

# **IS THIS A NEW GOLDEN AGE OF PHILANTHROPY?**

**James M. Ferris**

**March 2015**



**The Center on Philanthropy & Public Policy**  
**UNIVERSITY OF SOUTHERN CALIFORNIA**

## IS THIS A NEW GOLDEN AGE OF PHILANTHROPY?<sup>1</sup>

What is unfolding today and over the next decade will shape philanthropy and the nonprofit sector of the future. When we look back, will this period be considered the new golden age of philanthropy?

There is no sure answer to that question. It might just be yes. But, it will require that we work to invent the future. The uniqueness of the American nonprofit sector has been inextricably linked to philanthropy – gifts of money and time. It is philanthropy that provides the *margin for social innovation*. The nonprofit sector of tomorrow will be shaped by how philanthropy changes and what it does to shape the future of the sector. Without a robust philanthropy, the nonprofit sector and the organizations that comprise it will simply become an extension of government or an assortment of social businesses. Philanthropy's role in social innovation must be continued and renewed, and expanded and enhanced.<sup>2</sup>

To be sure, the years since the Great Recession of 2008 have been painful. This period has tested the resourcefulness, resiliency, and resolve of those who play an instrumental role in philanthropy and the nonprofit sector. But I want to think forward in this essay: where is philanthropy and the nonprofit sector headed over the next decade? Are we in the midst of a new golden age of philanthropy as *The Economist* has happily proclaimed?<sup>3</sup>

There has been much discussion, and continues to be, about the intergenerational transfer of wealth and what it might portend for philanthropy and the nonprofit sector.<sup>4</sup> However, the future of philanthropy and the sector is going to be determined – not by the transfer of wealth itself – but by the dollars that find their way into philanthropy, and how those dollars are leveraged. How will they shape philanthropy? What will the implications be for the nonprofit sector? And, even more importantly, what will the consequences be for the individuals and communities that are served?

---

<sup>1</sup> This essay is based on keynote remarks made at the Orange County (CA) Funders Roundtable 2014 Nonprofit Summit “OC 2.0: Are you ready to upgrade?”, May 23, 2014. These observations and reflections draw heavily upon the work of The Center during its first 15 years.

<sup>2</sup> This is not to discount the potential importance of the emerging social economy, but rather to underscore the unique role of philanthropy in this changing landscape.

<sup>3</sup> *The Economist*, “Doing Well and Doing Good.” July 29, 2004.

<sup>4</sup> Havens, John J. and Paul G. Schervish, “A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy: Technical Report,” Center on Wealth and Philanthropy, Boston College, May 28, 2014.

## FRAMING THE PERIOD

Before I get to those questions, I want to offer a footnote about the importance of perspective. As James Allen Smith reminds us: “Time creates a frame, giving shape to what we see, to where we focus our attention.”<sup>5</sup> How do we frame the period? How best to bound it?

In the last couple of years we have celebrated the centennial of the Carnegie Corporation (2011) and the Rockefeller Foundation (2014), and a handful of other foundations that were central to a previous golden era. Their founders and the institutions that they created gave rise to what is known around the world as “the American Foundation” – a philanthropic institution that is endowed and focused on grantmaking to a range of nonprofit organizations across a broad array of issue areas.<sup>6</sup> And, we are also in the midst of celebrating a number of philanthropic institutions that focus on community needs. Just this fall we celebrated the 100<sup>th</sup> anniversary of the Cleveland Foundation, the first community foundation, and the California Community Foundation will have its own centennial this year, and the United Way of America<sup>7</sup> in a few years.

So, how do we frame the period in which we are focused? As we think about the future of philanthropy, as hard as it might be, I think it is important to not dwell on the last five years, or even the last ten. But rather to focus on a longer timeframe that places us in an era of a dramatically changing philanthropic landscape.

To help us set the frame, consider the growth of private giving from all sources in the United States – individuals living and through their bequests, foundations, and corporations. A quick inspection of the trend in private giving over the last four decades suggests that we are in the midst of a growth period that dates back to the mid-1990s. And while there has been a dip in the last few years, private giving is still significantly higher than it was 20 years ago. An examination of trends in the number of foundations created, foundation assets and grantmaking dollars over this same period reveals similar patterns.

