

A companion piece to
LOOKING OUT FOR THE FUTURE:
An Orientation for Twenty-first
Century Philanthropists



Cultivating Change IN PHILANTHROPY

A working paper on how to create a better future

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www.futureofphilanthropy.org

Introduction

1966

Frankly, there is more that's new outside philanthropy than there is inside philanthropy. Which is not to say that we in philanthropy are not changing or that we are not getting better. But simply, to admit that the world around us is changing an awful lot faster than we are.

Paul Ylvisaker
The Ford Foundation

1985

That the United States is so well endowed with such an array of [philanthropic] institutions to analyze its difficulties, devise and test new solutions, and help adapt the social, political, and economic apparatus to the requirements of changing circumstances should be deeply reassuring. But the gap between the potentiality and the actuality is regrettably very great.

Waldemar A. Nielsen
The Golden Donors

2000

Philanthropy does much good. But it's a six-cylinder engine running on two cylinders. What would be possible if it were running on all six?

Thomas Reis
W.K. Kellogg Foundation,

The enduring critique leveled at philanthropy—that it does not work well enough and isn't adapting to changing circumstances fast enough—is as persistent as the hope that, at long last, someone will discover a way to “fix” it: to fundamentally improve the cumulative impact of all the gifts of money, time and talent freely given.

So it is not at all surprising that today there is a great deal of energy dedicated to making philanthropy “better”: more effective, more productive, and more accountable to the society that makes it possible. Much of that energy is devoted to helping donors do their everyday work better, as we have done in our publication, *Looking Out for the Future: An Orientation for Twenty-first Century Philanthropists*.

But individual changes alone will not be sufficient to make significant progress in closing the gap between philanthropy's potential and its performance. If they were, the culture and practices of philanthropy would have changed far more than they have in the modern era. What's needed are changes that affect philanthropy as a whole, too.

We have created this working paper to sharpen and deepen our argument for those who are interested in how they can help build a more effective field that in turn will enhance the efforts of all individuals and institutions. It can be read without referring to *Looking Out for the Future*, or it can be read alongside it if you are interested in a more extensive survey of the new ecology surrounding philanthropy and the seeds of change already visible across the field.

This working paper is designed for you if you are:

- A leader of a philanthropic institution who sees that your own actions are constrained by and dependent upon developments in the whole field;
- A leader of a mainstream philanthropic infrastructure organization or network who deals with professional grantmakers or individual givers in groups;
- An entrepreneur who is pioneering new kinds of philanthropic institutions, networks or infrastructure;
- A reformer or critic of philanthropy promoting particular changes;
- A nonprofit leader who wants to understand why philanthropy functions as it does;
- Or a researcher who studies the whole field of philanthropy, and is interested in thinking through what types of research might best inform change.

Whatever your motivation, you will find here **a realistic but fundamentally hopeful point of view about what it will take to create a better future for philanthropy and therefore the organizations and societies philanthropy supports**. While we have worked on these ideas for a long time as part of an extensive project on the future of philanthropy, funded by the W.K. Kellogg and David and Lucile Packard foundations, we think of this essay as Version 1.0. It contains essential elements of our thinking to date, written to challenge current assumptions and contribute to a larger conversation. It is certainly not intended as a polished, finished set of recommendations.

Our purpose in sharing it is to provoke an even richer dialogue than the one already underway in philanthropy, since many people are already discussing and debating the issues we cover here. The point is not to create agreement, but rather to challenge ourselves and others, to stimulate better thinking and more effective action. Therefore, we are certain you will find assertions you disagree with. But we also hope you will find some new perspectives to enrich your own thinking and work, because we have worked hard for four years, with many different groups, to look at U.S. philanthropy as it has been, as it is, and as it could be. Along the way, we have discovered the deep forces energizing and transforming philanthropy and the even deeper barriers that suggest that perhaps nothing will change.

Our point of view unfolds as we think through a series of questions we have asked ourselves. In the coming pages we will ask:

- Why is it so difficult to fulfill philanthropy's promise?
- Is today really different?
- Will tomorrow be much better?
- How can change be cultivated?
- Who is responsible?

If you are interested less in our rationale and more in what we propose, go straight to the section called "How Can Change Be Cultivated?" If you'd like to know who has influenced our thinking—and where you might turn for additional ideas—turn to the back of this document for a short resource list. Background on the project that produced these reflections is also included at the close. All the materials produced by our project can be downloaded at www.futureofphilanthropy.org.

WHAT IS "PHILANTHROPY?"

Philanthropy is one of society's mechanisms for addressing both the acute and chronic challenges that emerge in the world around us. It is an ancient practice, honored by every religious tradition. It is voluntary and independent, and to the degree it is rooted in our basic willingness to help others, it is timeless. Indeed, the word philanthropy literally means "love of humankind."

Nevertheless, philanthropy can be hard to define precisely, even if we all feel like we know it when we see it. Part of the problem is that it is very hard to draw a boundary around philanthropy, especially today. The definition we use comes from the W.K. Kellogg Foundation, which says that philanthropy is "the giving of time, money, and know-how to advance the common good." This definition complements the one commonly used by scholars who treat philanthropy in all cultures throughout history as giving outside one's family.

Here and in the rest of our work, we are concerned with the whole spectrum of philanthropic giving in the U.S., rejecting the once-neat distinction between foundations and other giving that is not "organized." Many individual donors are just as strategic as thoughtful, intentional, and creative as formal philanthropic institutions. And there are many new forms of community giving, such as the growing numbers of giving circles, women's foundations, and Mexican town associations, where individuals come together to organize their giving.

Foundations are part of the nonprofit sector, but many people casually speak about foundations as separate from nonprofits, by which they mean charitable organizations that do the work rather than give money. We are *not* trying to look at the whole nonprofit sector here, choosing instead to focus our attention on donors and other grantmakers, even though we know that drawing a line between the giving side and the rest of the nonprofit sector can be arbitrary. Neither are we focusing on public benefit channeled through governments in the form of aid or public sponsorship.

Why is it so difficult to fulfill philanthropy's promise?

This is a world in which top down doesn't work and bottom up doesn't add up.

International Futures Forum
Ten Things to Do in a Conceptual Emergency

Over the last few decades, the context that calls for philanthropy—the world and its problems—has changed in ways that make our old approaches to addressing social problems unsatisfactory and often unsuccessful. As a result, the structures or mechanisms we have—philanthropy, but also governments and multilateral institutions, for example—seem increasingly unsuited to the tasks they are being asked to respond to. This is the root of the conceptual crisis we believe surrounds philanthropy today.

Many people have sensed this and are trying to respond in many different ways, experimenting with how to be philanthropic and to better use available resources. We have catalogued and organized a cross-section of these philanthropic experiments as “Seeds of Change” in *Looking Out for the Future* (available for download at futureofphilanthropy.org.)

In theory, the very essence of philanthropy—its flexibility and independence, unconstrained by election cycles and quarterly reports—should position it well to adapt rapidly to change in these ways. The reality, however, is often quite the opposite. The essential strength of philanthropy—that it is a moral choice freely made—has also kept philanthropy as a field from adapting adequately to a changing context. The reason is that few of the usual levers of change can be counted on to improve philanthropy's collective efforts. Neither attempts to enforce improvements from the top-down through centralized national solutions nor simply “letting a thousand flowers bloom” from the bottom up will suffice.

Let's look a bit more closely at why.

