation for new organizations has broken records for each of the last two years, with more than 2,000 new foundations established in both 1997 and 1998.[28]

This growth spurt comes on the heels of a relatively stagnant period for foundation creation in the 1970s, a time of both economic recession and increased government oversight of philanthropic activity. However, while the seventies was not a fertile time for creating new organizations, the decade saw the setting of roots for important elements of the current foundation industry.

The 1969 Tax Reform Act was a pivotal piece of legislation for American foundations. While the law itself established excise taxes on investment income earned by private foundations, minimum grant payout requirements, and public reporting obligations, its greatest impact was arguably its role as catalyst in the creation of a modern foundation industry.[29]

American foundations increased slowly but steadily in number through the first half of the twentieth century and they were still highly independent organizations. While there were 26,000 foundations registered in 1970, 20,000 of them were described as "financially negligible." The remaining 5,454 held approximately $25 billion in assets and made grants worth $1.5 billion.[30] These foundations shared two major industry-wide resources, the Foundation Center, a library and clearinghouse formed in 1956, and the Council on Foundations, a professional association founded in 1949. In the wake of the 1969 legislation, these industry associations were galvanized to action and several dozen smaller, regional and issue-specific associations of organized philanthropy came into being.

Thus began the great era of foundation affiliation and association. The growing numbers of foundations and the need for a united voice within the industry and to the media and legislatures drove foundations together. They aligned in a crazy quilt of common characteristics: geographically through Regional Associations of Grantmakers (known in the trade as RAGs); by issues in affinity groups for education or the environment; by ethnic, racial, sexual, and gender identity in professional associations; by the size of their staffs in the Association of Small Foundations; and by corporate structure in the National Center for Family Philanthropy or the League of California Community Foundations. Many of the nation's largest foundations belong to dozens of these organizations, as well as to the Council on Foundations, which remains the national umbrella organization for institutional philanthropy. Unlike previous investigations of foundations, which had resulted in a "splash of headlines" after which the policymakers, media, and general public turned their attention elsewhere, the 1969 Tax Act spurred the creation of the philanthropic industry.[31]

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[28] *Foundation Giving 1999*, New York: The Foundation Center, 1999.
[29] Public Law 91-172, commonly known as the Tax Reform Act of 1969 went into effect on January 1, 1970.
[30] Thomas Parrish, "The Foundation: "A Special American Institution"," in Heimann, (Ed.) *The Future of Foundations*, Englewood Cliffs. NJ: Prentice-Hall, Inc., 1973, pp. 7-57 (p 20)
[31] Fritz Heimann, "Introduction: The Issues and their Setting," in Heimann (Ed.), *The Future of Foundations*, Englewood Cliffs. NJ: Prentice-Hall, Inc., 1973, pp. 1-6. (p 1)

Communities and foundations

One new structure is already emerging in organized philanthropy. The public grantmaking charity, rather than the private foundation, seems to be gaining ground as an option for donors. Community foundations are the most common version of these charities, and indeed they have been one of the fastest growing philanthropic structures in the 1990s. Identity-specific community foundations, organized around ethnic, racial, gender, or sexual identity, are also growing.[32]

The newest incarnation of these funds are those organized by issue area. In the San Francisco Bay Area, for example, two new grantmaking charities were recently established to focus on school improvement, the New Schools Venture Fund and the Entrepreneurs' Foundation. The Center on Venture Philanthropy, a subsidiary of the Peninsula Community Foundation, also targets education and schools as its first area of investment.

Other funds, organized as communities of like-minded donors, also focus on youth and education. Social Venture Partners, a Seattle-based group that pools the modest-sized gifts of many donors, and Silicon Valley Social Ventures (or SV2) a similar group in California, set giving priorities together and select a few causes and organizations for support. These funds share another important characteristic: most of the donors participating made the wealth they are now distributing. Their own experience with wealth creation and with venture capital will likely influence the ways these groups undertake their giving. New funds dedicated specifically to using philanthropic dollars to create wealth in poor and underserved communities, are already at work.[33]

[32] See Ramos and Kasper, 1998 on the experiences of Latinos, African Americans, Asian Pacific Americans and Women; *Women and Philanthropy: Understanding and Engaging a High Potential Audience*, Detroit, MI: Council on Michigan Foundations, 1999.

[33] The Three Guineas Fund in San Francisco supports a business incubator focused on women-owned enterprises. Several venture capitalists in Palo Alto recently created a fund to support new small business creation in East Palo Alto.

New tools of the trade: e-philanthropy

Foundations are only one form of philanthropy. Institutional giving, that done by foundations and corporations has always paled in comparison to individual giving.[34] Moreover, foundation giving has tended to focus on issues in almost inverse proportion to that done by individuals. Individual donors traditionally prioritize religious institutions in their giving, while foundations, both large and small, usually put religion last.[35] There are emerging trends affecting individual philanthropy that may harbor significant change for institutional philanthropy.

The tools of e-philanthropy are first and foremost among these. In the last year or so, the Internet has given birth to hundreds of companies and their accordant websites offering to match donors with good causes. The sites are too many to list, but overarching categories and examples are useful to consider. First, all of the sites operate on an assumption that donors need assistance in finding worthy causes to support. The Internet is a perfect mechanism for providing individuals with easy access to information, and almost all sites perform some version of this function. How they do it, and with what end in mind, is the primary distinction between the different categories. (See Table II: E-philanthropy: an initial typology and examples)

The Internet makes it possible for vast quantities of information to be distributed at relatively low costs, at high speeds, to many people. Some of the online philanthropy sites are market driven. Their fees may come from selling listings to nonprofits, taking a small percentage of each transaction (gift from the donors), advertising revenue, or selling their technology to others who may have a purpose for it (community foundations, for example).[36] No fewer than five new national services were launched in two months in 1999, including several with significant venture capital funding. These sites give a new meaning to venture philanthropy, no longer limiting the discussion to how foundations manage their grant portfolios but also thinking about how investors think about philanthropic services.[37]

Other sites are hosted by nonprofits, who see providing this information as an expansion of their existing services or who were created specifically to use the technology to ease the task of accessing nonprofit organization records. GuideStar, a service of Philanthropic Research, Incorporated, is working to provide online access to the financial records of all 501 (c) (3) corporations. At the very least, this service will ease the job of foundation program officers around the country, who previously searched heavy volumes provided by the IRS to check the legal status of grant applicants. The service is being funded by foundations. Reports are not available yet on who is using the service, although it recorded so many "visitors" when the site was first launched that the technology crashed.