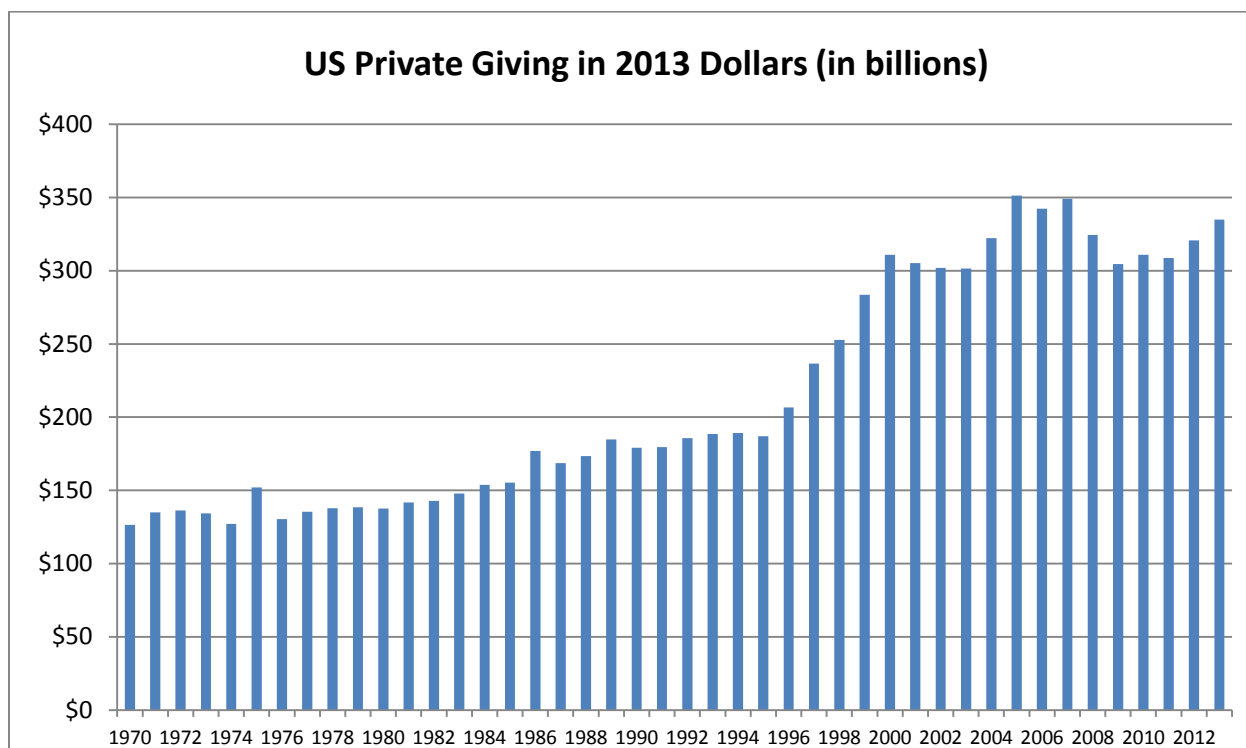
With this perspective in mind, let’s look at where philanthropy is and where it might be heading.

---

<sup>5</sup> Smith, James Allen “Foundations in Time: Where Are We Now?” *New Directions for Philanthropic Fundraising*, 2004 (45): 11-20.

<sup>6</sup> See: Prewitt, Kenneth, “Foundations,” in Walter Powell and Richard Steinberg, editors, *The Nonprofit Sector; A Research Handbook*, Yale University Press, 2006: 355-377.

<sup>7</sup> Though the first United Way chapter was started in Denver in 1887, the national organization was chartered by 12 local United Ways in 1918.



Source: *Giving USA 2014*

## WHAT IS “NEW” ABOUT NEW PHILANTHROPY?

At the turn of the century in 2000, there was a lot of excitement that we were at an inflection point. Many thought we were about to experience a transformation in philanthropy like we experienced a century earlier. Indeed, we launched The Center on Philanthropy and Public Policy at USC in 2000 with our first national leadership forum asking the question: What is ‘New’ about New Philanthropy?<sup>8</sup>

We observed new players – individuals who came into their wealth with the explosion of the tech industry, new financial institutions, and other growth industries. Donors were younger, more diverse, and more philanthropically engaged. There were new institutional vehicles emerging, such as donor advised funds, the donor option in United Way, and giving circles, that put the donor at the center of decision-making. And, these new donors were adopting new strategies and approaches that, at their core, viewed giving not merely as doing good, but as an investment in outcomes and impact. There was a fever pitch that change was coming and that this “new philanthropy” would replace traditional philanthropy.

