Managing Up in Down Times

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"We need a hero, a superhero . . ."

Remember Batman and Robin? Mansion-dwelling, thief-catching, nerds-by-day, superheroes by night? These days it feels like the professional staff of foundations would do well to learn a few superhero tricks. Faced with declining assets, mounting public deficits, and seemingly insurmountable social needs, philanthropic foundations and their staffs have experienced a whiplash awakening from good times to bad. Batman and Robin succeeded against formidable forces of evil through prudent uses of technology and other resources, long-term planning, and joint action – they were a team of two that could always call on Batwoman and other friends if things got really ugly.

And things are pretty ugly for American foundations in 2003. While staffed foundations are one of the nation's oldest structures of institutional philanthropy, they are by no means a dominant form within the philanthropic system. Institutional philanthropy typically provides less than 20% of annual giving in the U.S, a percentage that has held steady for decades. The median drop in endowment size in 2001 was 10% for reporting foundations. Nine of the country's 10 largest foundations lost a combined $8.3 billion in the first half of 2002 alone. The year saw a decline in overall giving of 2.3%, and the 6% annual creation rate for new foundations is expected to slip back to the more typical 2-3%.[1]

Where is the silver lining in this picture? Well, it is hard to find one. The asset transfers of individual small foundations to funds at community foundations offers one glimmer of

[1] Ian Wilhem, "Foundation Assets Sag," *The Chronicle of Philanthropy*, April 4, 2002. Anne Farrell, "The State of Giving," *The Seattle Times*, December 31, 2002. The percentage drop in giving is adjusted for inflation and includes all giving – individuals and institutions. Foundation giving rose about 2.5% (adjusted) during this time. AAFRC Trust for Philanthropy, "Charitable Giving Reaches $212 Billion," Press Release, June 20, 2002, http://www.aafrc.org/press3.html.

hope, as it lowers overall administrative costs and facilitates resource pooling.[2] The underlying assumptions behind large transfers of wealth, the aging of baby boomers, and the known cyclical nature of the economy are other positives.[3] The significant marketing and advertising that commercial firms have committed to underwriting philanthropy is yet another. Years of metaphors about the philanthropic ecosystem also come to mind, leaving us with the hope that the diversity and dispersion of philanthropic resources will lead to healthier and more resilient structures.

As philanthropic entities – institutional and individual – multiply and morph, the role of staffed foundations in the system becomes even more precious. The non-financial resources that they bring to philanthropy distinguish them from all the other entities. Their professional staff, research capacity, facilities, partnering capacity, institutional memories, and reputation, are valuable and unique resources. Their value depends on how they are deployed in the larger system. Individual foundations that have seen their endowments drop should not be asking the question, "What do we do now that we are only the 35th largest arts funder in Metropole City?" The question for this down-cycle, the next up-cycle, and the foreseeable future in philanthropy should be, "Who else is on our team of superheroes and how are we going to jointly succeed?"

The question and possibility of joint work is not new to foundations. And it is not easy. But as individual foundations and their staffs consider the difficult issues of stewardship, change management, and results, looking only internally will foster frustration, whereas looking to allies and peers can bring on both enlightenment and new solutions. In tight times, sharing resources has been the key to survival and success for species, communities, nations, and industries. In evolutionary terms, the strongest of a species are those that flourish, but in becoming the strongest they must be able to adapt to changing conditions. It is the "resilient mutants" in every species that survive.[4] New "strains" have developed in almost all aspects of philanthropy in the last decade and like "mutants" in natural systems they evolve to fit particular niches.[5] Now is the time to see which organisms will mutate resiliently, and which will become increasingly irrelevant.

Framing the Whole

This paper examines several issues confronting foundation senior management, with an emphasis on stewardship, change management, and results. It is targeted to those who must manage both up and down, during both up and down economic

[2] Stephanie Strom, "New Philanthropists Find Drudgery," *The New York Times*, January 12, 2003.
[3] John J. Havens and Paul G. Schervish, "Why the $41 Trillion Wealth Transfer Estimate is Still Valid: A review of Challenges and Questions," Boston College, Social Welfare Research Institute, January 6, 2003.
[4] Jared Diamond, *Guns, Germs and Steel: The Fates of Human Societies*, New York: W.W. Norton, 1999.
[5] See John McWhorter, *The Power of Babel*, New York: HarperCollins, 2001, pp. 12-13 for the dynamic changes in natural systems.

cycles. Senior managers and vice presidents must be able to steer disparate programs toward cohesion or at least coherence, they need to communicate clear, concise information to their executives and board members, they often work in teams and must make informed judgments on issues ranging from communications to investments, evaluation to operations. And because that's not enough of a challenge, they often manage or advise on issue-area portfolio within their foundation, try to stay on top of the literature in the field, and are frequently asked to serve on industry-wide boards, associations, or networks. All of this with few standard measures of success, common definitions, or universal benchmarks. No wonder it sometimes feels like no matter how many times Batman and Robin foil the evil Joker's plans, he just keeps coming back stronger and more wily.

It is counterintuitive to suggest that one can ease the burden of such a load by thinking beyond the boundaries of the single organization to clusters or networks of other organizations and resources. But doing so is critical if duplicative effort is to be minimized, creative and practical management ideas widely deployed, and organizational goals attained. In other words, if progress is to be made on stewarding resources, managing change, and achieving results.

For each of these concepts – stewardship, change management, and results – I present a brief introduction to the topical literature as it relates to philanthropy. I have ordered them in this way purposefully – stewarding resources is, to my mind, the platform from which the other two – change management and results, must follow.[6] These are not common terms - there are no industry-standard definitions. I have included several subtopics under each concept. The intent is to provoke thoughtful discourse, and to present a defensible, while not necessarily complete, logic to each piece and its relationship to the whole.

Stewardship

"They that have power to hurt and will do none . . .
(are) but stewards of their excellence."
William Shakespeare

Shakespeare had one take on stewards. When Queen Elizabeth I told her younger brother Edward that a country without a monarch is like a body without a head, she expressed a rather different point of view about stewardship.[7] Managing significant financial resources during a time of general economic malaise, staffing elite organizations in a democracy, and seeking to create public good with private wealth, philanthropic stewardship presents a classic paradox. Surely, what matters is the perspective of the commentator – *as* the steward or *of* the steward.

[6] The ordering can be debated. This order presupposes that the desired results have been modified to accommodate what the steward will have always recognized to be insufficient resources: A + B = B + A.
[7] Quoted in Frederick Chamberlin, *The Sayings of Queen Elizabeth*, (1923), written c. 1550 to her half-brother, Edward VI.