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[34] Foundations accounted for only 9.8% of all giving in 1998, according to *Giving USA 1999*, New York: AAFRC, 1999. Individual giving accounted for 77.3%, bequests were 13% and corporations added 8.97% of gifts in the year.

[35] Large foundations gave 2% of grants to religion, ranking it last among ten categories in 1997; Small foundations gave 7% of their grants to religion in 1999, ranking it 6th out of ten. See the ASF Membership Survey, 1999, p. 9 and *Foundation Giving: Yearbook of Facts and Figures on Private, Corporate and Community Foundations*, 1999, New York: Foundation Center, 1999.

[36] See "Charitable Shopping Sites: A Sampler," *The Chronicle of Philanthropy*, December 16, 1999 for examples of shopping-related sites.

[37] See Sean Donahue, "Hassle Free Philanthropy," *Business 2.0*, October, 1999.

Still another approach is to use the Internet to help volunteers find organizations. Impact Online, the granddaddy of this approach, has operated since 1994. Tailored specifically to the needs and interests of young professionals, ImpactOnline provides a quick and easy way to find one-time and short-term volunteer opportunities for busy people with Internet access. Another site, Idealist.org, is hosted by Action Without Borders and seeks to list volunteer opportunities around the world. It also provides information on jobs, consultants, and internships around the globe.

The proliferation of sites and the variety of ways they are funded brings to light one of the Internet's great ironies. Based on the assumption that lack of information was the problem, the solution has resulted in an overabundance of information. Credibility is a concern; with so many sites offering help, how does a donor know who has the correct information? With so much information, how do you know where to start? New sites, using technology called "bots", won't be far behind, offering to search the Internet to find all the other websites that have information on the exact type of giving or volunteering opportunity a user indicates.

Privacy is also a concern. Unlike privacy in the e-commerce realm, where individuals only have to assess their comfort level with putting private data online, the issues of privacy with regard to nonprofit support are more complicated. In many cases, when a donation is made online, the nonprofit is *not* the organization that gathers data on the donor, rather the intermediary organization owns the information. Their ability to sell that data for marketing purposes is only one concern. From the perspective of the nonprofit organization, the loss is greater than privacy. The price of that transaction may be the loss of an ongoing relationship with a donor. In exchange for ease of transactions, the donors have provided their personal data to marketing concerns and prevented the nonprofit organizations from contacting them in the future. While this will prevent a flood of future direct mail (or direct email), it also prevents the donor from finding out more about the organization's work except at their own initiative. How these transactions, and the "break-in-the-chain" will affect nonprofit online fundraising over time remains to be seen.

How do any of these mechanisms influence foundation philanthropy? In the short-term they appear in requests for grant support from foundations interested in building nonprofit capacity. Foundation decisions on such requests will depend on whether or not these tools do help nonprofits raise more money. Nonprofits will need new expertise to manage these systems, and this too will affect their staffing structures, operations, and, eventually, their need for foundation support. Foundations that do support the nonprofit shift to online fundraising are effectively subsidizing the growth of this industry. In some cases, the subsidies are direct, as foundations are investing in the tool-makers themselves.

Table II: E-philanthropy: an initial typology and examples

Type of site	Purpose	Offline counterpart	Funding source	Examples
Shopping-based	To encourage charitable giving by linking donations to retail purchases.	Affinity-based credit cards	Transaction fee for web company taken from each purchase	IGive; eBoodle; ShopForChange; CharityMall; 4Charity; myCause; CharityWeb; Shop2Give; GreaterGood, IcanBuy; npsmall.
Volunteer oriented	To encourage volunteering.	Volunteer centers	Hosted by nonprofits, supported by grants, gifts, and fees for service	ImpactOnline; TechVol; Idealist; VolunteerMatch; LendAHand
Matchmaking	To provide potential donors with easily searchable databases of information on nonprofits.	None. Local community foundations, volunteer centers and directories would be closest	Various. Some are nonprofits supported through grants and fees; some sell software to partners. Others gather donor data and can resell as marketing info.	Grantmatch Guidestar; AllCharities; PhilanthropySearch MyFoundation; Helping.org; eGrants
Cause-specific	To support specific types of giving, such as gifts to public school funds or hunger alleviation.	Public Education Funds; school scrip sales; school bake sales. Corporate sponsorship	Transaction fees Corporate sponsored (advertising)	e-Scrip; For-schools; YourSchoolShop; Thehungersite;
Organization-specific	Online fundraising for individual nonprofits.	Direct mail; events; phone solicitation	Nonprofit hosted	Redcross; Salvationarmy; Worldwildlifefund
Planned Giving and other expertise	Online resources for planned giving; legal and tax advisors specializing in charitable giving	Workshops, trade journals, newsletters, and professional conferences;	Membership supported; hosted by nonprofits; posted by experts	Charity-plan-on-line; Plannedgivingtoday Pgcalculator; Many community foundation sites

Table II: E-philanthropy: an initial typology and examples (continued)

Type of site	Purpose	Offline counterpart	Funding source	Examples
Financial-services related* *See next section for more information	Online sites for accounts managed by financial services firms	Telephone and broker-meetings	Sites are an extension of portfolio service; paid for by investment management fees	Schwabcharitable; Charitablegift; Vanguard; MyCFO.com

These tools may have different implications for community foundations. Long recognized as local experts on their communities, these online database tools could make community foundation program expertise seem obsolete. To prevent this, some community foundations have joined forces with the search engines, featuring these resources on their own websites.[38] Used this way, these tools enhance the community foundation role as donor and community resource. Community foundations are now able to link prospective donors to causes of-interest, link existing donors into secure databases from which they can select programs to support, and manage all donor-relations paperwork on back-office intranets that use the power of publicly-available software tools. Private foundations also have begun to use the power of the Internet to provide information to their grantees and potential partners. Searchable databases of report findings are available from the Robert Wood Johnson Foundation, (www.rwjf.org) and links to projects and their information can be found on many sites, such as the Pew Charitable Trusts (www.pewtrusts.org), W. K. Kellogg Foundation (www.wkkf.org), and Annie E. Casey Foundation sites (www.aecf.org).[39] To the degree that the Internet has made it easier for grantseekers, the public, the media and researchers to get information on foundation activities, the use of these tools has been very positive. Whether or not foundation practice will change significantly, or their processes will become more transparent to the outside world, remains to be seen.