<sup>8</sup> For a summary, see: The Center on Philanthropy and Public Policy, *What is “New” About New Philanthropy: A Summary of a Forum on Philanthropy, Public Policy, and the Economy*, 2001.

Indeed, we observed at that gathering that:

- *Philanthropy was happening at a greater scale and being practiced at a faster pace.* There were more folks involved in giving with greater levels of wealth and practicing it at earlier ages.
- *Philanthropy was increasingly complex and global.* There were new vehicles for giving, donors were devising philanthropic portfolios, and communities were defined beyond place.
- *Philanthropy was becoming more pluralistic and individualistic.* New donors were interested in directing their own giving, amplifying multiple voices with diverse values and passions.

We came to the conclusion that there was definitely change happening. There was some “new new” as well as some “new old” and some “old new.” But, philanthropy was evolving, not being revolutionized. In fact, with the exception of the phenomenal rate of growth that we experienced in the 1990s, these trends continue to this day.

At the same time, there has been an increased public consciousness about philanthropy, accompanied by a sense of hipness. The “New Philanthropists” were featured on the cover of *Time Magazine* in 2000, followed by Bill and Melinda Gates, along with Bono, in 2005 for their philanthropic works. Since then philanthropy has found its way into the mainstream of American culture and business. We have seen the creation of the *Forbes* annual giving lists, philanthropists on the cover of *Fortune* and *Fast Company*, and the annual giving section of *The New York Times*. This trend has only intensified since Warren Buffet made his magnanimous gift to the Gates Foundation in 2006 and, more recently, joined forces with Bill Gates to spearhead the “Giving Pledge.”<sup>9</sup>

What has been the impact of these new forces? They have created some important changes in the strategies of donors and the practices of nonprofits that have stuck. The legacy is seen in the emphasis on nonprofit capacity building and the importance of strategy, metrics, and outcomes across the sector.

- Nonprofit Capacity Building

There is a greater appreciation for the value of strong organizations. Good programs without strong organizations don’t last. This has led to a renewed focus on leadership and board governance and a strategic commitment to mission. Boards are not simply for fundraising. In addition, there is a growing recognition that investments in organizations – overhead – need not be wasteful. In fact, there is a building movement to tackle this misperception head on.

---

<sup>9</sup> See: “The Giving Pledge” website at <http://givingpledge.org/>

- Strategy, metrics, and impact

There is recognition of the need to be more intentional about what philanthropy is trying to accomplish, and how they intend to reach their goals. To be more impactful, there is a need to understand and demonstrate the links between the problem, the strategy, the outcomes and impact. Good intentions are not enough.<sup>10</sup>

As a consequence of these changes, an infrastructure has sprouted up as the sector has evolved. This includes a plethora of consultants and advisors such as Rockefeller Philanthropic Advisors, Bridgespan, and Arabella; information sources such as Guidestar, Charity Navigator, and Network for Good; resources for donors to be more strategic such as Give Smart;<sup>11</sup> and portals for more a more efficient capital market for social good like Kiva and Donors Choose.

## **WHERE ARE WE HEADED?**

So at this moment where are we headed? Is this era all that golden? I want to suggest that there are three advances that have the promise of making it so:

*Networks and Collaboration:* A greater understanding of the power of networks, including the needed changes in mindset for operating in a networked world and the important role for philanthropy to support them.

*Working with Government:* A greater recognition of the shared interests of philanthropy and the nonprofit sector with government – at all levels – and the myriad of ways in which they can do more together.

*Leveraging All of Philanthropy's Assets:* A willingness for philanthropy to think bigger and bolder and to be willing to leverage all of its assets – financial and more – so as to make a bigger difference.

Let's consider each, briefly, in turn.

### **NETWORKS AND COLLABORATION**

Networks are all around us and philanthropy is becoming more intentional about how to use them to create greater impact. For so long, the focus has been on the “organization” and its performance. But increasingly, we are coming to appreciate the importance of networks that connect organizations and individuals. Networks are a means to foster collaboration in many of the systems that philanthropy and its partners care about. To be sure, networks are not new; however, we are increasingly more conscious of them and their significance. And we are

---

<sup>10</sup> The prevalence of this approach to philanthropy is underscored by recent “push back” against what seems like a growing orthodoxy. For example, see the “Up for Debate” articles on strategic philanthropy in *Stanford Social Innovation Review*, Summer 2014.