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WHY TOP DOWN WON'T WORK: THE UNDERLYING STRUCTURE OF GIVING

Arguments about how to improve philanthropy often don't account for the deep structure of voluntary giving that shapes all the surface behaviors. These are the givens that characterize philanthropy (individual and/or institutional) as it is:

- **Philanthropy is profoundly voluntary; by definition it is unforced.** Freedom and independence are proud features of what it means to be philanthropic, and any effort to dictate to others how they ought to give risks being rejected or simply ignored. Attempts to mandate or impose new structures and rules can constrain the creativity at the heart of much great philanthropy, or cause unintended consequences. Too many rules and requirements may simply cause some people to choose not to give.
- **Much of philanthropy is expressive rather than instrumental**—that is, the core attribute of much giving is that it expresses the values and beliefs of the institution or giver. As a consequence, an outsider's judgment that a gift is not "effective" matters less than the values it represents to the donor, the personal commitments it reflects, or the web of relationships it helps to maintain. As Harvard scholar Peter Frumkin observed to us, "At its core, [philanthropy] is about expressing values, not outcomes. Philanthropy is a vehicle of speech."
- At the individual level at least, **philanthropy is often motivated by the pleasure associated with giving** (whether that pleasure is motivated by a true desire to serve or by the personal gratification that often comes with it). To make it more "professional" or "effective" is often going to make it harder. This is the paradox of efforts to professionalize philanthropy: complexity, assessment, and evaluation require expertise and diligence, but more professionalization creates the danger of losing connection to the very personal reasons why people give. That's why professionals, used to being strategic in other domains, often behave in very different ways when it comes to their private philanthropy.
- **Endowed philanthropic organizations have little "survival anxiety"**—the anxiety that comes from sensing that if you do not improve your performance, you will be forced out of your position or out of business entirely. This idea comes from organizational theorist Edgar Schein, who observes that learning is hard because it requires giving up something you know and are comfortable with. According to Schein, the only time organizations learn is when the normal level of "learning anxiety"—the anxiety produced by having to learn something new—is trumped by "survival anxiety"—the anxiety produced upon realizing that if something doesn't change, they will not survive. Among endowed philanthropic institutions, there is almost never a threat that raises survival anxiety, which means, in turn, that there is nothing that causes philanthropic organizations to get over their learning anxiety in any consistent way. The result is a field in which there is limited (if any) feedback about donor performance, except at the pleasure of the donor, and little real need to confront and share failure.

- **Philanthropy itself is not a system.** Individual institutions and givers in philanthropy are not in any sense reliant on one another; they exist independently and can act without much reference to what others do. Thus, there is no system where actors must respond to one another, adapt to one another, or learn from one another. This is not to say that donors and foundations don't relate or learn from one another at all. They do, but only to the extent that they choose to. And they also compete with one another—for ideas, reputation, and credit, which can discourage the free exchange of ideas and lead to fragmentation of effort and isolation.

Taken together, these givens suggest that what many see as “the problem” in philanthropy isn't experienced as a problem by most of the participants, even those who might acknowledge it intellectually. And if participants don't experience a problem the way someone else frames it, there's typically little energy to fix it and few if any ways for outsiders to pressure for change effectively. As Waldemar Nielsen wrote in one of the classic studies of the field, *The Golden Donors*, “Philanthropy is not a managed or manageable field of activity.”

WHY BOTTOM-UP ISN'T WORKING: NO SYSTEM FOR LEARNING OR ADAPTATION

If philanthropy cannot be dramatically improved from the top down, could creative bottom-up efforts work? Perhaps, but that would require donors to learn and adapt based on their own experience and the experiences they observe around them. The very independence that characterizes philanthropy means that there is no natural mechanism for creating this learning and adaptation, which requires connection. As a result, isolated successes are often not replicated, and new innovations replace old ones before they have time to prove themselves.

Despite many nascent efforts to improve learning in philanthropy, there is still no developed culture or system for learning, and therefore bottom-up approaches to change often don't add up over time. It's worth reflecting on a few of the reasons why this basic dynamic is difficult to change:

- **Donors and funders face their own capacity limits**—too little time, too much information. And given that learning is voluntary, there is often not enough pressure or motivation to overcome these limits.
- Philanthropists normally support others in their work, which means that **learning is based on secondhand information.** Whatever learning happens for the grantee is only communicated later (if at all) to the funder. In other words, there is no widespread, natural mechanism through which real feedback flows to the donor.
- Philanthropic institutions face the same governance challenges as many other institutions: **those vested with ultimate decision-making authority are often not the same people who hold the substantive knowledge necessary to make good judgments about needs and how to meet them.** This basic dynamic can be greatly exacerbated by a living donor or donor family or a particularly insulated board, creating a situation in which no one directly questions a decision-maker's judgment, even in private. This can result in a disconnect between the most pressing needs and what the ultimate decision-maker does about them.

- Individuals might choose to learn and adapt, but **the pockets of knowledge that are created are hard for others to access** because the field is so decentralized. As a result, philanthropy today is like a broad archipelago. Institutions are mostly isolated from one another, and so are various types of funders: community from corporate, large professionally staffed from small volunteer staffed, giving circles of emerging philanthropists from giving circles of experienced donors. Funders often don't know what's going on across the street, let alone what's going on across the country.

Because philanthropy is profoundly voluntary, because people need neither to react nor adapt to one another, and because there is no system for learning nor any strong reason to connect learning to action, philanthropy today generates a world in which experiments multiply but very little sums.

Is today really different?

The eye sees only what the mind is prepared to comprehend.

Robertson Davies

If reformers have tried for generations to overcome these inherent realities in order to make philanthropy “better”—more responsive, more effective, more self-aware—is there any reason to get our hopes up again now?

The simple but definitive answer is yes.

The good news—and there is plenty of it—rests in understanding the new context for change. A close reading of philanthropy’s history reveals that only a few large drivers have created lasting changes in the evolution of individual giving and organized philanthropy:

- **New social, political, or economic conditions:** the nature of the demands placed on philanthropy go through a dramatic shift—because of major structural economic changes, shifts in government priorities, demographic changes, and other major external changes
- **New technology:** developments in communications or transportation change how money and time are used, how far away an individual organization can have influence, or the scale of problem-solving it can consider
- **New money:** rapid growth in the scale of philanthropic assets, driven by wealth creation, brings new money and people into the field
- **New zeitgeist:** the spirit of the times—the principal ideas, language, organizational forms, and practices—shifts in noticeable ways, bringing a new spirit into philanthropy from the outside, especially from business and science, where the money has been made
- **New leaders:** change in the demography of who gives, such as the rise of new immigrant populations, and change in the leadership of key philanthropic institutions
- **New scrutiny or rules:** growth, scandals, or increased media attention prompt new regulatory or tax policy (or enforcement), which in turn influences whether and how people give and how philanthropic institutions operate

One or more of these drivers has been critical to the development of modern U.S. philanthropy during nearly any era one would want to examine. What's interesting about our era is that they are all present at once, creating a fundamentally new context. That's why we believe that today offers a real window for cultivating change. This confluence of factors—from outside philanthropy and inside it—create new opportunities to catalyze philanthropy's latent potential.

In *Looking Out for the Future*, we looked at these historical drivers and identified seven key elements of what we believe has become a new ecology for every donor and every cause today. For the purposes of thinking through how to cultivate change in philanthropy—not simply to improve old practices in new times—we have further distilled our analysis here to show how everyone and everything in philanthropy is marked by a new mix of people, tools, and pressures. Any better future must account for these new conditions.