The classic conundrum regarding stewardship for philanthropy is the "now or later" question. If the organization is to exist in perpetuity, assets must be maintained for the future. If it instead chooses to focus on immediate issues, or the donor does not wish to leave his interests to successive agents, an aggressive spending policy that will distribute the corpus of the endowment is more appropriate. The "now or later" question not usually as black and white as these two examples – how much for now and how much for later might be better phrasing of the real question. The issue emerges in debates about payout rates, spend down policies, and grant making reserves. The five percent payout rate that applies to private foundations and influences the rate of excise tax they must pay has become a *de facto* industry standard, despite the fact that it was created to apply to only one-type of foundation and to serve as a floor, not a ceiling.[8]

In negotiating the gray area of the "now or later" question, foundation staff must balance a menu of internal factors: donor intent, the board's comfort with investment risk, program and social issues strategies within the volatile world of economic and market swings.[9]

"Oh, that three billion dollars."

Calls for increasing the required payout rate are coming from within organized philanthropy (e.g., National Network of Grantmakers) and from outside (e.g., Senator Bill Bradley, McKinsey & Co.).[10] Those who are calling for new regulations and those working to avoid such changes disagree on direction. But they both understand that an industry-wide change is going to come down to regulatory strategies. There are efforts underway on both sides to influence legislative and executive decisions, at the state and national level, in ways that may significantly recast philanthropy.

Charting Philanthropic Cycles

In addition to the influence of regulation, foundation executives must also attend to market forces and gyrations in stewarding the financial resources of their

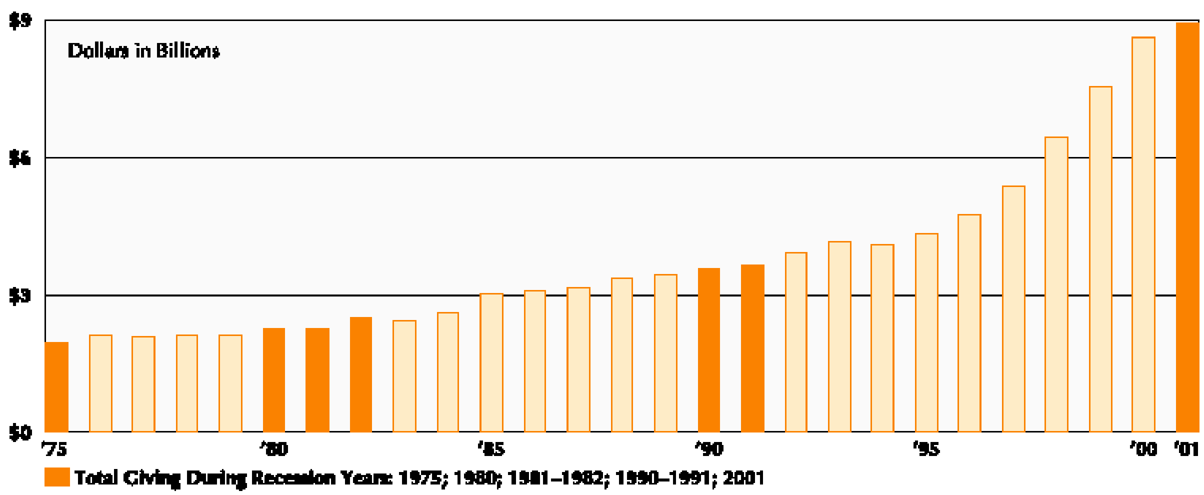
[8] Paul Jansen and David Katz, "For Nonprofits, Time is Money," *The McKinsey Quarterly*, 2002, N. 1.
[9] Cartoon used by permission of The New Yorker Collection, no. 52343 (07/15/02).
[10] Bill Bradley and Paul Jansen, "Faster Charity," *The New York Times*, May 15, 2002, p. 23. The National Network of Grantmakers' "One Percent More for Democracy Campaign," www.nng.org.

organizations. The booms and busts of philanthropy follow those of the larger economy. But we don't really know how closely after a recession or market collapse a giving drop will appear. Because of the manner in which foundation grants budgets are generally calculated, the effect of a market drop on any individual institution may not be immediate. The effects on organized philanthropy as a whole also take time.

It is important that the industry know how the different components of philanthropic giving respond to changes in the larger economy. Leo Arnoult, who chairs the AAFRC Trust for Philanthropy, notes that: "Research shows that giving is closely tied to the economy. Not surprisingly, giving in 2001 fits the pattern that we have seen during previous recessions . . . . In six of the eight recession years since 1971, giving dropped by 1 to 5 percent when adjusted for inflation. Despite fears last fall that giving might decline precipitously, in fact, the change in giving in 2001 falls within the normal range for a recession year."[11]

CHART ONE

Foundation giving grew ahead of inflation during recessions over the last quarter-century*



Source *Foundation Yearbook*, 2002.
*Figures estimated for 2001. Constant 1975 dollars based on annual average Consumer Price Index, all urban consumers, U.S. Department of Labor, Bureau of Labor Statistics, as of March 2002.

Chart One above shows the nearly constant growth in foundation giving in the United States from 1975 to 1999.[12] With the exception of a few flat spots, the trend line is basically straight up. The giving in recession years often flattened, but rarely shows a drop. The growth is particularly dramatic between 1980 and 2000, a time in which the number of foundations increased by 156%, their assets rose by 909%, and their

[11] AAFRC Trust for Philanthropy, "Charitable Giving Reaches $212 Billion," Press Release, June 20, 2002, http://www.aafrc.org/press3.html.
[12] In a more complete analysis, this comparison should be done between data on overall giving and a more nuanced set of indicators for the whole economy than simply GDP. Graphs of these preferred data could not be generated in the time available for this draft report. Also useful would be graph lines of stock market index performance over the same time period, as this is most closely tied to endowment size.

giving by 712%.[13] The only declines that show up in year-over-year comparisons are in 1983 and 1994. Three years, 1981, 1989 and 1991, show increases of less than 2% over the prior year.[14]

A cursory comparison of the timing relationship between recessions and drops in foundation giving shows a lag time between the onset of the economic slump and the flattening of grant budgets. This is due to the trailing 60-month average that most foundations use to set their grant budgets. In considering this relationship, foundation giving should be noted as only one component of the philanthropic capital stream. The impact of recessions and economic dips on individual and corporate giving may not follow the same timing or pattern as foundation giving. Knowing how each of these components of the revenue streams works over time, and especially a better understanding of the foundation component, will give senior managers of foundations an important planning tool.[15]

If the historically accurate relationship between larger economic indicators and philanthropic giving can be determined, foundation staff would have several quarters to a couple of years in which to plan for declining budgets. Planning for the downside when the upside is upon you is no one's favorite task – witness the $80 billion in state deficits now being addressed by governors and legislatures. However, it behooves foundations to face these decisions, not only from the investment managers or finance office, but from the programmatic perspective as well.