These online tools are primarily targeting philanthropic gifts much smaller than those used to endow foundations. In the short term, the impact of these online tools may be limited to

[38] Community Foundation Silicon Valley features a link to AllCharities.com (www.cfsv.org). The Peninsula Community Foundation's Center for Venture Philanthropy also provides easy search capabilities for nonprofit organizations in the service area. (www.pcf.org).

[39] See Lucy Bernholz and Kendall Guthrie, *Foundations in the Internet Age: Creating Information Foundations*, San Francisco, CA: Blueprint R & D, 1999. www.blueprintrd.com/research.html

replacing direct mail with direct email, and moving workplace giving campaigns from a face-to-face relationship to one based on intranet solicitations within companies. It is not hard to imagine, however, that as the tools grow more sophisticated and the companies behind them mature, their target market will move higher up the economic ladder.

Financial services and philanthropy

Financial services firms have already found a market for new services that interact more directly with foundations. The rise in charitable gift funds, nonprofit grantmaking charities managed by money management and investment firms, has been pronounced in the past five years. Fidelity started the rush with the launch of the Charitable Gift Fund. This fund allows donors to make lump sum, tax-deductible gifts to a 501 (c) (3) nonprofit organization. On advice from the donor, the Charitable Gift Fund then makes gifts to designated charities, serving as a national donor-advised fund. While IRS scrutiny has been intense, the Charitable Gift Fund has been cleared for operation and, in fact, has raised more money in the last few years than almost any other organization, ranking in the top five "gift receivers" across the country.[40] If imitation is truly the highest form of flattery, than Fidelity should be assured it is doing something right, as both Vanguard and Charles Schwab have introduced similar products for their clients.

These funds use many of the tools of the online world and are spurring their traditional counterparts such as community foundations to do the same. Online account balance information, data gathering, grant review and recommendation submissions are all possible through the Charitable Gift Fund website. It won't be long before this is possible for community foundation donors as well.

Community foundations alternate between seeing these funds as threats and colleagues. On one hand, the more than $600 million dollars now invested in Fidelity's Fund might have gone to donor-advised funds in community foundations. On the other hand, those funds, and the millions more to come, may not have been directed to charity in any form had these national donor-advised funds not been created. In the short term, expect to see community foundations continuing to monitor these funds and flatter them by adopting an increasing number of their online tools for ease of use.[41]

Social entrepreneurs and venture philanthropy

People, not just the Internet, are also driving changes in the philanthropic sector. Social entrepreneurs are defined by J. Gregory Dees as those who "play the role of change agents in the social sector." They do this through a variety of means, according to Dees, including, "creating and sustaining social value," and "recognizing and relentlessly pursuing new opportunities to serve a mission." They continuously innovate and learn, they refuse to be constrained by existing resources, and they are aware of and act in accordance with their accountability to their constituencies and outcomes.[42] Dees argues that the rise of social entrepreneurs is directly related to the failure of government and political models to bring about meaningful social change. It also

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[40] "Raising the Roof," *The Chronicle of Philanthropy*, November 4, 1999, pp. 1, 32-59.

[41] See Lucy Bernholz, "We're Full-Service Foundations," *Foundation News and Commentary*, March/April, 1998, pp. 20-22 and "Raising the Roof," *The Chronicle of Philanthropy*, pp. 1, 32-33 for more on charitable gift funds, online tools, and community foundations.

[42] Dees, "The Meaning of "Social Entrepreneurship,"" p. 4.

has roots in the growing competition for public funding, the incursion of for-profit entities into traditionally non-profit sectors, and the fundamental belief by many in the power of wealth creation. As Jed Emerson of the Roberts Enterprise Development Fund states, "At its core, the ability to exit poverty is a question of employment, asset accumulation, and wealth creation."[43] These assumptions imply that government and philanthropic models that do not employ the basic elements of entrepreneurial spirit are bound to fail, for in missing the core causes of poverty they stand little chance of alleviating it.

Venture philanthropy extends the corporate model that has shaped American philanthropy since John D. Rockefeller's day. Venture capital firms have become a highly publicized model of business success in the last decade, driven first by their early support of biotechnology and computer manufacturers and lately by their investments in Internet enterprises.[44] What distinguishes the concept of venture philanthropy from the earlier business models used by foundations is its focus on how grantmaking is done, rather than on how the foundations themselves are organized.

The focus of that grantmaking, in the model posited through "Virtuous Capital," a defining piece on venture philanthropy, should be organizational capacity.[45] Just as venture capitalists take a longer view of their investments in start-up companies, are actively involved in managing these companies, and work to match new ventures with experienced leadership, marketing partners, and customers, so should foundations interact with their nonprofit partners.

The concept is hotly debated, and few foundations have been working in these ways long enough to know if their results are different from their predecessors. But the debate itself is important, as it (momentarily perhaps) draws the attention of the enormous philanthropic industry, at the very time that thousands of new organizations are joining its ranks. Some participant/observers, such as Tom Reis at the Kellogg Foundation, now argue that "social entrepreneurs" and "venture philanthropy" must be considered as forces in the field, even if only metaphorically.[46] The influence of the venture philanthropy model is readily apparent. New foundations are structuring themselves along the lines of venture firms and established organizations are re-thinking the ways they operate. Some, such as Mario Morino of the Morino Institute have been very public about their individual learning processes and their motives, publishing their findings and rationale for action on their websites for all the world to see.[47] Others have joined together to consider or espouse the ideas, in affinity groups such as the Social Entrepreneurship Funders Working Group or the National Center for Social Entrepreneurs.

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[43] Quoted in Tom Reis, *Unleashing New Resources and Entrepreneurship for the Common Good: A Scan Synthesis and Scenario for Action*, Battle Creek, MI: W. K. Kellogg Foundation, 1999, p. 5.

[44] Venture capital, once relatively obscure and hard to find, is enjoying front page accolades, not only in the business press that exists to laud it, such as Reed Herring and Upside Magazines, but in regular features in the San Jose Mercury News. A recent opinion piece in the New York Times claimed that venture capital had become too plentiful and too easy to come by. See Charles Ferguson, "Is there too much Venture Capital," *The New York Times*, December 11, 1999, p A37.