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PEOPLE

Change flows through philanthropy when new ideas are adopted by key actors in a position to influence others, and philanthropy today is pulsing with new actors filled with energy, passion, and ideas. These new leaders are all around us: people who have made significant fortunes relatively early in life and are looking to give in new ways; a growing number of high net-worth individuals who prefer to give while they are living rather than at the end of their lives; women and people of color engaged with new and traditional philanthropy as givers and as professionals helping others to give. There are also a growing number of people who will be dealing with their own legacy issues, as intergenerational transfer decisions are made first by the WWII generation and then by baby boomers.

Every generation brings fresh energy and different leaders. What is new today is the number and diversity of the people now flowing into the field and the amount of resources they possess or influence—and therefore the multiple potential sources of hope and innovation they represent.

For instance, the most recent *Forbes* magazine count listed a record 313 billionaires in the United States—up from just 13 in 1982. If even a few of these individuals create a dozen bold, large philanthropic institutions in the next generation, the prevailing culture of American philanthropy could shift. The Gates Foundation's compelling efforts in international public health are the leading edge of the potential.

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look beyond the richest
of the rich.**

But one of the great hopes in philanthropy today is to look beyond the richest of the rich. Many people have the ability to give sums that are significant relative to their means, and if they do so in new ways, the cumulative impact could be considerable.

In the next generation, then, we can expect (and are already seeing) a wave of new actors with different experiences, bringing new resources, new energy, new expectations, and an interest in finding new ways to get things done with little concern for old habits. And this factor applies equally as much to those who will be hired as staff to lead the growing number of philanthropic institutions.

TOOLS

In the early twenty-first century, new tools are fast becoming essential infrastructure for action, coordination, and learning in many domains, including philanthropy. The most obvious is the growing range of powerful information and communications technologies that accelerate the pace of learning and support coordination and collaboration across distance and organizational boundaries. Less well known but still of great potential are the tools that allow people (even those without great expertise or resources) to map and analyze the informal or social networks they are in or that operate in the areas they care about. Finally, there is a growing range of increasingly inexpensive and widely accessible technologies that can be used to support individual or group learning.

These tools have transformed how corporations are organized, how business is conducted, and how economies function. Their potential to change how work is done in the social sector is equally great, though their transformative potential is just now becoming visible. (For instance, the power of these new tools could be seen in the overwhelming response from individuals, NGOs, and corporations who used email and the Web to mobilize instant and substantial support for the victims of the Asian earthquake and tsunami.)

It's clear that the tools are already catalyzing changes in how philanthropy is "organized" and therefore what the role of any individual player will and can be. We believe it's important to imagine how this reorganization could characterize the coming era to the same degree that the invention of new philanthropic organizations (the private and community foundation) characterized the last revolutionary era in U.S. philanthropy 100 years ago.

In 20 years, the new "organization" in philanthropy could be the network, taking its natural place next to organizational forms that endure from previous eras.

In 20 years, the new "organization" in philanthropy could be the network (itself a kind of tool), taking its natural place next to organizational forms that endure from previous eras. A recent study by Grantmakers for Effective Organizations showed that this trend is already well under way. Twice as many philanthropic networks were founded in the 1990s than in the 1980s. And almost as many networks have been formed in the first years of this new century as were formed in all of the 1980s. In the years ahead, many people and organizations will take it for granted that the best way to expand their own capacity and amplify their impact will be to join together in networks. By doing so, they can share information more quickly and fluidly, create complementary strategies, and respond most effectively to rapidly changing conditions. Some of these networks will be temporary, and many will be permanent. The overall effect on how philanthropy is practiced by the new generation could be dramatic.

PRESSURES

The pressure to demonstrate impact—and the debate over how to describe it—will be the defining narrative of this era in the nonprofit sector, including philanthropy. It will play out at both the institution and the field levels, and will influence how new actors use new tools.

This pressure won't go away because it is a swelling river fed by many separate tributaries: growing needs created by economic change and shifts in the government safety net; the rapid growth of nonprofit organizations of all kinds responding to the growing needs; the increasing interdependence between government and the nonprofits that implement government programs; the democratization of giving and receiving, involving the middle class in growing numbers; the growing professionalization of the nonprofit sector that raises standards of performance; the increasing accessibility of information; and the cultural influence of business. As these changes flow together, the result is both increased competition in the nonprofit sector and increased scrutiny of it, from inside and outside. The inevitable consequence is growing pressure to demonstrate results.

High-profile observers and the press—along with state and federal officials—will call for more accountability. Every high-profile abuse will simply add force to the trend. Eventually the debate could demand better proof about the ways charitable giving serves society's interests. If this happens, a kind of "survival anxiety" could kick in for the whole nonprofit field, overcoming the barrier to learning that Edgar Schein's work has illuminated.

This pressure, however, is not just an external phenomenon. Some donors and new foundation leaders are determining that intending to do good is simply not good enough. They are pushing for "theories of change," for more evaluation, and often for measurable results.

Together, these trends could create a potent mix where all elements combine with and reinforce one another. The question is how the window created by these new conditions can be opened.

The result for philanthropy as a field is that the combination of external scrutiny and increased urgency creates a window for change.

It's important not just to view these trends separately. Together, they could create a potent mix where all elements combine with and reinforce one another. The pressure for effectiveness creates an opportunity for new ways of working when it becomes clearer that donors can achieve their individual goals better by learning and acting collectively, aided by the new technologies for doing so. Networks then become a potential response to the pressure for effectiveness, just as information technology has supported the interest in greater accountability. That same technology used to link traditionally unconnected donors also gives them the possibility of gaining the advantages of scale and focused giving without having to create the infrastructure to do so individually.

The obvious question is how the window created by these new conditions can be opened to create a better future, one where the cumulative effects of many philanthropic actions add up to better outcomes for organizations and societies.

Will tomorrow be much better?

If you don't change direction, you will end up where you are headed.

Chinese proverb

Even in a new time, the barriers to transformative change are very great—some would argue insurmountable. The best approach, it has been argued, is to reduce expectations, let go of grandiosity, make sure the “bad apples” are driven out, and help deserving nonprofits do better work.

For those who believe the first principle in philanthropy, as in medicine, is to “do no harm,” this argument has a compelling logic. Tweaking a regulation, creating a new standard, inventing a new metric—all of these reforms may provide needed incremental improvements. But the new conditions inside and outside philanthropy suggest that something more may be needed in order to make tomorrow much better than today.

As management theorist Peter Drucker has argued, it can be better to do the right thing wrong while you are learning than to work harder to do the wrong thing right. Some incremental reforms, we fear, may be “doing the wrong thing right.” That’s because, as we argued earlier, the context that calls for philanthropy—the world and its problems—has changed in ways that make the old assumptions about addressing social problems unsatisfactory and often unsuccessful.

At Global Business Network, where we each have worked, we tell a story about assumptions. It’s called “the map rap,” because it’s based on an influential map of North America made by Spanish explorers. The striking feature of this map is that it shows California as an immense island, separated by a narrow waterway from the mainland. As a result, explorers and missionaries set off across California, lugging boats that would enable them to cross the water they expected to find. But despite the growing number of reports from explorers that California was not an island, it took an edict from the King of Spain to change the map.

Some incremental reforms, we fear, may be “doing the wrong thing right.”

The moral of this story is that if the map is wrong, people may not get where they think they are going. Moreover, once the map is wrong, it is very hard to change, even in the face of evidence that it isn't a reliable guide.

Of course, maps aren't always physical documents. They also exist in our heads, and consciously and unconsciously guide our actions. These mental maps organize our sense of the terrain we are in and the path toward whatever goal we have set.