Some foundations do so already. The creation of reserve funds in flush times that can be used to soften the slope of a declining grants budget or mitigate a steep drop, has allowed some foundations to maintain high grant making levels without dipping into the corpus of their endowment.[16] This strategy has the effect of limiting grants budgets on the upside during a period of rising endowments, but a steady source of grant funds over an extended period of time is more easily maintained.

For foundations the alignment of resource management strategies with program strategies is critical. A clear picture of the how different components of the revenue stream for nonprofit organizations respond to economic shifts, is important at both the community level and for the industry as a whole. Both the regulatory and market influences on foundation resources inform stewardship decisions. These are complicated factors, but perhaps the simpler and more universally relevant ones when compared to the even murkier issues of donor intent, family dynamics, or board structure.

Mixing up the Menu

Foundations have grown increasingly savvy about the menu of resources they have at their disposal. Financial resources, convening, access to decision makers,

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[13] The Foundation Center, 2001. Number of Foundations: 1980 = 22,088; 2000 = 56,582. Assets in 1980 = $48.2 billion, in 2000 = $486.1 billion. Giving in 1980 = $3.4 billion, in 2000 = 27.6 billion. All dollars in 2001 dollars.
[14] The Foundation Center, *The Foundation Yearbook*, 2002.
[15] And certainly not thoroughly explored here. A complete analysis of the relationship between market and economic indicators and philanthropic giving is beyond the scope of this inquiry. Key indicators include personal income, GDP, pretax profits, and stock market indices.
[16] Stephanie Strom, "MacArthur Foundation Gives $42 Million, Despite Economy," *The New York Times*, January 13, 2003.

research, information brokering, are all part of their mix. Decisions about how the menu gets used during times of growth and retraction are the next step for strategic grantmakers. Foundations from different regions and sizes have found that building strong relationships with public policy makers when times are good will afford them access and a seat at the table when resources are stretched on all sides. Batman and Robin kept an open phone line to the mayor and chief of police at all times, and they knew when to lead and when to follow in those relationships.

Affinity groups and regional associations seem to be well aware of these roles, and provide members (and potentially others) with the mechanisms to convene thought leaders and decision makers or distribute research and white papers that can be used as deliberate strategies by foundations. This happens now, albeit inconsistently and not necessarily in sync with a foundation's planning cycle. The best of these support organizations are regarded by foundations as resources that help them achieve their organizational goals, not just as trade groups. Needless to say, foundation members are in the position to shape these associations to their needs, but have instead often seen them as "good neighbor memberships" and not tools for leveraging their own resources.

Cross-foundation gatherings allow for joint planning or idea sharing among peers. While most foundations set their grant budgets as a matter of internal policy, working with peer organizations and tracking the overall revenue flows to certain issues or regions is valuable input to that process.

Here is an example of how failing to look externally can lead to unfortunate internal decisions. A major economic downturn in the economy led three major foundations in one area to reduce their anticipated grant budgets for the next two years. All three organizations had supported environmental issues over their lengthy histories. All decided – independently – to end their environmental funding. A leader in the local environmental community estimated the effect to be an immediate 25% reduction in philanthropic resources for environmental work. The cumulative effect of their independent decisions meant a quick and ugly demise to several programs and organizations that had long received their support. Some joint planning, asset mapping, or revenue projections by the three foundations could have been enough to reduce the cumulative size of the funding drop or, at least, spread its impact over time.

Stewarding the Private, Watching the Public

The multi-billion dollar declines in foundation endowments have certainly caused alarm. While the record seems to be the 65% drop in the endowment of the David and Lucile Packard Foundation, many of the nation's foundations have experienced double-digit percentage declines from 2000 to 2002.[17] Predictions for the year 2002 for overall giving are for a drop in the 2-5% range, which is about on par with previous economic downturns.[18]

These are big percentages, with big real numbers behind them. However, they pale in comparison to the public sector. As calendar pages turned over from 2002 to 2003, estimates of cumulative state budget deficits for the coming fiscal year

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[17] John Boudreau, "Packard Foundation Facing Cutbacks," *San Jose Mercury News*, September 20, 2002.
[18] Erik Shmuckler, "A Shock to the System," *Barron's*, December 9, 2002.

climbed from $40 billion to $85 billion.[19] The sea of red ink washing over state capitols will take its toll on health care (estimates of up to one million people nationwide will lose public insurance), child care, education, transportation, elderly services, and aid to local governments.[20] As governor after governor announces "everything is on the table in these budget discussions," municipal officials, nonprofit providers, and foundation staff across the country know that means it is their programs, their strategies, and their investments that will be cut.

Now is, of course, not the time to be worried about this. Three or four years ago, when all was good, was the time to worry about this. How to steward the private resources, which are significantly smaller than the public ones and at least temporarily moving in the same direction (downward) as public revenues, is the critical question. Here, as much as anywhere, is the importance of foundation perpetuity clauses, their independence, and their ability to act collectively.

What stymies nonprofit and philanthropic action in these times is that very independence, the fragmented and dispersed nature of the organizations, and their relative lack of focus. On small scales -- regional, municipal and even the neighborhood levels -- the perseverance of local philanthropists may be their greatest asset right now. Stewardship of foundation resources also should mean stewardship of their grant investments. Time once spent on making grants might now be spent on finding funding partners, assisting nonprofits in finding other support, thinking about service delivery across communities, and marshalling the millions of small resources that collectively account for the continuing growth in philanthropy. Foundation staff and board at this point in time have a unique role to play – they can look to actively find, assist, and guide other philanthropic resources to be involved with and perhaps continue the work they have begun.[21]

There are a few examples of nascent efforts to engage the managers of these other resources. The Annie E. Casey Foundation is investigating ways of sharing what it has learned with small, local family foundations around the country. Another attempt involves community foundations and commercial banks. The Merrill Lynch/Community Foundation National Philanthropic Initiative has been focused on asset management to-date. The founding partners recognize that stewardship and learning possibilities are not only inherent in but may become primary to continuing these relationships. Similar partners are involved in a Citibank design process for working with community foundations globally. Early signs are that the potential for resource pooling is key to this thinking.

Stewardship involves organizationally idiosyncratic factors such as donor intent, board composition, and charter requirements regarding perpetuity. It also requires thoughtful consideration of the relationship between public and private entities, wealth, and responsibility. The regulated nature of philanthropy and the market forces also factor into the equation.

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[19] Jodi Wilgoren, "New Governors Discover the Ink is Turning Redder," *The New York Times*, January 14, 2003.
[20] Press Release, Center on Budget and Policy Priorities, Washington, DC, December 23, 2002, www.cbpp.org.
[21] The thousands of foundations with assets of $10 million or less make up a big part of these resources. The commercial banks that now control more than $5 billion in charitable gifts funds are another.

When thinking about stewardship for foundation staff the concept soon takes on meaning not only in terms of financial resources, but also with regard to grantees, strategies and results, the organization's resources, and work with philanthropic peers. Unlike the common belief that philanthropic foundations are accountable to no one, those whose boards and staffs see themselves as stewards of these resources soon find they must account both externally and internally for many types of resources, not only financial ones.