<sup>11</sup> See the 2012 book by Tom Tierney and Joel Fleishman, and related materials on the Bridgespan.org website.

starting to realize networks require a new mindset and that philanthropy can play an important role in developing, supporting and nurturing them.

Let me talk about one example to illustrate: **The Magnolia Place Initiative**.<sup>12</sup> This initiative engages 75 organizational partners, more than 100 community groups, 500 neighborhood ambassadors and 14,000 families in a 5-mile/500 block area just north of the USC campus. The initiative operates as a collaborative community network. It seeks to strengthen parenting and promote educational success, good health and economic stability. Organizations voluntarily come together, follow a theory of change, and align what they are doing to make a bigger difference for kids and the community.

As Alex Morales, President and CEO of the Children's Bureau notes:

"When we began our work we were struck by the volume of children in trouble in the neighborhoods the Children's Bureau was trying to serve. We were struck by the limited resources just one organization would be able to bring to bear on such large and complex problems. We needed breakthrough thinking."

In the Magnolia Place Initiative model, the parents and community members themselves have become the new energy source for making the difference for families and their community. Rather than rely on the traditional service delivery model, which is costly and difficult to execute, the Magnolia Place Initiative strategy fosters the development of what Morales calls "protective factors" in the community: harnessing the power of parents and others to create a neighborhood effect. As Morales says: "We don't go to the community and say, 'We're here to help. What would you like us to do?' Instead, we say, 'We're here as an organization that wants to see the children in this community be successful. What can we do together?'"

Realizing the potential of networks requires a different way of working. It requires a different mindset, a different kind of behavior. It is not a matter of ignoring the needs of the organization, but rather thinking about how an organization achieves its purpose in concert with others. We need to think in terms of adaptability, not control; resilience and redundancy, not duplication; emergence, not predictability; and diversity and divergence, not convergence.<sup>13</sup>

The idea of networks is powerful at so many different levels and in so many different arenas. Consider the power of bringing together foundations and connecting, as Brad Smith of The Foundation Center notes, "the archipelago of philanthropy." Whether it is bringing local, regional, and national foundations together, or connecting health funders with those in education or economic development, there is much more that can be accomplished. Or,

---

<sup>12</sup> This discussion of the Magnolia Place Initiative draws from The Center's Conversations on Philanthropy Series: "Building Networks to Improve the Lives of Children," Alex Morales, President and CEO, Children's Bureau of Southern California, in conversation with Fred Ali, President and CEO, Weingart Foundation, June 11, 2013.

<sup>13</sup> See "A Network Way of Working: A Compilation of Considerations about Effectiveness in Networks." *Nonprofit Quarterly*, December 30, 2013.

consider the promise of collaborative efforts that move beyond philanthropy to other stakeholders as reflected in the “Collective Impact” movement.<sup>14</sup>

***If philanthropy cares about scaling impact, can it ignore the power of networks and the collaboration that it fosters?***

### **WORKING WITH GOVERNMENT**

Throughout its long history, there has been a dynamic interwoven between philanthropy and government. Philanthropy is encouraged and supported by public policies, and many foundations try to influence public policy so as to advance their missions. Indeed, there has long been this hoped for partnership where philanthropy along with its nonprofit partners will experiment and government, with its vast resources, would take the successes to scale. However, today we are seeing the emergence of a new relationship between philanthropy and government – an authentic partnership. Government and philanthropy are working together to do better.

Let me offer a brief example of a philanthropic-public partnership from the Affordable Care Act, and an emerging innovation to encourage boundary crossing among the sectors – offices of strategic partnerships.