Those thinking about philanthropy today and how to make tomorrow much better seem to be following one of three mental maps, each of which is now well-established:

- **The Professionalization Map.** In this view, philanthropy needs to get its act together and act like a real field. It needs clear standards of ethics and performance, transparent information and widespread knowledge sharing. Institute these reforms, and philanthropy will become not only much more effective; it will police itself and keep the regulators at bay.
- **The Social Justice Map.** In this view, what's wrong with philanthropy is that it isn't democratic enough. It doesn't listen to a wide variety of stakeholders, especially non-profits. It doesn't represent the changing diversity of the American landscape. It doesn't target its efforts toward the deep inequities that allow it to exist in the first place. It doesn't give enough money away. Fix these things, and philanthropy will be much more accountable. It might even be transformed.
- **The Performance Map.** In this view, philanthropy isn't enough like business. It needs strategies based on value creation and focused activities, all expressed in clear goals against which performance of nonprofits and foundations can be measured. It needs to borrow tools and techniques that will help donors see themselves as investors, which in turn will encourage them to use their money more effectively and efficiently in support of social goals. Do these things, and philanthropy will begin to fulfill its potential.

Many people carry more than one of these maps in their heads, and this short list is by no means exhaustive. It *is* striking how passionately people feel about these maps, and the degree to which most of the important reform movements coursing through philanthropy today take their bearings from them.

Our research and life experience lead us to agree with many of the points each of these reform movements make. Each of them holds a piece of a better future—even if none of them in isolation will guide us there. The issue is whether these approaches will ultimately address the deep causes of the sense that philanthropy is underperforming and so create a better future for the field.

We have spent a great deal of time thinking about this question, and have found it helpful to engage our imaginations through scenarios—a tool for thinking about how the future may play out in surprising ways. What follows is the story for philanthropy's future that we consider most likely. Reform efforts continue. New leaders, under new pressures, using new tools do new things. But in this “status quo” scenario, U.S. philanthropy essentially stays on its current course for another generation because of the deep structural forces at work both outside and inside philanthropy. Here's how the story goes, looking back from 2025:

Conditions in U.S. society—from a never-ending fear of terrorism to an increasingly obvious divide between the rich and the rest—created an overall climate of fear, distrust and blame that persisted through the first decades of the early twenty-first century. The increasingly turbulent economy didn't help matters.

Philanthropy was of course caught up in the new mood, intensifying efforts to increase accountability and prove that foundations were worthy of trust. One response was to accelerate efforts to professionalize by creating new voluntary standards of behavior, a move that slowed some of the push for new regulation. Another was more careful grantmaking that avoided even the appearance of risk (a trend accelerated by the increased attention to governance that began in the corporate arena and spread quickly to the nonprofit world). Yet another was to double down on efforts to improve and to *prove* the impact of funders and their grantees. The calls for a new “performance-based” philanthropy resulted in a variety of experiments and lots of good research. But they also led the field in a variety of directions at once, with great urgency.

This occurred in part because in an era led increasingly by living donors, each did what philanthropists have a right to do: define success on his or her own terms. Many of these new visible leaders (who were increasingly the public face of philanthropy) tried to make their mark by carving out distinctive niches they could claim as their own.

Community foundations also worked to define distinctive roles in an increasingly complex marketplace of giving. As they did, they were hard-pressed to grow as much as they did in the late twentieth century. As each institution naturally focused on securing its own future, competition among them and with other community philanthropy institutions, such as United Way, dramatically increased. In the meantime, many donors bypassed community foundations altogether for the new commercial and online entities that made giving easy and cheap—or for newly specialized funds that appealed to the growing number of women donors and donors from racial and ethnic minorities.

As part of the response to growth and increasing specialization, philanthropic networks proliferated at least as fast as the number of funders, but without the resources to turn them into compelling centers of learning, knowledge, and action.

Investing in creating a culture of learning and infrastructure for joint action would have been difficult to pull off even in a time of abundance. But in a time of fewer government resources, and therefore growing need, such an investment seemed self-serving. Philanthropy was under pressure to get more money out the door to meet immediate needs. Even though everyone understood rationally that there wasn't enough private money to fill the gaps left by the government, the emotional and moral pull to respond to urgent requests was impossible to resist.

In other words, each donor, organization, and network was increasingly challenged simply to keep up with all the new choices and pressures. With institutional leaders so occupied, the relentless centrifugal forces at work in philanthropy continued to dominate, reducing efforts to look at collective impact in new ways. Meanwhile, some of the largest potential givers found many new reasons (including lower inheritance taxes) to stay on the sidelines, actually reducing generosity in a time when there were more affluent Americans than ever. Average Americans remained remarkably generous, none more so than the new immigrants who sent billions upon billions back to their home

countries. But their giving didn't shift the overall patterns that dominated the field and its image. Therefore, even though overall giving grew, that growth increased the existing fragmentation of effort. Relatively small amounts of money were still directed at very large problems, with individual actors continuing to act mostly independently.

Organized philanthropy as a field, therefore, simply drifted, failing to adapt to the demands and opportunities of a new time. Though many individuals and institutions did terrific work, the collective resolve that would have been necessary to create better outcomes for society was more elusive than ever. Some said that at least part of the problem was the high expectations placed upon philanthropy, not its performance, and they were certainly correct. Yet philanthropy has grown so big, and is now observed so closely by the press and regulators, that the disappointments are now magnified more than in previous generations.

Standing from where we are today, and looking ahead in this way, illuminates a painful possibility: the dramatic growth of philanthropy in the last generation might produce little that ultimately seems like progress. Despite many well-intentioned attempts to improve, the current tendencies inside and outside U.S. philanthropy could be amplified toward a future that no one intends. Philanthropy's growing conceptual and ethical crisis could well become a full-blown regulatory crisis far exceeding what the field is beginning to face today.

That's our status quo scenario. We could tell a much worse story than this one, or course, and there are many aspects of philanthropy not covered in this short sketch. (For a broader range of scenarios about the future of philanthropy that suggest how different combinations under different pressures could play out for better and for worse over the next 20 years, see *Looking Out for the Future*.) It is relatively easy to tell negative stories. It is much harder to tell a plausible story of how things could get much better over the next generation.

As we have repeatedly confronted how to do just that, we have come to believe that philanthropy will not get to improved performance by just diversifying the decision-makers or incrementally shifting their behaviors through new standards or performance metrics. We think reformers have to find ways to change the deeper assumptions governing philanthropic practice.

Philanthropy will not get to improved performance by just diversifying the players or incrementally shifting their behaviors. Reformers have to find ways to change the deeper assumptions governing philanthropic practice.

In this newly complex, interconnected world, few significant social outcomes can be improved in isolation. Instead, philanthropists need to work to understand how their actions are interconnected with others' actions in a dynamic interplay with changing external events that cannot be adequately foreseen.

As Silicon Valley veteran John Seely Brown has put it, the future is not invented; it is co-evolved by a wide class of players. We don't believe philanthropy can dramatically improve its impact until the field gets much more sophisticated about how to do this.

In imagining a different future and how to get there, we have tried to outline another scenario: a world in which philanthropy begins to act less like a fragmented collection of independent actors and instead consciously joins the larger system of public problem solving of which it's a part—the larger universe of givers and receivers, governments and corporations, that together bear responsibility.

The positive future we can see is both more diverse and more coordinated, populated by donors who retain their independence but increase their effectiveness by linking, learning, and acting with others, especially the nonprofits they support. It's a world in which innovation and good practices emerge from the bottom up and in which self-organization is facilitated by an enabling infrastructure that helps the field to connect, share, and incorporate good ideas more quickly.