Change management

"Change is one thing. Progress is another."
Bertrand Russell

Foundations have a bipolar relationship to change. On some fronts, they have been accused of suffering from Attention Deficit Disorder, always changing strategies, objectives and grantees. Others see foundations as artifacts of a bygone patrician era, exemplified by organizational rigidity, cultural exclusivity, and an aura of secrecy. Understanding change in philanthropy requires a long view and a steady eye. Like languages, philanthropy is made up of innate, individual human qualities and it reflects broad cultural tensions. It changes by accretion and excision, deliberately and unknowingly, and constantly but inconsistently.

For philanthropic managers facing significant organizational upheaval, there are both internal and external components of philanthropic change. Operationally, senior managers are facing personnel reductions, programmatic shifts, strategic planning priorities, leadership changes, and new organizational components that need new skill sets. Externally, the pressures to manage community relationships in positive ways despite decreasing grant budgets are matched only by the need to implement big strategies with small resources or achieve big goals with reduced capacity.

For the manager seeking guidance from the business literature, the offerings in change management are vast. So vast, it is difficult to know where to start. As used by publishers and librarians, change management encompasses leadership, quality control, organizational development, innovation and results.[22] The list reads more like a Pandora's Box of business jargon than a helpful guide – what is it we are talking about? For our purposes, change management refers to the operational issues facing foundation executives as financial resources (theirs and the public sector's) tighten and community needs mount. Contained therein are management challenges such as layoffs, the use of contractors, term limit strategies, professional career tracks in philanthropy, and relationships with grantees and the nonprofit/public sector community. This list is, I'm afraid, only a slightly smaller Pandora's Box.

[22] There are several efforts underway to assess the performance of foundations. These are nicely summarized in *Philanthropy Measures Up*, World Economics Forum, Global Leaders Tomorrow Report, January 2003.

Internal challenges

Most of the elements in the above list deal with internal challenges of human resources and operations. They are clearly shaped by financial resources. Knowing to what degree they are – or should be – shaped by organizational purpose is an important precursor to moving forward.

The majority of foundations are unstaffed, getting their work done through a combination of volunteer board members and contract professionals such as lawyers, accountants, and occasionally a program advisor. As a whole, foundation staff number approximately 17,500 and most foundations that have staff have two full-time people. Only 30 foundations across the country employ more than 50 staff, and a small subset of these employ more than 100 people.[23] The boom of the 1990s, which resulted in a significant growth in the number of foundations, led to a relatively small growth in foundation staff.

Even so, the news in 2002 in foundation circles was of layoffs in the ranks. Many who did not reduce their staff through layoffs put in place hiring freezes or chose not to replace retiring staff. Several major newspapers carried the stories of layoffs at the Packard and Turner Foundations. Other foundations were able to maintain a lower profile, but word travels fast in small circles. Particular regions experienced a confluence of layoffs that had many talking of "competing program directors" looking for work at remaining institutions.

How these layoffs manifest themselves among the professional foundation ranks is remarkably difficult to track. The announcements of layoffs were shocking, yes. But there is no real-time way to know their overall impact. Newspapers don't run countervailing stories of new foundation hiring or increasing in size. By business measures, foundations are all small, so finding information on them in monthly unemployment data is looking for the proverbial haystack needle. We can only guess at this point whether this blip in workforce size will even register in the next annual data collection effort by The Foundation Center, which won't have final 2002 data for a year or more.

Of course, the above context is of little comfort to a now-unemployed program director or the vice-president who had to let her go. The psychological quake caused by the layoffs is no doubt greater than the actual impact of the layoffs on the overall workforce. Foundations have been seen as "safe havens" in the turbulent nonprofit world, less vulnerable to market forces and less likely to need to reduce staff in tough times. Yet another myth of foundation operations burst.

The value of that presumed security has long been a source of debate. Several large foundations hire program staff and executives for set terms to insure new ideas and

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[23] The Foundation Center, *Foundation Staffing 2002.*

fresh blood and to keep professionals from getting too comfortable or out of touch in their positions. And layoffs are not new to the field. New executive leadership, board changes, and strategic plans are all associated with reductions or redirections in staff size.

What is notable about this round of layoffs is the message it sends about results and resources as drivers of organizational change. The drivers of staff change noted above – new leadership or new plans – imply that results and strategy are behind the new focus of the operations. These layoffs, even when preceded by public announcements of new planning efforts or the appointment of new leadership, are the direct result of reduced resources. How this message gets spread and what it says – both within a foundation, across the profession, and to the larger public – about how foundations act to achieve their own missions, is worth examining.

The X - Files

What is the relationship between resources, operations, and results for foundations? While much has been made of the need for nonprofits to align their structures with their missions (think strategic restructuring, mergers, or the omnipresent sense that nonprofit organizations are duplicative), there is no such pressure on foundations as a whole. Many argue that allowing operational expenses to count against the payout calculation is, in fact, a deterrent to efficient operations. As a whole, though, looking again at the small percentage of foundations that employ staff, one could assume a general predisposition among donors to keep operational costs to a minimum.[24]

At some level, each foundation makes an implicit decision about the relationship between resources, operations and results. These decisions are embodied in their mission statements, their staffing decisions, their use of consultants, and their choice of financial vehicles. We might even say that somewhere, in every organization, is its own closely held formula for:

Resources + Operations = Results.[25]

What is left to be defined by each organization, and is reflected in tense times such as these where one variable (resources) is under such pressure is how the components of this equation depend on each other. Are operations a dependent variable of resources? Of results? What do you need to change first to maintain a balanced equation?

[24] Many argue that this preference lies behind the enormous success of charitable gift funds, which have lower administrative costs than most other philanthropic vehicles. It is significant to note that these gift funds are now being used to manage several $100 million-plus funds, endowments that might have previously been organized as staffed foundations.
[25] This is metaphorical. I don't mean to imply that management is formulaic, that answers are simply algebraic. I do think that implicit relations between these variables are assumed by foundation boards and staff.

There is not, of course, a universal answer to this question. As managers consider or enact layoffs though, they must do so with an eye toward the implications for their missions and objectives. In some cases, the layoffs have come with an across the board statement of reduced resources, operations, and results. This is seen when foundations have simply stated that they are no longer pursuing various issues or they are cutting whole programs.

Other foundations may find that direct reduction to be unacceptable, and are looking for another variable in the equation. I think of these decision-makers as choosing the following equation:

Resources + Operations + X = Results

Where X may represent the use of another foundation's staff or expertise, a change in process so that fewer people can do well the same work of more people, or a partnership with intermediaries or nonprofits or the public sector that puts no weight on the foundation itself but still can contribute to their work. Obviously, **X** is part of operations and part of strategies. Sharing success stories about how to find **X** for an organization under resource pressure would benefit the sector enormously.[26]

Buy or rent?