California has a number of health focused foundations as a result of the conversion of health nonprofits in the 1990s. Today, many of these foundations are working in partnership with the state to help in the implementation of the **Affordable Care Act**. For a number of these foundations, it is a once in a lifetime opportunity to leverage their philanthropic resources to achieve their mission of greater health care access for all Californians. At the same time, the state is invested in working with philanthropy to more effectively accomplish its goal of creating a new marketplace for health insurance when it lacks the resources to do so on its own. As Dr. Robert Ross, President of The California Endowment said after the law was originally upheld by the Supreme Court: “California cannot fail...it can’t fail. And, however much federal money is in it, it doesn’t look to us to be enough – on the education side, on the outreach side. And we need some extra money to spend on this.”<sup>15</sup> So, the Board of The California Endowment, after a healthy, vigorous debate, did just that by approving a special allocation above and beyond their normal grantmaking budget.

Dr. Ross said of the exchange:

“From a leveraging standpoint, if you can take 7 million uninsured Californians and reduce that number to 3 million or 2 million, that’s a major step towards our mission. We saw it, again, as risky because it put us on the dark side of the political right. But we

---

<sup>14</sup> See the *Stanford Social Innovation Review*: Collective Insights for Collective Impact. Fall 2012.

<sup>15</sup> Ferris, James M., “Interview with Robert K. Ross.” *Nonprofit Policy Forum*. Volume 4, Issue 1, Pages 105–114, July 2013.



felt that was the right thing for California. And, we felt it was the right thing for our mission.”

As a signal of this intensifying interest in partnerships, we are seeing the emergence of an innovative approach to philanthropy and government working together: the creation of **offices of strategic partnerships**. These offices can catalyze partnerships between government and philanthropy and even business. They have been created in cities and states and they are taking hold across agencies and departments of the federal government.<sup>16</sup>

These offices underscore two points. First, cross-sectoral partnerships are not natural. They don’t happen as often as they might because philanthropy and government, whatever the level, are worlds apart in their culture, perspective, and how they work. Nevertheless, they have shared interests! And, second, there is recognition that such differences can be overcome so that partnerships can be catalyzed, facilitated and even accelerated across the sectors where there is potentially much to be gained.

In fact, much of what these offices do is to demystify the sectors by sharing knowledge and information with each other. In addition, they are able to identify areas of possible partnership opportunity so as to leverage resources across sectors to address public problems. These offices have racked up some impressive results. For example, the U.S. Department of Education’s Office of Strategic Partnership has helped to connect hundreds of grantees with businesses and foundations who are working on the ground to implement innovative solutions to a number of education challenges. And, Michigan’s Office of Foundation Liaison, with the support of the state’s philanthropic community, planted the seeds for the Office of Great Start, which focuses on ensuring access to high-quality early learning and development programs for young children in need.

***If philanthropy cares about communities and their residents, can it go it alone when partnering with government will lead to better outcomes?***

#### ***LEVERAGING ALL OF THE ASSETS***

It is important to underscore that philanthropy has a lot to contribute to solving the problems that confront our communities beyond grantmaking. Philanthropy has the ability to take risks, work over a long-time horizon, take a comprehensive (systems) view, and leverage an array of assets. For example, foundations that are engaged in public policy have been emphasizing the importance of using their knowledge of issues and communities and the leveraging of their connections and reputation to advance policy change.<sup>17</sup>

---

<sup>16</sup> See: The Center on Philanthropy and Public Policy, *Philanthropy and Government Working Together: The Role of Offices of Strategic Partnerships in Public Problem Solving*, 2012; and, The Center on Philanthropy and Public Policy, *Catalyzing Collaboration: The Developing Infrastructure for Federal Public Private Partnerships*, 2014.

<sup>17</sup> See: James M. Ferris, *Foundations and Public Policy: Leveraging Philanthropic Dollars, Knowledge, and Networks for Greater Impact*, Foundation Center, 2009.

This approach of leveraging all the assets – being “all in” – is creating new frontiers for impact. Two of the more interesting examples in recent years are foundations providing civic leadership, as Detroit has recently seen, and catalyzing impact investing.

In recent years, philanthropy has been “all in” in Detroit as foundations, donors and corporations have worked together to provide **civic leadership** to reverse the city’s downward spiral, working to keep the city alive with a hope for a better future. Foundations and other stakeholders realized that they could no longer stand on the sidelines or simply color inside the lines of what was expected of grantmakers when the circumstances in the city were so dire. They reached beyond their comfort zone to pursue approaches that, in many cases, were new to them: school choice, enhanced law enforcement, and a friendlier business climate through the New Economy Initiative, which was designed to attract private entrepreneurs.<sup>18</sup> But, more importantly, it is not so much the issues they have chosen to fund but the roles they have assumed. As Rip Rapson, President of The Kresge Foundation has reflected: philanthropy is helping to reset Detroit’s vision and align the community’s alliance, aggregating discretionary capital for early-stage development costs, signaling the stability that encourages capital to come in, and using its reputation to attract outsiders to invest.<sup>19</sup> In effect, these foundations are using multiple tools from their toolkits, including reputational capital, expertise, networks and financial resources to bring the city back.