The result would be a growing performance culture that renews trust in the nonprofit sector as a whole, drawing in not only more resources of money and talent, but also more resources targeted at the areas of greatest need. The assets of private philanthropists and philanthropic institutions would be coupled with the resources of governments and businesses to create a more robust capital market for public problem-solving efforts. There would be more resources and collective will than ever before to tackle complex public challenges and opportunities in more effective and enduring ways.

It's an exciting vision, and we're certainly not the only ones exploring it (see the Further Reading section at the end of this essay). The abiding question, however, is why it would prevail over the far more probable drift scenario? *How* can the deeper assumptions governing philanthropic practice change for a critical mass of actors?

How can change be cultivated?

The task is not so much to see what no one yet has seen, but to think what nobody has yet thought about that which everyone sees.

Arthur Schopenhauer

Constructive change doesn't happen just because the old ways don't work well or because some people have a better idea that they think others should adopt. In *The Slow Pace of Fast Change*, Bhaskar Chakravorti reminds us that while innovators focus on the social benefits of their innovation, individuals have their own interests that determine whether they adopt it. That is as true of the vision we have just offered as for any other. So what could eventually shift the center of gravity of philanthropy in positive ways yet be consistent with the interests that donors have? Just as importantly, how can positive change happen that assumes, rather than ignores, the inherent barriers we described earlier? How can healthy change be promoted that builds on the characteristics of the field as it is?

One strategy might be to enact regulations that require certain actions, such as paying out a certain amount of money from a foundation each year. Another approach is built on strategies that make people confront the consequences of their action or inaction. Embarrassing or shaming people can and does have a powerful effect at times. So too can making actions more visible through required reporting and external scrutiny. All of these approaches can pressure people to be more reflective about what they do.

But regulations and critiques, we believe, are unlikely to create transformative change in a field characterized by voluntarism and driven by aspiration. Indeed, top-down changes based on sweeping reforms and rationalized plans for making the whole more efficient and more responsive, no matter how well intentioned, hold the potential of making things worse. (See the scenario “The Decline of the Foundation” in *Looking Out for the Future*.)

Instead, **the leverage today is in building the bottom up in ways that haven't been possible before.** The energy already flowing within philanthropy—a growing number of people, under new pressures, using new tools—is already prompting experimentation and generating a range of new practices, some of which will thrive and perhaps come to define the next generation of giving. But these experiments remain largely unconnected, subjected to the limitations we have already outlined: choosing to experiment is voluntary,

Positive change will take hold when it can be embraced as an aspiration of the healthy, not when it must be accepted like a cure for the sick.

choosing to adopt lessons is voluntary, and even when some people choose to learn and adapt, no one else has to follow suit. What could change that?

Since philanthropy is voluntary and expressive, positive change must emerge from choices that givers make not because someone says they “should,” but because it excites and energizes them as givers. It should draw momentum from opportunities that donors see for themselves and the things they care about. If philanthropy is often motivated by pleasure, then the path must plausibly increase the pleasure of giving. In sum, the way forward must chart a path that hugs the form of philanthropy itself: it should be voluntary, flexible, and capable of expressing a range of (even contradictory) possibilities. Positive change will take hold when it can be embraced as an aspiration of the healthy, not when it must be accepted like a cure for the sick.

The key, then, is to imagine how change could emerge from the individual choices of people looking out for their own interests. These are not necessarily selfish motivations—we are talking about philanthropists, after all—but rather motivations that are true to what brings people to philanthropy, whether they are giving their own resources or working in a philanthropic institution. They want to do good work and do it well, for example. They want to give back, and to believe that their actions can create lasting impact.

These motivators have always been there. But it is interesting to consider how these motivations would look against a new background, with new resources and new options for acting on them. What interventions could be initiated at the *field* level that would increase the possibility that the new energy and the experimentation it is generating will gain collective momentum?

The answer, we believe, lies in three actions:

- Accelerating current efforts to create a culture of applied learning within philanthropy
- Re-conceiving and then investing in the infrastructure needed to shift philanthropy’s culture and create more effective practice
- Supporting the many new classes of what we will call “brokers”—a subset of the infrastructure that facilitates not only learning, but action

Doing these three things in the coming years can accelerate how the age-old motivations of philanthropists can create a new norm for philanthropic practice suited to a new context. Here’s a brief explanation of each.

LEARNING CULTURE

In philanthropy as it is now practiced, learning is isolated and largely based on secondhand information. New ways of working based on more direct learning and feedback need to be invented, proven successful, and made visible so they can spread. The increased external scrutiny of philanthropy will be good news if it catalyzes this kind of innovation.

Even if much of philanthropy today isn’t concerned with outcomes but with values and expression, we believe many in the new generation of living donors will want to know about how to achieve their goals more systematically. Their efforts will join with those of the many experienced and thoughtful institutional leaders who are also working to increase the impact of their philanthropy. Therefore, this frontier of activity provides

a great chance to support “the aspirations of the healthy.” It will involve finding better ways to put actions in a meaningful context; to learn both from history and by doing; and to draw attention both to what works and to what doesn’t.

New approaches will spread further and take hold more reliably if it can be demonstrated that new ways of operating actually work—that they allow people to amplify their efforts, increase their own satisfaction as funders, and increase the visible impact of their interventions. We need new kinds of data and rigorous research about the impact of actual practices in order to achieve these ends.

It will be important, of course, to distinguish innovations or practices that *don’t* work or are underperforming and either stimulate ideas for how to improve them or bring the attention needed to abandon them. Funders and nonprofits should remain free to try long-shots and unpopular approaches, but a learning culture would be one in which risk is factored in based on wider experience, and not simply an internal judgment about plausibility. Ultimately, it should become “safe” to discuss evidence of failure as long as funders and nonprofits alike can make mistakes and learn or change. The goal should be not to avoid making or admitting mistakes but to avoid repeating the same mistake someone else has already made because you didn’t bother to learn.

Creating these new types of feedback will require new choices to be made voluntarily, and as in other areas of philanthropy, this will require experimentation as well as questioning assumptions.

For instance, when might it make sense for organizations to band together to do joint evaluations, rather than doing everything independently (and therefore more expensively, both for themselves and for the organizations they fund)?

When does it make sense to form new learning collaboratives? Such joint learning might be done privately at first among a group of funders and nonprofits with common interests. It might then expand to include side-by-side comparisons and group learning, as shared beliefs about what works and how to find it are created. Additionally, there are strikingly strong opinions today about what evaluation is and must be. The roots of evaluation as it is currently practiced are in the academy’s norms of evidence, argument, and presentation and in the government norm of evaluations designed to ensure compliance. There is nothing to prevent individual funders from experimenting with new forms of assessing impact. Social network maps that track new civic connections built over time are a new tool with great potential. Evaluation has great potential to reduce the isolation of donors and funders, but only if it’s viewed as a tool for learning, not compliance.

A true learning culture would aim to increase knowledge, not just information. That means it will require real work. Which brings us to the next point—the infrastructure of connection that could make the work easier.

INFRASTRUCTURE

In order for philanthropy’s culture to change, innovators need to be able to find one another easily, understand one another’s strategies, and come together for mutual benefit. Their efforts and their results need to be broadly visible to others besides the participants in them; otherwise, the lessons cannot spread and others cannot choose to adopt them.

The goal should be not to avoid making or admitting mistakes but to avoid repeating the same mistake someone else has already made because you didn’t bother to learn.