Just as we dealt with the "now or later" question in the stewardship section, the operational challenges facing foundation managers now is a textbook business school "buy or rent" proposition. Typically, businesses answer this question by backing up and assessing their purposes, their profit margins, their skill sets, and their long-term plans. These are all challenging considerations for foundations that must still wrestle with lofty missions and unclear measures (see the next section on results).

What expertise or execution steps does the foundation need to own (have on staff)? What can it outsource? What can it borrow from peers or ally with others to create in a joint venture? If philanthropy really addressed its work this way, I believe we would see very different organizations than those with which we are familiar. The redundancy in tasks across foundations, the impositions they make on nonprofits to meet the requirements of their boards, and the "hoops" they set for staff in terms of grant deadlines, docket preparation, and grantee reporting are legend. Much of this gets talked about, internally and externally. But little changes. Common application forms are about as close as the industry has come to really streamlining the processes.

The irony, as is well known, is that the people who have to carry out these operational practices have the ability to change them. Boards who seek to reduce

[26] My apologies to all the math whizzes out there. I was one of those students who struggled through algebra and geometry and calculus, always wondering, "when am I going to need this?" Any algebraic inaccuracies are unintended. It's a metaphorical use of the ubiquitous X.

costs should be interested in measures that would streamline staff workloads, allow them to use their hard-earned professional expertise, and devote their energy to catalyzing efforts to achieve organizational goals, instead of preparing the same analysis as their peer down the street, requiring reports that must go unread, meeting false deadlines, and managing consultants.

Short of overhauling all operations, making buy or rent decisions still needs to be done, and should be informed by a well-understood, organizationally-valid set of criteria about what the foundation needs to do itself and what it can outsource. Using contractors, setting term limits, advancing the professional careers of foundation staff are all part of this picture. They all come down to a clear definition of "what is the work." Yes, the work may be done different ways in different times, but those differences should hinge more on external changes in needs, opportunities, or resources and not internal ambivalence about what matters.

Results

"Results are what you expect, and consequences are what you get."
The Ladies Home Journal, 1942

- Performance Measurement
- Outcomes-Based Evaluation
- Accountability
- Focus on Results
- Return on Investment
- Effective Organizations

This short list provides only a few of the phrases, definitions, mantras, and motivators that have come to matter in philanthropy over the last two decades. Born from a move in the public sector toward performance measures, accelerated by the corporate world's interest in investment returns, and brought home to nonprofits by virtue of a nationwide change in United Way strategies in the mid-1990s, the emphasis on results is no longer simply rhetorical. A significant amount of good work has been done on developing quantifiable measures of impact. From the Harvard Family Research Project to the KidsCount Data and United Way's community indicators, philanthropy has worked alone and in partnership to create meaningful assessment tools and benchmarks.[27]

Some of these efforts have been driven by research groups and nonprofits. The Chapin Hall Center for Children at the University of Chicago, John McKnight's work on community asset mapping, and the Carnegie Corporation's reports on after-school time from the early 1980s have all become sources of standards in the field.

[27] Harvard Family Research Project, Institute of Museum and Library Services analyses, John McKnight, *Building Communities from the Inside Out*, Evanston, IL: Institute for Policy Research, 1993, KidsCount, Annie E. Casey Foundation.

The growth of philanthropic resources in health also has contributed to the emphasis on quantifiable results and indicators. The last two decades of the 20th Century saw a sharp increase in health philanthropy, and health resources more than doubled between 1995 and 2000 alone.[28] The creation of new health foundations and the interest in health by several of the world's largest foundations drove the growth in resources. The nature of health issues and medical reporting seemed to drive the interest in quantifiable, measurable results in health philanthropy. Medicine and public health are further along than many other human service, education, or arts fields in using data for making decisions. Although "evidence-based medicine" is itself an emerging field of practice, in general, health is a results-driven, scientifically-oriented, "hard numbers" field. Not surprisingly, health funders tend to be focused on results, have been pioneers in data-sharing efforts across foundations, and have helped push the envelope on the use of data and outcomes as real tools for philanthropic strategic planning and assessment.[29]

A new contributor to the role of outcomes in philanthropy will be the follow-up analysis of grantmaking responses to the September 11th tragedy. In what seems like record time, at least three reports have already been widely published analyzing the philanthropic response to this single event.[30]

This brief essay cannot accommodate a complete historiography of philanthropy and results. However, the few paragraphs above provide a thin frame for such an analysis. Corporate and government influence, issue-based success, growing philanthropic resources, enormous public attention, and cooperation and assistance by nonprofits and researchers all have helped equip philanthropy with a stronger, larger, and more appropriate body of tools and measures for assessing their work.

Yet, even so, the evaluation and outcome-measures and results can hardly be pointed to as a strong suit of institutional philanthropy. This is not too surprising, given the independent nature of foundations and the rather youthful state of the field as an industry. Even medicine, from which most of the emphasis on data and accountability stems, does not universally embrace systematic performance improvement approaches. The recent rise in interest in evidence-based medicine reflects the small role that empirical science has played in how medicine is actually practiced. Other industries, such as aviation and hospitality, are noted for using far more rigorous systems for evaluating results and improving performance than those used by hospitals.[31]

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[28] The Foundation Center, *Health Funding Update*, 2001.

[29] Several health foundations in California have been using a shared data system and exchanging information through an intranet for years now (the healthfunders@work project). Other health foundations (e.g., Robert Wood Johnson) have led the field in posting evaluation syntheses on their web sites and making their data and results public.

[30] See The Foundation Center's two reports on "Giving in the Aftermath of 9/11,"as well as the National Center on Responsive Philanthropy's report. Several regional associations also published reports, built tracking systems, and have been working with the media and researchers to track the flow and impact of funds expended. The public sector and the media have kept the spotlight on the source, use, and results of the funds as well. A recent report by the General Accounting Office looks at the relationship between public and private disaster-relief efforts. See GAO, "More Effective Collaboration Could Enhance Charitable Organizations' Contributions in Disasters," Washington, DC, December 2002, www.gao.gov.

[31] Atul Gawande, *Complications: A Surgeon's Notes on an Imperfect Science*, New York: Henry Holt and Company, 2002, pp. 47-74.

What we do know is that philanthropy uses several common tools and indicator sets– logic mapping, asset mapping, community indicators, portfolio assessments, and cluster evaluations – have all become increasingly common tools for those foundations that take the time, thought, and money to evaluate their work or support their grantees in doing so.[32] The late 1990s also saw a rapid increase in philanthropic interest in organizational effectiveness, a field said by some to have been born at the David and Lucile Packard Foundation and catalyzed by the results-oriented emphasis of the late decade philanthropic boom. By 2001, more than 500 organizations and individuals were members of Grantmakers For Effective Organizations (GEO), an affinity group only 5 years old at the time.