[45] Christine Letts, et al, "Virtuous Capital: What Foundations can Learn from Venture Capitalists," pp. 2-7.

[46] Tom Reis, author interview, November, 1999.

[47] See the website of the Morino Institute (www.morino.org) for Morino's letter on how and why he structured the organization the way he did and what he intends the Institute to accomplish.

Established foundations are also using the terms of venture philanthropy and entrepreneurial leadership to describe their work. The Peninsula Community Foundation, more than three decades old, has launched a Center for Venture Philanthropy which seeks to put these new ideas to work within the context of the larger, established Foundation. This "incubation" is itself modeled on business strategies. The Foundation's latest Annual Report relies almost exclusively on the language of the philanthropic investor and venture philanthropy.[48]

Venture philanthropy is an idea born from frustration with past results, the confluence of new leaders with new tools and track records with a particular business model, and a renewed emphasis on outcomes and impact. As a strategy, it is itself too new to point to significant outcomes. Venture philanthropists can point to new business models, such as the Center at the Peninsula Community Foundation or the venture funds of some new foundations. But these funds themselves cannot claim to have changed literacy rates, improved schooling, or ended hunger or homelessness. It will take time to see if these new practices result in different outcomes at the level of social change. They have, at this point, accelerated the conversation about the importance of outcomes and influenced the rhetoric and possibly the shape of innumerable new institutions.

The diversification of foundation philanthropy

The Internet is not the only driver of change in foundation philanthropy. More and more women, people of color, and young people are participating in philanthropic institutions as donors, board members, or committee advisors than ever before. Some of this growth is a result of the changes in the overall population. U. S. Census estimates indicate that by the year 2000 one of three workers in the country will be non-white, and that whites will account for 49% of the population of the country by the year 2050.[49] However, demographic shifts alone have not accounted for the change in the make-up of foundation staff and boards. It has resulted primarily through deliberate policy changes. As such, not all groups have been involved in representational proportion to their place in the population. As a group, women have joined the ranks of foundations in the greatest numbers, mostly as foundation staff but also as founders and board members. African Americans, Latinos, and Asian Pacific Americans have made smaller gains, mostly at the staff level.[50]

Youth also are becoming involved in foundations. Deliberate programs to include them, such as the youth philanthropy initiatives of the Kellogg Foundation and the Council of Michigan Foundations account for much of this growth. Community foundations across the country involve young people in making grant decisions.[51] Family foundations are especially concerned about future generations and philanthropy. Many of the large family foundations have developed

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[48] Peninsula Community Foundation, Annual Report, San Mateo, California, 1999.

[49] U. S. Bureau of the Census, *Statistical Abstract of the United States: 1995*, Washington, DC, 1995

[50] For a comprehensive summary of women and minorities on foundation staff and boards, see Henry A. J. Ramos and Gabriel Kasper, "Latinos and Community Funds: A Comparative Overview and Assessment of Latino Philanthropic Self-Help Initiatives," in Diana Campomoar, William Diaz, and Henry A. J. Ramos, (Eds.) *Nuevos Senderos: Reflections on Hispanics and Philanthropy*, Houston, TX: Arte Publico Press, 1998.

[51] See the website of the Council of Michigan Foundations for their publications on youth philanthropy (www.cmif.org). Community Foundation Silicon Valley, the Community Foundation of Santa Cruz County and numerous community foundations in Michigan have set up youth advisory committees. The Charles Stewart Mott Foundation also has contributed to the rise of youth philanthropy.

programs to help train new foundation founders and their children on how to manage their philanthropy.[52] Youth involvement crosses the spectrum from those who are likely to become directly involved in leading their families' foundations to those who are selected as young leaders to advise community foundations on grants. This increased involvement has two meanings: one, the power associated with the intergenerational transfer of wealth is being attended to, and, two, the sense that young people can assist in decisions that affect their lives has moved from the field of youth development to the philanthropic arena.

The increasing involvement of women, people of color, and young people in foundation philanthropy will change the way foundations operate. Whether it be through specific funding streams for their populations of interest, or more likely, simply through active, diverse leadership, foundations should broaden their thinking about how and with whom they do their work. As these populations gain economic ground they will increasingly endow their own funding organizations. These new foundations may or may not look like foundations of today. The cultural norms of new donors may not replicate those who created foundations in the last century. How this changes foundations overall remains to seen.

The democratization of philanthropy

Taken together, the forces of e-philanthropy, charitable gift funds, and public grantmaking charities, represent a democratizing movement in philanthropy. Once the purview only of those who worked with private bankers, the sophisticated tools of estate planning, planned giving, and tax breaks associated with the wealthiest institutions of philanthropy are now available to people of more modest means. Admittedly, the degree of democratization is limited, for most of these options (e-philanthropy is the exception) require minimum annual contributions of $5,000 or more. But the professional advice, tax breaks, and psychic rewards once available only to those who endowed private foundations or large funds at community foundations are now available across a wider spectrum of economic class and to a more diverse segment of the population than ever before.

Of course, these tools appeal to the very wealthy as well. Steve Kirsch, a founder of InfoSeek Inc. and an outspoken proponent of philanthropy in California, has posted his rationale for setting up his philanthropic giving through Community Foundation Silicon Valley on his personal website. He carefully outlines the pros and cons of working with the community foundation or setting up a private foundation. In Kirsch's words, "There aren't any real advantages to setting up a private foundation anymore."[53] If this advice is heeded by even a small percentage of the newly wealthy, the landscape of philanthropic foundations will change dramatically.

[52] The Rockefeller Foundation offers a program of philanthropy workshops. The Women's Philanthropy Institute assists women in planning and managing their giving, as does Resourceful Women in San Francisco.
[53] See www.skirsch.com/charity/mechanics_of_giving.htm

Regional shifts

> "For an extremely large percentage of the history of the world, there was no California."
>
> John McPhee[54]

In addition to the increased access to philanthropic tools, the location of foundations also has broadened significantly. In 1998, California replaced New York as home to the greatest number of "start-up" foundations. This moved New York out of first place for the first time in American history. Over the first seven years of the decade, California also led the nation in new foundation assets and growth in existing foundation assets.[55] We know remarkably little about how foundations operate in different parts of the country, currently or historically. Practitioner research on philanthropy tends to focus on the local qualities of the giving sectors and nonprofit work, but history and scholarship on foundations has remained centered on east coast organizations, largely because they have tended to open their archives more readily.[56]

Research on the regional qualities and distinctions of individual philanthropy, and research that links the qualities of individuals to characteristics of their institutional philanthropy, suggests that foundations in the east, west, south and mid-west might all have distinctive natures.[57] As foundations multiply, and as new regions gain philanthropic density, the interactions between foundations, and with the public and nonprofit sectors will continue to change.