In the physical world, infrastructure is the basic framework that allows a country, building, or organization to function—the roads, the pipes, the cables, the bridges, the accounting systems. In philanthropy and the nonprofit sector, the word infrastructure is generally used to mean the membership associations, research organizations, publications, consulting firms, and other organizations that provide various kinds of support and relationships.

Certain types of connecting capacity are a pre-condition for doing things in new ways—for challenging the deeper assumptions governing practice, rather than simply doing a better job at the things that have always been done.

Infrastructure that provides the means of connection in philanthropy won't in and of itself solve problems. But certain types of connecting capacity are a pre-condition for doing things in new ways—for challenging the deeper assumptions governing practice, rather than simply doing a better job at the things that have always been done. It has to be *easier*, quicker, and even more satisfying to do things in new ways.

The good news is that we live in an era in which new kinds of connections are possible, and the infrastructure to create them is proliferating. Think of eBay and Google. Both are types of new enabling infrastructure, and both have transformed the activities they support by making it possible for independent actors, driven by their own needs, to connect in new ways.

Given the new conditions in the world and in philanthropy, we believe it's time to redefine what infrastructure means, and invest strategically in the most promising approaches. When one thinks of philanthropic infrastructure today, one thinks of the various membership organizations for institutional philanthropy that grew during the twenty-first century—the Council on Foundations, regional associations, and networks organized around identity and issue. This infrastructure evolved organically to serve the needs of a different time, and we agree with all those who have been calling to build its capacity. But we also believe there are now a number of problems with this old mental map.

First, the old definition of organized philanthropy as equal to foundations must be updated to incorporate the new complexity in which organizational and individual philanthropy are mixed up in new ways. Many thousands of very new, very small foundations are really only philanthropic checkbooks, while many of the new philanthropic institutions serving givers are very focused and strategic. Furthermore, the “infrastructure” of individual philanthropy in the U.S. now includes for-profit financial service companies as well as some 650 community foundations, some of which are actively “organizing” philanthropy in their communities. The existing philanthropic infrastructure clearly now encompasses more than just membership associations.

Second, reaching out in creative ways to the next generation of philanthropists is critical for the future of philanthropy, and every existing infrastructure organization should be asking how best to do that. The answers will vary greatly. As one example, the Association of Small Foundations might wonder what it means to adapt in a time in which some serious small funders prefer to use large donor advised funds rather than to set up a private foundation.

Third, infrastructure tends to exclude those who serve philanthropy (or could) but are not *of* philanthropy per se. For-profit technology companies such as Kintera and Foundation Source provide new tools for giving—and create the potential for back-office connections among funders. Similarly, companies such as Google that

have nothing per se to do with philanthropy or nonprofits could one day provide philanthropy's knowledge infrastructure (perhaps as a set of partnerships, as Google is currently doing with libraries). Philanthropic infrastructure organizations may need to cede activities to these emerging organizations if it turns out these new players have the scale and resources to provide key infrastructure in more cost effective ways.

Once one starts re-imagining what infrastructure means in philanthropy, and what it does, many new possibilities open up. Here are some quick examples:

- Foundations and large givers could come together to create “grants service” bureaus, using affinity groups or regional associations as their base. Doing so would mean that initial proposal reviews could be essentially “outsourced” to this new joint infrastructure, simplifying life for nonprofits applying for grants and freeing up time to create knowledge rather than perform basic administration. The joint evaluation efforts we discussed earlier could also find a natural home in affinity groups and regional associations.
- The existing infrastructure has tended to focus on the process of conducting philanthropy—not the nature of the challenges facing philanthropy in terms of the needs in the world. This has begun to shift, especially among affinity groups, but has barely scratched the surface of the need or the potential. For instance, large foundations have had the resources to commission independent research into a problem and its causes and to frame an analysis that puts a problem at the center, and then look in a holistic way at how that problem is being addressed. What hasn't been done enough is to make that analysis available to others to make it a starting point for public dialogue, and even debate if needed. New Philanthropy Capital in London (www.philanthropycapital.org) is an interesting model for creating this kind of high-quality research to be used by individual donors. Surely, the existing infrastructure organizations could experiment with how to play a similar role in the U.S.
- It's expensive to understand the patterns of funding in a geographic region—where the money does and doesn't go relative to changing and emerging needs. But creating a regional funding map can have a powerful effect, because so much of philanthropy is about responding to local concerns. Funders who have participated in such efforts say they didn't know as much as they thought they knew. Creating these funding maps is a natural step for regional associations (some of which are starting to do early stage versions of this) and for community foundations, among others. Infrastructure organizations can do for the whole what none can (or will) do individually.
- Those who fund seriously in a particular place or arena tend to invest in the infrastructure to facilitate at least some joint learning. The growing gap is in the integration of learning across existing silos of activity. For instance, those who follow health know about the many innovative new experiments taking place in global public health that involve multiple players and various sectors attempting to cooperate in new ways to face challenging problems. But those seeking to reform education, or to create imaginative new environmental policies, are not likely to hear the lessons the global public health community has learned, even though that's how they might discover the new approach they are seeking. Infrastructure organizations could facilitate much more fluid cross-disciplinary knowledge creation than they do today.

Most of this discussion so far has focused on creating more meaningful connections, especially around shared knowledge. But the most promising type of infrastructure organizations, we believe, won't be pursuing knowledge for its own sake. They will also facilitate collaborative action. That's where the critical role of "brokering" comes in.

THE NEW BROKERS

Our basic premise is that bottom-up efforts are the best route to a better future. But we also believe that bottom up won't add up to better overall outcomes for society much of the time. The deep structure of philanthropy as a voluntary activity (even when practiced by established institutions) suggests that creating sustainable social change will require something more than self-organization. It will require intentional strategies, with the resources of capital and leadership to sustain it over time.

A close look at what is happening in philanthropy today suggests that many people, in many corners of the field, are also reaching this conclusion. Because philanthropy is such a small part of the larger system of public problem-solving, philanthropy today is coursing with the energy of those searching for ways to amplify their impact. As we discuss in *Looking Out for the Future*, amplification is "an increase in signal magnitude," which in this context simply means looking for ways to increase the magnitude of philanthropy so that individual actions can reach further and with more force.

One need look no further than private philanthropy's largest actor—the Bill and Melinda Gates Foundation—for evidence of the depth of this trend. "I don't think we had a full appreciation for just how important it is to work in close partnership," Melinda Gates told *The Chronicle of Philanthropy*. "We have come to see that it needs to be a core operating principle for our foundation, because we simply don't have the knowledge or resources necessary to solve by ourselves a single one of the big challenges we're taking on. As the African saying goes, 'If you want to go fast, go alone; but if you want to go far, go with others.'"

The good news about philanthropy today is that there are now so many others to travel with—both individuals and institutions. This was not true even a generation ago. The new critical mass that is possible in some regions and in some issue areas suggests many new ways of working today and in the future.

That's why even a cursory look at the landscape reveals donors and funders attempting to "reorganize" philanthropy and its infrastructure around *action*—around their specific goals and purposes rather than

Even a cursory look at the landscape reveals donors and funders attempting to "reorganize" philanthropy and its infrastructure around action—around their specific goals and purposes rather than around the institutional forms of the past.

around the institutional forms of the past or general interests they all share. They are not just forming partnerships; they are figuring out how to take a stand together or to pool funds, and they're creating new vehicles for doing so because they believe it will improve the results they seek in a time of growing complexity. Even though doing so takes time (and therefore it's not by any means always the right approach), it can also provide both the meaning and increased pleasure that come from being part of a community, whether a giving circle of individual philanthropists or a foundation collaborative focused on immigration or school reform.