Certainly, this recent work provides philanthropists interested in tracking the results of their work with many new tools to do so. Yet, there remain no industry standards, there are few points of leverage for organizational outsiders to push for greater results or improved reporting, and the explicit (and implicit) connections between inputs, operations, and outcomes are difficult for most foundation personnel to map.

Moreover, most experienced foundation professionals recognize that a critical factor in seeing grants and strategies achieve desired results is time. Time horizons are beginning to expand at large foundations – several seven to ten year strategies and initiatives can be found. The challenge has become finding ways to stay a course, report on meaningful progress, weather economic downturns mid-stream, maintain the focus of board and staff, and remain responsive and flexible. Oddly enough, despite this understanding of how long results take, foundations endowed in perpetuity have generally only employed historical methods and analysis for the purpose of institutional recordkeeping.

Perhaps what is needed is a balance between real-time reporting and progress measures, and a broad-based, analytically-substantiated framework for how philanthropic resources interact with and influence social life, public good, and public systems over time. As the size of philanthropy grows, and organizational assessments of their projects increase in number, the potential increases for being able to look back and say with some credibility, "these types of philanthropic strategies work or fail on these kinds of issues in these kinds of circumstances." Such analyses would be helpful to both established and emerging philanthropists. As Thucydides wrote on his own work as an historian, it was intended for those "who desire an exact knowledge of the past as an aid to the interpretation of the future . . . ."[33]

Some foundations are trying to balance these tensions by employing different strategies, timelines and assessment expectations for different parts of their work. The level of evaluation analysis desired (as compared to that which can be effectively conducted) has shifted from individual grants to program areas or portfolios to entire organizations. The "executive dashboard" that allow a corporate CEO to know the

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[32] We only have a very crude estimate, however, of how many foundations support evaluation and how much they invest in it. Using several data proxies, a recent calculation estimated that the 10,000 foundations that report to The Foundation Center spend $145 million per year on research, evaluation and consultants. See Lucy Bernholz, *Assembly Required: Building Better Philanthropy*, Stanford Social Innovation Review, Stanford, CA, 2003 (to be released). Excerpts are available at "Philanthropy 2100," http://philanthropy.blogspot.com/.
[33] Thucydides is quoted in John Lewis Gaddis, *The Landscape of History: How Historians Map the Past*, London: Oxford University Press, 2002 , p 14.

stock price, profit/loss, productivity, defect rate and other key statistics about every company division at any given time is very difficult to create for foundations that operate distinct programs in the arts, education, health, and environmental justice.

Learning and Knowledge Management

The inexact science that is the current status of philanthropic assessment set the stage for a burst of interest in learning communities, knowledge management, and communities of practice. New technologies suddenly make data plentiful and readily accessible, and the trick seems only to learn how to interpret, share, and use the information to improve work practices, better grantee relations, and lead to greater outcomes. Once again, the rise of these practices in corporations and government, the flow-over of consulting firms that serve the private sector and now work in philanthropy, and the pervasiveness of certain press outlets in institutional philanthropy helps to move these practices through the sector.

But that is quite a trick. Nothing has shone a brighter light on the challenges of philanthropic organizational cultures quite like the recent experience of using technology well and trying to use foundation knowledge as a resource. Yes, both are doable, and both hold promise for improving philanthropy. A start-up effort by GEO to connect foundation "knowledge managers" is underway. Several industry conferences have featured sessions on knowledge and knowledge management and the major trade publications have written about it. The believers and the skeptics have met head to head on several panels and debated the merits and fallacies of knowledge in philanthropy and philanthropy in a knowledge economy.

Just as it has taken more than 20 years to establish a common set of tools for evaluation (and even that set is by no means universally adopted or well-deployed) it will take years for knowledge practices to become meaningful parts of philanthropic activity on a scale of any importance. What foundations have learned by virtue of their efforts to change is as important as the lofty goals of change themselves. The need for leverage points and organizational leadership, the role that networks and associations can (and cannot) play in promoting change, the costs of change, the resistance to it and the need to identify incentives, and the unclear connections for so many foundations between resources, operations, and results are some of these lessons.

Ideas and strategies such as learning or knowledge management seem to move through philanthropy in a fairly predictable pattern. Aided by industry associations, publications, and peer networks, as well as consulting firms, advertising, competition, ego, and the Internet, I believe there is a fairly common "trajectory of ideas to action" in philanthropy that involves big ideas, early adopters, revisionists, networks, publications, consultants, researchers, critics, and adaptation.

The trajectory includes two inevitable periods, one of Evangelism and one of Dismissal. Some ideas become "jargon *du jour*," others go back underground where they are implemented at some organizations, experience some success, and may re-ignite on the industry "idea list" a few years later, better tested and adapted to a variety of philanthropic environments. These become a "soft standard" of the field. An example of this is the theory of social change explained so well by Malcolm Gladwell in *The Tipping Point*. Gladwell's contribution was simplicity and eloquence. The ideas and theories were out in the academic literature, he made them interesting, relevant, and understandable. The year or so after his book was published, foundations hosted a frenzy of readings and promotions of his work. That energy has died down, but three years later we find the book in the new staff orientation materials of several foundations, it is still being swapped around between peers, and a common vernacular exists in which foundation staffs speak to each other of collectors, mavens and salesmen.[34]

Risks and results

How do all of these elements – results, change, stewardship – influence foundation risk-taking? It is hard to find real data on foundation risk – be it investment risk, grant risks, board insurance, or structural changes. Of these categories, only investment risk, as defined by the diversification and aggressiveness of an institution's portfolio, can be discussed in terms of industry averages. And while endowment funds are an enormous pool of resources for the investment management industry, and several dabble in especially risky investment strategies, a diversified, growth or value-oriented approach is far more common.

Foundations seem to be increasing the attention they pay to socially responsible investing or mission-related investing. These are asset management strategies that either advance or remain neutral of the endowment's social purposes. A great deal has been written about using the corpus of foundation assets as a tool for achieving their missions, instead of just their grant budgets.[35] Since endowment assets are valued at more than $400 billion and grant budgets are under $30 billion, it is easy to see why these resources might be useful. Jed Emerson has proposed a "unified investment strategy," that recognizes and uses both the endowment and the grants budgets in mutually reinforcing ways.[36]

While investment risk matters greatly to senior foundation staff (it determines grants budgets to a large extent), generally very few staff members are involved in these decisions. So the more widely relevant element of risk is its role in grant making decisions and structural options.