These efforts were in place well before the “grand bargain,” where a number of foundations worked together to help bring Detroit out of bankruptcy – a move which is unprecedented, but not surprising given the previous work of foundations on the New Economy Initiative to revive the city. Some in philanthropy have been critical of them “bailing out” government, worried that it will set a precedent, but, if they are committed to the community, can they stand on the sidelines?

Another example of philanthropy using a wider array of assets is the emergence of **impact investing**. Philanthropy has a wealth of financial assets that it can put to work in support of mission. Most foundations spend five percent of their assets on grants per year, but what about the other 95 percent? They can invest those assets in ways that align with their missions. Foundations have done this over time with the use of program-related investments. Today, donors are pushing the envelope by breaking down barriers between investments and missions with the emergence of a new set of instruments that can make money and do good at the same time. For example, social impact bonds have the potential to change the way in which we finance social services. Philanthropy is helping to get this market created and can play an

---

<sup>18</sup> See: Liz Essley Whyte, “Philanthropy Keeps the Lights in Detroit,” *Philanthropy*, The Philanthropy Roundtable, Winter 2014.

<sup>19</sup> Rip Rapson, joined The Kresge Foundation’s board member Irene Hirano Inouye, for a “Conversation on Philanthropy” at The Center in September 2013, where they discussed the foundation’s transition from funding bricks and mortar projects to an approach that takes advantage of philanthropy’s unique potential to create opportunities in low-income communities.

instrumental role by providing early risk capital, making it more attractive for other investors to get in, ultimately expanding capital for greater social impact.<sup>20</sup>

### ***Can philanthropy achieve its full promise if it isn't all in?***

## **CONCLUSION**

Is this a new golden age of philanthropy? It can be.

There is a lot of talk about the intergenerational transfer of wealth still to come. But there is no guarantee that it will find its way into philanthropy. And, even if it does, there is no guarantee that it will be applied in the most meaningful and impactful ways.

We all know that philanthropy is insulated, to a significant degree, from market forces and political pressures. As Tom Tierney and Joel Fleishman note in their book, *Give Smart*, “excellence is self-imposed.” It is up to philanthropy to discover pathways to greater impact.

We have the opportunity to shape the future of philanthropy – to indeed make this a new golden era of philanthropy, not by amassing more dollars (though they are welcome), but by growing philanthropy’s impact by:

- Harnessing the power of networks.
- Crossing boundaries and borders to make that which philanthropy cannot do alone possible.
- Leveraging all of philanthropy’s assets.

Of the larger foundations in the U.S., a quarter of them have been created since 2000 and they account for a fifth of foundation giving.<sup>21</sup> And foundations formed since 1990, over the last generation, account for slightly over half of all foundations assets, and almost half of all giving. The donors behind these newer foundations as well as those giving through other forms of philanthropy that are proliferating – donor advised funds, giving circles, and public grantmaking charities – are well-positioned to shape the future of philanthropy.

We are at a moment where donors and philanthropic institutions have an opportunity to help write the story of the new golden age of philanthropy – a century later – and to empower the nonprofit sector and the communities they serve. They say that you cannot predict the future, but that you can invent it.

### ***Philanthropy can invent its future!***

---

<sup>20</sup> There have been a number of reports documenting impact investing in recent years. The Center hosted a “Conversation on Philanthropy” focused on impact investing in March 2014 with Antony Bugg-Levine, President of the Nonprofit Finance Fund, who helped to create the movement while at the Rockefeller Foundation, and Andrea Phillips, a Vice President in the Urban Investment Group at Goldman Sachs, where she leads the GS Social Impact Fund, which has been involved in the creation of instruments to advance impact investing.

<sup>21</sup> Based on data through 2012 from the Foundation Center for foundations that have assets over \$1 million in assets or grantmaking of \$100,000 or more, for which there is data on year of establishment.