Devolution and sectoral blurring

The relationship between public funding and private philanthropy has been hotly discussed for much of this century. Politicians have gained high office promising to downsize government and let the private sector take over. Private philanthropists have bemoaned the small sizes of their endowments when compared to the public coffers and the needs of the nation. Tax experts can be found to argue both sides of the equation, and lobbyists at work in State and Federal legislatures make the case to protect or remove charitable preferences in the tax code. There are no easy answers to how private funds interact with public support. But there are identifiable changes underway that will shape the relationships in the future.

The devolution of funding decisions from the federal and state levels to local jurisdictions puts foundations on a very different footing than in the past. As foundation funds accrue in certain locations, they will gain in relative size to the local funds. Foundation leaders also may have easier access to mayors, supervisors, and department heads than to state representatives or

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[54] John McPhee, *Assembling California*, New York: Farrar, Straus and Giroux, 1993, p. 5.

[55] Data from 1990-1997. *Foundations of the 1990s*, New York: The Foundation Center, 1998.

[56] See, for example, Kirk O. Hanson, *Corporate Community Involvement in Silicon Valley*, San Jose, CA: The American Leadership Forum and Community Foundation of Santa Clara County, 1994; Edie Kirkwood, *The Status of the Nonprofit Sector in Santa Clara County*, San Jose, CA: The Community Foundation of Santa Clara County, 1995; and *Giving Back, The Silicon Valley Way*, San Jose, CA: Community Foundation Silicon Valley, 1998.

[57] On regionalism and philanthropy see: Julian Wolpert, "Prudence and Parsimony: A Regional Perspective," in *Nonprofit and Voluntary Sector Quarterly*, volume 18, number 3, Fall 1989, pp. 223-235; Julian Wolpert, "Giving and Region: Generous and Stingy Communities," in Charles E. Hamilton and Warren F. Ilchman, (Eds.), *Cultures of Giving: How Region and Religion Influence Philanthropy*, San Francisco: Jossey Bass, 1995, pp. 11-29; John Schneider, "Philanthropic Styles in the United States: Toward a Theory of Regional Differences," in *Nonprofit and Voluntary Sector Quarterly*, Volume 25, Number 2, June 1996, pp. 190-210.

Congressional representatives. The opportunities to work together on issues of interest increase as foundations maintain a predominant interest in local work.[58]

The blurring of standard borders between the public, private and nonprofit sector also will impact foundations. The conversion phenomenon is only one example of how such re-structuring of private and public can greatly increase philanthropic funds. The increase in for-profit ventures managed by nonprofit entities shapes how foundations read financial statements from their applicants and what will be expected as a "fair share" of earned or unearned income. As for-profit ventures move into areas traditionally served by nonprofit organizations and foundations, funders will reconsider their roles. Many philanthropists are investing directly in the companies that provide these services, as is the case with the Fisher Family Foundation and the Edison Project in San Francisco.[59]

Change in the public eye

Although John D. Rockefeller garnered significant public attention for his charter attempts in 1910, foundations have generally operated somewhat out of the public eye. Periodic scrutiny by Congress draws attention to foundations, most of it unwanted. However, a significant change in how foundations court the media and how the media treats foundations is visible in recent years. The naming of a newspaper chief to head the Council on Foundations in the mid-1990s might have something to do with this.[60] Certainly Dorothy Ridings, president of the largest professional association of foundations, has worked hard to educate the media about foundations and foundations about the media.

Much of the attention is also due to the conversion foundations. Created with public oversight and the heavy involvement of state justice departments, the conversion of local hospitals and statewide insurance companies drew significant media attention, as did the attendant foundation creation. Also at work is the public relations savvy of the new foundation creators, many of whom ran businesses that forged alliances with public relations firms before they brought products to market. The new business press, which has itself exploded in recent years, pays regular and positive attention to the philanthropic entities created by the business leaders who fill their pages.[61]

More traditional business magazines also find room for nonprofits and philanthropy on their pages. The "Virtuous Capital" article that drew so much attention to venture philanthropy was published in the Harvard Business Review. The Review runs a story every month on nonprofits in a section called social enterprise. The most recent such piece, "Philanthropy's New Agenda: Creating Value," continues the discussion of how business metrics can be applied to foundation

[58] Even the Rockefeller Foundation, a global foundation, stressed the importance of understanding local change in trying to influence global poverty. See Reed Abelson, "Foundation Turns Focus to the Poor," The New York Times, December 12, 1999, p. 32.

[59] Don Fisher, founder of the Gap, is the donor supporting the Fisher Family Foundation. His son is an investor in the Edison Project, a for-profit school contracting firm. The Family Foundation made a grant to the San Francisco Unified Schools in 1998 to encourage contracting with the Edison Schools Project.

[60] Dorothy Ridings, President of the Council on Foundations, was a newspaper publisher in Florida until joining the Council in 1995.

[61] Examples of the business press are FastCompany, Business 2.0, Wired, Upside, and Red Herring Magazines.

structures and investments.[62] The mainstream press has also found philanthropy to be a topic that sells. For example, The New York Times, Time and Newsweek magazines all featured stories on Bill Gates' gifts for academic scholarships. These stories, once relegated to the holiday season, now appear with frequency throughout the calendar year.

Publicity has not always worked to the advantage of foundations. Legislative insight into philanthropic activity has occurred almost every ten years ever since Rockefeller's attorneys appeared before the United States Senate. Press coverage of foundation activities in the past has been linked to their appearance on the docket for hearings. Whether or not the current favorable attention being paid by the press will draw the attention of regulators remains to be seen. What is clear, however, is that foundations have worked hard to get their stories told and the press is paying attention.