Sometimes these action-oriented networks are located within issue affinity groups or regional associations. But just as often they are not, because the existing infrastructure groups often don't conceive their role as helping funders *act* together. No one has ever been able to count how many of these groups exist (though Grant-makers for Effective Organizations recently tried), because often they don't have a staff, or are temporary. But they certainly number in the hundreds, as a quick trip to GEO's website (www.geofunders.org) will show.

While some may express concern about the fragmentation of this infrastructure, its diversity can actually be turned into a strength. The key to doing so will be in learning to distinguish between situations where self-organization will suffice and situations where facilitation and investment are required to make bottom-up efforts add up.

Active brokering is needed in many situations in order to help givers and those they fund better meet their missions. This role is really a subset of the broader infrastructure. We hope to see more of it in the coming years, particularly in creating better connections:

- Among individual philanthropists who share interests
- Between philanthropists and the key actors in the nonprofit sector and in communities doing the work on the ground
- Among clusters of grantees, to help overcome the natural competition for resources that keeps organizations isolated from one another
- Across geographies, since the news of an innovation tried in one place won't necessarily spread to others that have the same problem and could use the same solution
- Across sectors, since few complex challenges in the future will be faced without integrating efforts

To show what forging connections such as these will require, we asked one of the nonprofit world's great storytellers, Andy Goodman, to document four very different situations where infrastructure has been created or reinvented. (These stories can be found at www.futureofphilanthropy.org.) In one case, nonprofits and foundations formed a coalition and started a campaign that required intensive coordination among them. In another case, a large national foundation created an independent organization to facilitate a new program to connect promising local efforts to national resources. In the two other stories, existing philanthropic infrastructure organizations—one organized around an ethnic identity and one around a region—played innovative roles connecting actors to do things that they could not accomplish alone.

What these four situations have in common is they all required the skillful action of a "broker." Their accomplishments would not—and could not—have been achieved through the wishful thinking that bottom-up activities would add up on their own. These stories barely scratch the surface of the work of these new brokers, which also include Mexican Town Associations, venture philanthropy funds, women's funds, and foundation collaboratives of many kinds.

Over time, small pockets of self-interested philanthropists, choosing to boost their own impact, will catalyze system change because it has become easier to do philanthropy in the new way: connected, cooperatively, learning, and adapting.

If these new brokers get the support they deserve at this stage of their development, we believe they will add the critical last piece to the learning culture and infrastructure investments we have already described. Together, these three areas for focused attention will help make it possible to see better how one's actions are interconnected with others' actions in dynamic interplay with changing external events.

As a result and over time, small pockets of self-interested philanthropists, choosing to boost their own impact, will catalyze system change because it has become easier to do philanthropy in the new way: connected, cooperatively, learning, and adapting. This is the tipping point, when the "new normal" kicks in, because the individual choices of donors add up.

Who is responsible?

**Wanderer there is no road,
the road is made by walking.**

Antonio Machado

As with so many complex challenges, especially in times of rapid change, there is no well-traveled road to follow. The complicating factor for philanthropy is that there is also no individual or organization that can be authorized to lead—and no way to do the authorizing even if there were. There is no CEO or duly elected official to hold accountable. Instead, the key to creating the road ahead is to imagine the ways that many motivated leaders can help build it. No one is in charge or in control. We all are responsible.

We assume that everyone practicing philanthropy can help build a new infrastructure of connection and create a culture that informs action with better learning. Different actors, of course, will and can do different things. For instance:

- **Larger funders** have the scale and visibility to make a unique contribution to the environment in which everyone else works. First, inside philanthropy, larger funders are the only ones with the resources to make the investments necessary to reshape parts of the philanthropic infrastructure that the smaller actors will use but not build or pay for. Second, they can pioneer the new behaviors that could become the norm for others to emulate. They can afford to try new things. They can invest the time needed to forge partnerships and create new collaborations—not only with other philanthropists, but also with government and business. They can pay for research that others cannot. And they can then share what they learn.
- **Every smaller giver**—whether an individual donor or a small foundation—can choose to join together with others some of the time, rather than making all decisions in isolation. They can do this by giving to pooled funds, such as community foundations, women’s funds, venture philanthropy funds, and many other kinds of giving circles. Philanthropy is slowly making the same transition that financial services has already made. The knowledge that used to be available only to the rich for picking stocks slowly became accessible to small investors through mutual funds and online investing. The mechanisms of giving can change and are changing, so that small givers can apply

the learning that used to be available only to the best endowed institutions. “Small” actors can help build the new infrastructure and culture of philanthropy through the choices they make about what giving vehicles to use, and when and how to learn together.

- **Philanthropic infrastructure organizations and new brokers** of all kinds, including community foundations, will be key players, but only if they re-conceive their roles, invest in talented staff, and question their assumptions in order to help create the new road ahead—not look in the rearview mirror. They must lead, but they must become increasingly sophisticated about what it means to do so in a world driven by knowledge and networks, and significantly more diverse and global. Such a world will require new kinds of governance, expert facilitation, and reaching out to skillfully engage many diverse constituencies, both inside and outside philanthropy.

If these things are done, we believe change will not just be cultivated in the next generation—it will take root. Philanthropy’s future can be both more diverse and more coordinated, populated by givers who retain their independence but increase their effectiveness by linking, learning, and acting with others.

Is this the solution to the riddle that has intrigued and frustrated so many before us, the path toward the greater fulfillment of philanthropy’s potential? We cannot know, of course, because as the Spanish poet reminds us, “the road is made by walking.”

What we do know for certain is that the effort must be made, because the attempt to cultivate change in philanthropy today matters a great deal. In the early twenty-first century, there is growing capacity in private resources of all kinds—institutional philanthropy, wealthy individuals, corporations. Whether and how this discretionary private power is used for public purposes is of great consequence in an age of growing inequity, environmental degradation, and violent cultural clashes, just to name a few key challenges now facing the human race. Philanthropy can’t address these issues alone, of course. But history suggests that some of the most creative solutions will emerge from innovators who can experiment with new approaches only with the visionary support of discretionary capital.

If each generation brings new energy to the task of reform and improvement, no previous generation has had a greater opportunity than ours to make significant progress in fulfilling philanthropy’s promise.

If each generation brings new energy to the task of reform and improvement, no previous generation has had a greater opportunity than ours to make significant progress in fulfilling philanthropy’s promise. That’s why we have challenged ourselves, and here invite others, to seize this opportunity—to rethink, not simply react. We look forward to working with others to improve and act on these ideas,

and to understand which of our own assumptions should be examined more deeply. The theory and suggestions outlined here are an invitation to dialogue, not a “final” report that purports to hold “the answer.”

When it comes to the future, there is no answer in any case, for the future cannot be predicted or controlled. “All we can do,” as our friend the author Art Kleiner points out, “is choose our contribution to the circumstances out of which the future will take its shape.”

Further reading

This working paper contains ideas we have synthesized from many places—including many interviews and conversations. These are some of the people and resources that have taught us the most about philanthropy’s new potential—and how to cultivate the change necessary to seize it.

“The Anxiety of Learning,” by Diane L. Coudu, in *Harvard Business Review*, March 2002. An interview with psychologist Edgar H. Schein that captures a lifetime of understanding about why transformational learning is so hard. Anyone interested in organizational change should read and reflect on this analysis.