Risk is a tricky term. Every foundation has a baseline – usually undocumented – comfort level for risk taking. For some, funding a new nonprofit is a risk. Others see risk in terms of the mix of new/old, experimental/proven grants within each of their program areas. Others want to see a certain percentage of grants every year "fail," as an important indicator of risk-taking and a component of learning. For some

[34] There are countless theories about how ideas move, and this is not meant to be one of them. Communications courses on ideas and innovations are better sources for information on these than this paper. Notably, however, at least two significant projects are currently underway to better understand how ideas become action in philanthropy. One is being led by the Williams Group for the David and Lucile Packard Foundation and several of its grantees. A second study is being conducted by The BridgeSpan Group to inform its own work on knowledge sharing in the field. The author found the concurrence rather ironic.

[35] Jed Emerson's work speaks to this. The Jessie Smith Noyes Foundation has taken a place as a leading advocate of these strategies within the foundation industry.

[36] Jed Emerson, "A Capital Idea: Total Foundation Asset Management and the Unified Investment Strategy," a discussion paper, The William and Flora Hewlett Foundation, 2002, www.hewlett.org.

organizations, bold statements of aggressive funding, risk and return can be found throughout their grant guidelines, mission statements, and published materials.[37]

But measuring risk and defining failure are not philanthropy's strong suits. The emergent nature of industry-wide metrics, useful social indicators, and clear statements of intent enable bold statements that only rarely are remembered when results come in. Reflections on risk taking, understanding failure, and improving practice are taken seriously by many foundations – but they generally refer to internal practices and learning, and not public accountability. One example of trying to link risk and results to internal performance was launched at the Ewing Marion Kauffman Foundation in the mid-1990s. There, an organizational restructuring included efforts to link staff job performance and promotion to grant outcomes. However, in general the lack of external measures for assessing risk, success, and failure of a foundation's activities limits the relevance of the term.

The data on endowment declines and grant budget decreases are only now coming to light. While the recession in the larger economy has lifted, its impact on grant making is expected to be greatest in 2002, 2003 and 2004. Several public statements by foundation officers reflect a sense that limited resources require more prudence and less risk. "It is not a good time for new projects," seems to be the common wisdom.[38]

So, where's the risk? Do endowment declines automatically translate into "less risky" grant making? It is important to acknowledge significant expressions of countervailing intentions. Several large foundations have announced large new grants or efforts to maintain their previous levels of grant making, even as notices of endowment declines fill the papers. How these two trends will play out will not be reflected in industry data for several years. In the near-term, local communities anticipate immediate, double-digit percentage drops in giving and nonprofits across the country are facing enormous fundraising challenges.[39]

Framing the Whole

How do these pieces fit together? Is there a "best practice" for thinking about philanthropic resources, operations, and results? Organizational theory leaves us on our own, corporate strategy guides have little to say, the nonprofit literature offers only so much. Will the growth in philanthropy – institutional and individual – lead to a more overt, coherent, accepted set of standards to guide future decision-makers?

Not likely. First, the industry of philanthropy is changing rapidly enough that any lessons that might be documented now may fail to be useful at the end of this decade. Second, the greatest irony of philanthropy may be that, despite its permanency, there is remarkably little universally relevant research on historical or

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[37] See, for example, The Gordon and Betty Moore Foundation's "Core Statement," at http://www.moore.org/about_core.asp.

[38] Wilhem, "Foundation Assets Sag," *Chronicle of Philanthropy*, April 4, 2002.

[39] Local newspapers are the best source for these stories. In the San Francisco Bay Area recent announcements include an end to a major capital campaign by the Jewish Museum, the closing of The San Jose Opera and major cuts at nonprofit organizations in the arts, education and human service organizations.

current practices. Third, the fragmentation of philanthropy is a significant barrier to change.

That said, senior managers are looking for guidance on the decisions they face today. These managers, who have a mezzanine level perspective within their foundations and on the field, are the ones trying to articulate the relationship between resources (stewardship), operations (change management), and results. And, as in all things, they have multiple audiences for their articulated descriptions. Looking up, they must provide answers to their presidents and boards of directors. Looking internally, there are senior directors, peers, and program staff. And looking externally, they know that the communities they serve are waiting to see these decisions in action.

This paper offers only the basest starting point for framing these pieces. In outlining various elements of each piece, I have tried to provide food for thought, multiple perspectives, and only a touch of opinion. I do, however, have some thoughts on how these pieces fit together and how one might think through them. The following section pulls these pieces into a frame of the whole, for purposes of debate and discussion.

The external landscape, 2003

I am an advocate of context. Individual organizations often operate with a tight eye on their internal bottom lines, and make good guesses about how that will play in the market in which they operate. I think foundations have the opportunity to do this differently. The external landscape matters significantly to foundations – for the most part, if they achieve their own missions, they achieve external goals.

The industry perspective that I have formulated for philanthropy is based on this belief. Large societal demands and trends matter to foundations, but there is really very little any foundation is likely to be able to do about demographic changes, income gaps, migration, or other significant issues. Likewise, the innermost circle of organizational change also matters: it is important how people are hired and trained, which contractors are used, and whether or not a foundation sets term limits for staff. But these actions are 1) many steps away from furthering social goals and 2) rarely implemented with a clear sense of how they will advance the social purpose of the organization.

And so, we arrive at the concept of the philanthropic industry.[40] Briefly stated, philanthropy at the turn of the Twenty-First Century contains all of the pieces of a mature industry. These pieces are:

- Capital for investment
- Firms, markets, and customers
- Products and services
- Competition and alliances
- Regulation and public policy
- Media attention and public awareness

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[40] This is articulated in several other papers. Please see Lucy Bernholz, "Excerpts from Industry Analyses," at www.blueprintrd.com/publications for an extensive description of what the industry is and how it works.

Not every element is as fully developed as the others, and there are important distinctions between the role of competition in philanthropy and its role in the shoe, oil, or entertainment industries. But philanthropy thrives on capital, has a variety of firms offering a selection of products and services to customers, manages a complex mix of alliances and competition, operates firmly within a regulatory structure, and has grown its own media and been discovered by the mainstream press.

What most distinguishes the philanthropic industry, and what provides the most compelling opportunity for senior managers at large foundations, is the potential for directing several of these elements in ways that can assist them in achieving their organizational goals. In other words, the industry level is the point at which both significant social goals might be attained and over which the individual players have influence.

A more concrete illustration of this might be helpful. Philanthropy has tended to dismiss its own potential impact because of the degree to which it is smaller than public resources. However, there may be areas and issues in which philanthropic resources, if aggregated, can form a viable, powerful partnership with public resources to achieve certain goals. In several cities, for example, aggregating the private individual and institutional resources for arts and culture might even surpass the public budgets in those areas.

But impact need not even depend on resource dominance. Previous research on conservative foundations show like-minded institutions that pursue clearly articulated strategies over the long-term can achieve notable success, even when their aggregated financial resources are dwarfed by others.[41] The consistent push of public decision-making and resource allocation from the federal to the state and municipal level (devolution) may help foundations and philanthropists take their seats at these tables. In fact, as the decision-making and resources are managed at the local level, it can be the foundations that set the table for the conversation.