Section IV. New Structures for a New Century: The Information Foundation

As a whole, the future of foundations is the future of an increasingly self-aware industry. Few foundations are established in the 1990s without the founders or first board members first consulting with specialized attorneys and accountants, foundation staff people, and other donors. The market for philanthropic advisors is large, growing, and diverse. New foundations are being formed whose stated missions are expressly devoted to improving the work of other philanthropists. For example, Changemakers, a national foundation founded in the late 1990s, was created "to help strengthen some existing philanthropic organizations" and to provide "critical resources to the leaders and institutions that build community-based philanthropy."[63]

From program officers at established foundations whose portfolios revolve around improving the institutions of philanthropy, to professional associations, to one-person consulting firms, we are in the midst of a boom period for both foundation creation and foundation consultants.
These organizations and consultants add new layers to the already densely populated philanthropic universe. The sheer size of this universe -- the number and growth rate and asset growth of grantmaking organizations -- is its most conspicuous, and probably its most significant, characteristic. If the projections for new and transferred wealth are met, and the projected portions of those assets are turned to philanthropic purposes, the philanthropic funds available will be plentiful. The ramifications of this growth are, however, less predictable at this point than the growth itself.

One scenario is simply an expansion of business as usual, only on a much grander scale. Foundations could continue to act as idiosyncratic, tightly shielded institutions, accountable mostly to themselves, and generally unable, as an industry and as individual organizations, to measure their impact. They could continue to be dominated by boards of directors that do not reflect the demographics of the world around them. They may continue to require lots of paper-based materials to be submitted, make decisions that they need not explain, and base their

[62] Michael E. Porter and Mark R. Kramer, "Philanthropy's New Agenda: Creating Value," Harvard Business Review, November/December 1999, pp. 121-136.
[63] Changemakers, solicitation materials, mission statement and letter from Tracy Gary, December 1999, San Francisco, CA.

funding cycles on their own institutional convenience rather than the needs of the organizations they fund. They may continue to fund new programs that they expect the public sector to carry forward, while they move on to start new organizations in other issue areas. Foundations may continue to model themselves on corporations, yet remain unbound by the market pressures that shape corporate decisions.

It also is possible that great change is at hand in how foundations operate as well as how many and how large they are. The new numbers and size may make foundations seek to differentiate themselves even more. They may drive to identify ever-narrower niches for their funding. Or foundations may recognize their increased size as an industry or in a region, and work together to pool assets for investment purposes and make funding decisions, and align activities as never before. Mergers and acquisitions, such as occurred in 1999 between the Rockefeller Brothers Fund and the Charles E. Culpeper Foundation, may become increasingly common. Some foundations may grow so large that it is possible and desirable for them to spin off new endowed entities. For example, The David and Lucile Packard Foundation recently created the Packard Humanities Institute, a new grantmaking foundation birthed with more than $1 billion in assets.[64]

In the thirty years since the Tax Reform Act of 1969, foundations have moved toward a more networked industry, even before that term implied use of the Internet or email. The growth in regional associations of grantmakers, affinity groups, and professional associations for foundation staff and board members, traces its roots to the early seventies.[65] This process of aligning around issue or region or corporate structure has expanded greatly in the recent past, while also taking on the "high tech" definition of networking. As the number of foundations increases, they are simultaneously creating and joining associations that allow them a voice as an industry, information of common utility, a public presence, and a voice to the media. They are, in other words, proliferating individually and coming together in groups.[66]

The impact of this networking on philanthropy is unclear. The potential is enormous. Research on foundations to date is richest in its understanding of individual foundations. A new body of knowledge is needed on how, when and to what end foundations work together, how philanthropic density and alignment influences communities, and how the industry of philanthropy as a whole may interact with the public sector.[67]

Philanthropically dense communities in which foundations are numerous and may work together to make decisions on strategy and funding could become large enough to capture the attention of

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[64] For information on the Rockefeller Brothers Fund and the Charles E. Culpeper Foundation merger, see the Rockefeller Brothers Fund website, www.rbf.org/about.html and see *Philanthropy News Digest*, July 13, 1999, New York: Foundation Center for information on the Packard Humanities Institute.

[65] Some of the regional associations started as early as the 1940s. There are 50 recognized regional associations, 29 of which belong to the Forum of Regional Associations of Grantmakers, an association of associations. See www.rag.org for more information on regional associations. The Council on Foundations lists 36 identify and issue-specific affinity groups on its website. This list is incomplete, as it shows only those affinity groups that have linked their websites to the Council's site. See www.cof.org for more information.

[66] See Michael Hauben and Ronda Hauben, *Netizens: On the History and Impact of Usenet and the Internet*, Los Alamitos, CA: The IEEE Computer Society Press, 1997, pages 280-288, on communities on the Internet.

[67] See Peter Frumkin, "Private Foundations as Public Institutions: Regulation, Professionalization, and the Redefinition of Organized Philanthropy," in Ellen Condliffe Lagemann, (Ed.) *Philanthropic Foundations: New Scholarship*, New Possibilities, Bloomington, IN: Indiana University Press, 1999.

the public sector. Foundations have judged themselves, and been judged by others, to provide a "drop in the bucket" compared to public funding on most issues for most of this century. This recognition has shaped the way they do their business in a variety of ways. Many foundations speak of making grants that can leverage other funding. Many qualify their potential impact because their financial contributions are small compared to the overall funding pie. Even those who position themselves as risk-takers, cite the potential "returns" on their relatively small "investments."

However, if the philanthropic funds in a specific area were to outgrow the public sector funds for that issue, these equations would change dramatically. This is not hard to imagine. Consider, for example, the arts. Public support for the arts has dropped precipitously in past years. Certain areas of the country, such as San Francisco, are quite rich in foundation supporters of the arts. The research doesn't exist to see if these two funding streams have traded places, but the question can be posited. What happens in local areas if foundation funding on an issue outgrows public support?

The above question has several corollaries created by the rapid proliferation of health-related philanthropic funds generated by nonprofit conversions. The numbers are staggering, 10 organizations with more than $3 billion in assets were formed in California alone, in under five years.[68] How are decisions made about public health when such a significant amount of money shifts to private control? What impact will conversions have in other areas besides health, such as education, where the move to privatization is front-page news across the country?[69]

Consider also the role of foundations as employers in a community. If, as many say, Silicon Valley's newly wealthy are set to retire young and move on to careers in philanthropy, will Santa Clara County's economic history be a story that runs from prune orchards to manufacturing plants to Internet startups and venture capitalists, and, finally, to philanthropists?
What impact will the proliferation of foundations have on the nonprofit sector organizations with which they work? Will joint decision-making and perhaps shared processes and guidelines, alleviate some of the challenges of obtaining foundation support or exacerbate the problem? For what types of organizations will the support be more accessible and for whom will foundations cease to be a realistic option?