Community Change Makers: The Leadership Roles of Community Foundations, by Ralph Hamilton, Julia Parzen, and Prue Brown, Chapin Hall Center for Children (www.chapinhall.org), 2004. One of the few resources we’ve found that begins to explain in a deep way the facilitative leadership role we call “brokering.” In this case, the subject is community foundations, and therefore this essay also illuminates the way in which these institutions have become part of the enabling infrastructure of philanthropy.

Creating Philanthropic Capital Markets: The Deliberate Evolution, by Lucy Bernholz, John Wiley & Sons, 2004. Scholar and consultant Lucy Bernholz knows as much and thinks as well about the structure and future of philanthropy as anyone we know. This book shares much of her recent thinking, and it closely tracks many of the same conclusions we have drawn from our own inquiry. Many other insightful essays and reports can be found at www.blueprintrd.com.

The Evolution of Cooperation, by Robert Axelrod, Basic Books, 1984. This accessible classic is still indispensable for anyone who wants to think through why people, organizations, or nations choose to cooperate—or not.

Funding Infrastructure: An Investment in the Nonprofit Sector’s Future, a special issue of *The Nonprofit Quarterly* (www.nonprofitquarterly.org), 2004. This is a passionate, provocative and valuable set of articles that takes the abstraction of “infrastructure” and brings it to life. As this paper makes clear, we agree with the central role that infrastructure will play in any better future for the nonprofit sector. The philanthropic infrastructure is a subset of the whole covered in this special issue, and will need to be designed to connect to this whole in ways we could not fully cover in this working paper.

“Grantmakers in a New Landscape,” by Marcia Sharp, in *Foundations News & Commentary*, March/April, 2002. This article summarizes the work of the 14 grantmakers of the Marco Polo Inquiry Group as they examined the implications of the networked, knowledge age for the work of philanthropy. A good look at the ways old norms, behaviors and practices will need to shift in order to accelerate adaptation.

Just Money: A Critique of Contemporary American Philanthropy, edited by H. Peter Karoff, TPI Editions, 2004. A valuable recent collection of reflections by leading practitioners on what it would take to create a golden age for philanthropy. Karoff himself contributes a beautiful essay on the meaning of philanthropy that is a good antidote to the rational and instrumental approach we have taken here.

Listening to Grantees: What Nonprofits Value in their Foundation Funders, The Center for Effective Philanthropy (www.effectivephilanthropy.com), April 2000. The Center is focused on creating a performance culture in institutional philanthropy, and does so by creating ideas and tools, including their grantee perception reporting service, the findings of which are summarized in this report. If better data can help improve philanthropy, the Center will be part of figuring out how.

Moving Ideas and Money: Issues and Opportunities in Funder Funding Collaboration, by Ralph Hamilton for the Funders’ Network for Smart Growth and Livable Communities (www.fundersnetwork.org), 2002. This overview is the single best piece on collaboration and cooperation among funders. If you want to learn from those who have already been experimenting, read this essay before you look at anything else.

On Being Nonprofit: A Conceptual and Policy Primer, by Peter Frumkin, Harvard University Press, 2002. The first chapter of this book provides an essential framework for understanding the complexity of the contemporary nonprofit sector in the U.S.

“Places to Intervene in a System,” by Donella Meadows, *Whole Earth Review* (www.wholeearthmag.com), Winter 1997. This is a seminal piece on systems thinking and creating lasting change that provokes better strategic thinking by anyone who reads it. When thinking about change, we always start here.

Slot Machines, Boat-Building, and the Future of Philanthropy, a speech by Edward Skloot, 2001. Skloot, the executive director of the Surdna Foundation, is one of philanthropy’s most eloquent and thoughtful practitioners. This is our favorite of his many lovely speeches, which are catalogued on the Surdna website (www.surdna.org).

The Slow Pace of Fast Change: Bringing Innovations to Market in a Connected World, by Bhaskar Chakravorti, Harvard Business School Press, 2003. In recent years, a number of writers have explored game theory and network effects. Here, our Monitor colleague takes the literature one step further, presenting provocative ideas about how to think about the diffusion of innovation in our increasingly interconnected world.

State of Philanthropy 2004, National Committee for Responsive Philanthropy (www.ncrp.org). This publication is a good introduction to the priorities and thinking of NCRP, an organization that offers a consistent, provocative critique of philanthropy—mostly from what we have labeled here the “social justice” map.

Transformational Philanthropy: An Exploration, by Duane Elgin and Elizabeth Share, 2002, available at www.simpleliving.net. A very helpful look at the unrealized potential of philanthropy, with suggestions about what a meaningful infrastructure of support could look like for those who share their views.

Trouble in Foundationland: Looking Back, Looking Ahead, by Peter Frumkin for the Hudson Institute's Bradley Center for Philanthropy and Civic Renewal (www.hudson.org), 2004. Frumkin, a scholar based at Harvard, consistently produces some of the most informed and penetrating analyses of contemporary philanthropy and the broader nonprofit sector. This essay captures some of his recent thoughts on the looming crisis in American philanthropy.

The 21st Century Foundation: Building Upon the Past, Creating for the Future, by Jed Emerson, 2004. Emerson, an early practitioner of approaches that were later labeled "venture philanthropy," has in recent years been rethinking many other aspects of philanthropy from his perch as a fellow at the Hewlett Foundation. This essay is a helpful distillation of some of Emerson's key ideas about how to improve philanthropy. You'll find it at the larger website that documents his provocative theories, www.blendedvalue.org.

Waldemar A. Nielsen Issues in Philanthropy Seminar Series speeches, 2001-2003, available at <http://cpnl.georgetown.edu>. Nielsen was one of philanthropy's great, constructive critics during much of the late twentieth century. This lecture series honors him by carrying on his work; the speeches catalogue a number of thought-provoking perspectives hard to find in one place.

Project history

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

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

The resulting effort proceeded in two separate but related streams of activity that continue to evolve. The first, which was funded by Packard alone, aimed to transfer the tools of scenario thinking to the nonprofit sector, and ultimately resulted in the guide *What If?: The Art of Scenario Thinking for Nonprofits*, which can be purchased or downloaded for free at www.gbn.com/whatif. The second stream of activity, which was funded equally by Kellogg and Packard, attempted to *do* scenario thinking about philanthropy itself. After an initial scenario-building exercise, the initiative broadened its efforts, ultimately creating the elements of a theory of change for philanthropy contained in this working paper. A full look at the products of this initiative can be found at www.futureofphilanthropy.org.

While GBN continues to work with nonprofits frequently, the future of philanthropy initiative will now be carried forward by the Monitor Institute, part of GBN's parent company, the Monitor Group, a family of professional service firms that employs more than 1,000 professionals and operates in a closely linked network of 29 offices around the globe. The Institute is the primary vehicle through which Monitor is now launching a new phase of experimentation about how to best use its knowledge, expertise, skill, and capital to address complex social challenges. For more information, see www.monitorinstitute.com.

Authors and sponsoring organizations

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

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

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

The Monitor Group, headquartered in Cambridge, Massachusetts, is still led by the entrepreneurs who set out more than two decades ago to create a different kind of consulting firm, linking cutting-edge intellectual property with a diverse array of human, technical, and financial assets. Monitor is now a family of professional service firms, employing more than 1,000 professionals, operating in a closely-linked network of 29 offices around globe, and sharing the assets it has built—knowledge, expertise, skill, and capital. Those

assets are used to create customized solutions for clients seeking to enhance competitiveness and capability, and are delivered through a blend of channels, including: consulting interventions; management development programs; customized software and intelligent tools; cutting-edge market research; venture capital and advisory services; and private equity. For more information, see www.monitor.com.

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

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