All of the above scenarios and options assume that to some significant extent the new foundations will act as others have in the past. How will foundations structure themselves in response to their new numbers and the new tools at their disposal. The modern foundation is still largely modeled on the 19th century corporation. New tools that make paper-based processes obsolete, new levels of connectivity that allow for easier information-sharing, and an economy

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[68] *Conversion Foundations: A Status Report*, Washington, DC: Grantmakers in Health, 1999 and Lucy Bernholz, "Conference Report from the California Forum on Health Care Conversions and Philanthropy: Moving the Dialogue Forward," *Health Care Conversions and Philanthropy: Important Issues for Practice and Research*, Washington, DC: The Aspen Institute, 1998, pp. 25-47.

[69] Ed Wyatt, "Investors see Room for Profit in the Demand For Education," *The New York Times*, November 4, 1999; Lynn Schnaiberg, "For M.B.A.'s, Interest Rates in Education Keep Going Up," *Education Week*, December 1, 1999; Schnaiberg, "Entrepreneurs Hoping to Do Good, Make Money," *Education Week*, December 1, 1999; Mark Walsh, "Ka-Ching! Business Cashing in on Learning," *Education Week*, November 24, 1999

driven by speed, have great potential to give birth to organizations that look completely unlike this country's oldest foundations.

Information foundations

Foundations of the future may be built from the Internet down, rather than from the filing cabinet and community up. They may have no more infrastructure than that required to be a dedicated button on a donor's personal money management web page. Board members may be selected from around the world and charged with identifying projects in their regions for funding. Decisions could be made by people who never meet in the same room, but instead view proposal recommendations at their leisure and hold a video conference discussion – or simply archive their decisions on a private Internet site and tally the votes.

Foundations also might seek a middle ground between the real and the virtual, the local and the global. If they are designed "from the web down," foundations should recognize that in gathering information from potential partners, reports from past grantees, and research on issues of interest, they have assembled an application process that is in turn a virtual library of issue-specific information.[70] The information a foundation collects and produces can be as valuable a tool for social change as are the foundation's financial resources. Foundations that recognize the value of this asset will place at least as mush emphasis on knowledge development, management and dissemination as they do on grants processing. How foundations provide access to the knowledge they have invested in creating presents many exciting possibilities.

A true re-organization around information technology would allow foundations to leverage their own financial investments with information investments. Picture an organization that gathers data, makes decisions from that information, invests on those decisions with dollars and data-driven expertise gathered from and shared with the organizations it supports, and you have a new organization: the Information Foundation. Such an organization would force a re-valuing of foundation assets to include not only their financial resources, but also their information and knowledge base and learning system. It also presents new challenges for foundations seeking to measure their impact, as they would need to assess the impact of information as well as dollars. Despite this last difficulty, the above organization makes sense for the next century. As foundations are increasingly investing in information sharing, best practices discussions, and grantee networking, it only makes sense for them to position themselves as knowledge sources as well as financiers.

Essentially, what is at stake is much more than a matter of mechanics. How grant decisions are made, what format is used for submitting applications, and when and how staff or board members meet with community organizations are mechanical decisions. The new tools allow the processes to be done with less waste, in less time, and by telecommuters. If that is the extent of their impact, foundations will have missed a huge opportunity. What we are experiencing is a chance to reconsider the century-old way of doing the business of philanthropy. Why not consider the possibilities of "open source" research processes instead of proprietary work commissioned for foundation boards? Why not employ "viral marketing" to grant funding, and

[70] In some senses, this process is akin to the widespread practice by Internet businesses to "turn customers into data." See Chuck Martin, *Net Future*, 149-184. It is, in some ways, the ability of the Internet to differentiate data and use it to make marketing more successful that is at the heart of the growth of e-commerce.

request that current grantees suggest two other organizations for funding as a requirement of every grant they receive?[71] Why not make all commissioned research that helps foundation board members understand the work available to the groups actually doing the work? Why not have community partners serve as "community partner in residence" and have them help foundations create processes that are helpful to the organizations in which they seek to build capacity?[72]

The moment is important not just because there is a chance to build new high tech systems that can speed the workflow. The opportunity must be taken to combine the most important human values of foundation philanthropy with the appropriate tools of the times. Thoughtful consideration, informed research, independent action, and intelligent reflection are hallmarks of many foundations. These, combined with less cumbersome processes that value the interdependent relationship between grantmakers and those they fund, are the characteristics toward which Information Foundations should strive.

Such changes in practice and positioning by foundations will have profound impact on community groups. As community partners put their financial grants to work they also will have access to the expertise of other grantees, so that what is learned about effective service in one place can be used by another program in "real time." The interdependent relationship between community groups that do the work and the foundations that fund it should move closer to the center of what currently are primarily transactional relationships centered around funding. Learning together, recognizing and sharing the expertise of the community organizations, and leveraging financial commitments with the data, information and expertise it takes to be successful in addressing social problems are some of the contributions that can be predicted for Information Foundations.

Such change won't come quickly and won't come without hardship. Philanthropy is only one of many industries for whom the new technologies and new pace of business have forced a hard look at traditional values and processes.[73] The potential for information technology to change philanthropy must be recognized as no smaller or less likely than the upheaval that e-commerce has created for business in the United States. Models of the changes can be found in the news and media industries, financial services, retailing, and many more. As foundations and researchers seek to understand which of the changes that we see today actually portend future trends in philanthropy, they should look to these other industries and seek to translate whatever can be learned. One thing seems quite certain: we may not know how things will change when foundations begin to build themselves with the tools of today, but we can predict that the changes will be momentous.

Conclusion

The scale and pace of change for foundations at the turn of the 21st century are unprecedented. So is the source. For most of the Twentieth Century changes in foundation practice came either

[71] Viral marketing is a term that defines the practice of having customers sell products to other customers at a rapid and proliferating pace.

[72] See Chuck Martin, *Net Future*, New York: McGraw-Hill, 1999 for more on societal and economic trends created by the new information technologies.

[73] See Hauben and Hauben, *Netizens*, for information on the Internet and politics (pp. 241-279) and the news media (pp. 222-240).

from within the field itself (for example the creation of affinity groups), or from legislation and regulation such as the 1969 Tax Reform Act. For much of the century there have been external critics of philanthropy who have sought to change the ways foundations operated through public exposure or well-researched critique.[74] Few, if any changes, in foundation behavior can be attributed to these actions.[75]

But the changes now underfoot are in fact coming from the external environment, not from regulatory bodies or established foundations themselves. No single source is driving these changes: rather, they result from the confluence of factors discussed throughout this paper. The proliferation of foundations is a result of favorable tax laws and a robust economy. The networking of foundations has roots in existing affinity groups, in the increasing philanthropic density of certain areas of the country, from the ease engendered by new communications tools, and from the sense of information overload that those same tools helped create.

The environmental nature of the drivers of foundation change is important. The drivers are unorganized and disconnected, and so, we might predict, will be their impact. Only as the foundations or their critics (or both) seize hold of the new possibilities will there emerge a direction to these changes or intentionality. Until then, it is as important to consider how individual philanthropy is changing as a result of e-philanthropy, and look for connections between individual and institutional philanthropy, as it is to examine foundations themselves.

The outcome of outcomes

There are some changes underway that are deliberate and focused. The focus on outcomes as a way to structure philanthropy and measure its impact is a trend in this category.

Given the central role that outcomes play in the venture philanthropy debates between foundations and the impact the debate has had on strategic developments such as venture philanthropy, it is fair to predict that the focus on outcomes is more than a trend, or at least that it will be a lasting trend. The proliferation of foundation consultants and affinity associations will ensure this, as there will come to be a need to differentiate between these vendors as the market grows.

This is not to say that the debate about outcomes won't change. Already, we have seen a shift from the discussion about measuring impact to understanding the processes of increasing value and building capacity.[76] The framework for assessing philanthropic value presented by the Center for Effective Philanthropy is another example of the evolving conversation. Outcomes, it appears, are no longer just the products of one's work, but also processes. This is an interesting evolution, as the early discussions on outcomes were essentially shaped by the desire to look not just at process but at product.

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[74] Some organizations, such as the National Center for Responsive Philanthropy or the National Network of Grantmakers, fit into a third category, as they are funded by and include concerned foundations, even as they research and critique the field.

[75] Luis Kurtner, *Legal Aspects of Charitable Trusts and Foundations*, New York: Commerce Clearinghouse, Inc., 1970, page 7.

[76] Mario Morino Interview, November, 1999.

Local, global and glocal

American foundations are profoundly national institutions. In 1997, international affairs received 4% of all gifts from the nation's largest foundations, ranking eighth of the top ten categories.[77] International giving accounted for only 1% of giving by the members of the Association of Small Foundations, an organization that serves 1900 foundations with few or no staff.[78] Regional identity, long a defining characteristic of community foundations, also has played a large role in the lives of many independent, family and corporate foundations, which conduct their business in the places in which the fortunes were made, the donors grew up, or the company does business. As the assets of foundations grow, their geographic reach also tends to extend. The Ford Foundation, one of America's largest foundations and a presence in hundreds of countries around the world, started as a funder of Michigan causes. It was located in Pasadena, California for a brief period in the early 1950s, but quickly relocated to New York City when it became clear that national and international grantmaking was in its future.[79]

The common trajectory for American foundations has been to focus on local causes early in their formation, and expand to include, if not focus on exclusively, national and international causes over time and after a certain amount of growth in assets. This trajectory is changing. New foundation donors do not necessarily claim affinity with one place, and so are less inclined to start locally. As the economy and wealth creation has globalized, so have donors sense of "home" and their giving often reflects this. A 1998 survey of individual philanthropy in Silicon Valley found that 40% of giving from residents of the area was directed outside of the region.[80] When asked about geographic restrictions on the giving from her new foundation, one Silicon Valley donor said "The work should be on land…except for our interests in marine biology."[81] A number of donors have dedicated funds to programs focused on the search for "near earth objects," universal debris likely to smash into the planet, land-bound projects with a truly global field of interest.[82]

Established foundations also recognize the interplay between local and global. In announcing a re-organization of its entire funding program, the President of the Rockefeller Foundation recently announced, "We want to take on this daunting task of making globalization work for everyone." An inherent challenge to doing so "will be to have the foundation develop a coherent strategy for attacking problems in a global fashion while making sure it continues to work closely with local communities to understand what they need."[83]

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[77] *Foundation Giving: Yearbook of Facts and Figures on Private, Corporate, and Community Foundations 1999*, New York: The Foundation Center, 1999.

[78] *ASF Membership Survey Results, 1999*, Washington, DC: The Association of Small Foundations, 1999.

[79] Information on the Ford Foundation is from an interview with Alan Divack, Archivist of the Ford Foundation, November 1999. See, for example, the Annual Report of The David and Lucile Packard Foundation, 1998, Los Altos, California. For years the Foundation made grants primarily in the four California Counties where the Packard family lived and did business and in Pueblo, Colorado, birthplace of Mr. Packard. As the assets of the foundation have grown, so has its geographic reach.

[80] *Giving Back, the Silicon Valley Way*, San Jose, CA: Community Foundation Silicon Valley, 1998

[81] Anonymous donor, Author interview, November, 1999.

[82] See the Steve and Michele Kirsch Foundation 1998, www.skirsch.com.

[83] Abelson, p. 32.

With the rise of global fortunes, the mobility of donors, and the dispersion of the generations to whom so much wealth is being transferred, it is likely that the locality of institutional philanthropy will change. These change are likely to be subject to regional differences, as some areas of the country and globe are more mobile than others. The long term impacts of globalization, new technologies, and sheer industrial size on foundation action cannot yet be known. These trends, however, are driving both the creation of new philanthropies and shaping the way they approach their work. How different twenty-first century foundations will look from those created in the twentieth century remains to be seen. But as Einstein noted, the future will be here soon enough.

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Steve Kirsch	www.skirsch.com
Morino Institute	www.morino.org
David and Lucile Packard Foundation	www.packfound.org
Peninsula Community Foundation	www.pcf.org
Pew Charitable Trusts	www.pewtrusts.org
Forum of Regional Associations of Grantmakers	www.rag.org
Rockefeller Brothers Fund	www.rbf.org

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4Charity.com
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