Now, aggregating the whole isn't going to happen. But even as foundations have made remarkable progress in convening with peers, identifying allies, and sharing their stories and operational successes, what they don't do is take this next step – work with their peers (starting with the closest and most trusted) to pursue and build common agendas.

Some sub-groups of foundations are trying this. Issue-based foundation collaborations, such as the Consultative Group on Biological Diversity come to mind. Community foundations have led the industry in trying to work as a group, setting agendas, developing joint technology, and trying to move together while maintaining their unique roles in their communities. Many community foundation leaders will tell you that their now decade-old efforts, while still fumbling, were galvanized by the growth of financial service firms in philanthropy. Other examples of successful foundation co-operation were reactions to other outside threats, such as the creation of the Council on Foundations in response to Congressional hearings or the start of the Foundation Center when public reporting became an issue.[42]

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[41] Sally Covington, *Moving a Public Policy Agenda: the Strategic Philanthropy of Conservative Foundations*, Washington, DC: NCRP, 1997.

[42] See Ralph Hamilton, *Moving Ideas and Money: Issues and Opportunities in Funder Funding Collaboration*, Prepared for the Funder's Network for Smart Growth and Livable Communities, 2002.

These few examples are telling. One, there are not many examples of lasting, industry-wide investments. Two, those listed above, were reactionary. They represent joint action in the face of new market pressures or new (or perceived) regulatory changes. Admittedly, this is a very quick and by no means deep or comprehensive analysis of successful industry-wide action by foundations. And while incomplete, it is not a case of the "Texas Sharpshooter" approach to pattern identification – in which one shoots the bullet into the barn door and then goes over and draws a bulls-eye around the bullet hole.

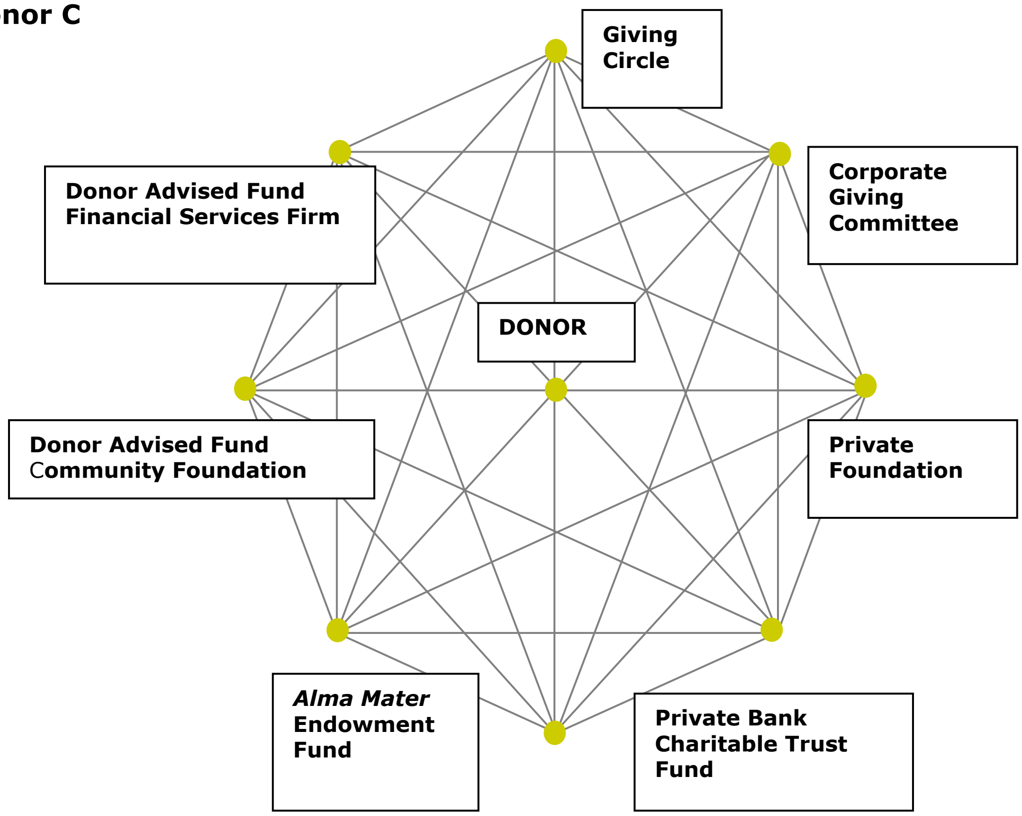
If foundations can work together in response to external pressure, then now is a good time to be working on those joint agendas and joint services. The market pressures and regulatory challenges to philanthropy are the two top-level sets of pressures on the field at this time. So finding joint solutions to shared challenges – particularly in terms of trying to apply limited resources and achieve maximum results, is not only a nice idea, it may be the only viable source of solution.

Foundations are at a key turning point in their history. Today's donors, those capable of establishing private foundations, are asking tough questions about the value of the structure as compared to the other giving vehicles available to them. They are choosing those other vehicles more often than they are creating foundations, as evidenced by a 231% increase in donor advised funds, compared to a 190% increase in foundations, from 1995-1999.[43] More and more donors are choosing to use several giving vehicles and comparing their performance over time.

[43] Thomas Billitteri, "A Run for the Money," *The Chronicle of Philanthropy*, and The Foundation Center, *Foundation Growth and Giving*, 2000.

Our best guess at what the current donor looks like, in terms of how they select philanthropic tools, is the networked picture shown below:

Donor C



The implications of this picture are not immediately clear to staff of private foundations. We think there are three key lessons from the above drawing of today's donors. First, they choose multiple giving options (many have all of the above at any given time) and they evaluate them against one another.[45] Second, they use the vehicles in hybridized forms, running $300 million donor advised funds through a commercial firm or turning around and meeting their payout requirement for a private foundation by opening an advised fund at a community foundation. Third, the above network represents the "pots" into which the trillions of charitable dollars are divided each year, and thus the other key sources of philanthropic capital for foundation-funded programs.

By recognizing their peers and working together, foundations will find good answers to their operational challenges. They might use the staff expertise of

[44] This diagram is copyright protected by Blueprint Research & Design, Inc. and is drawn from several presentations delivered to foundation and grant maker audiences in 2001 and 2002.
[45] See Virginia Esposito and Joseph Foote, "Family Philanthropy in Twenty-First Century America," in Frank Ellsworth and Joe Lumarda, *From Grantmaker to Leader: Emerging Strategies for Twenty-First Century Foundations,* New York: John Wiley & Sons, 2003, pp. 3-40. See pages 6-8 for the description of the Hunt Family of Pittsburgh and their use of multiple giving vehicles, including several (charitable remainder unitrusts, charitable lead annuity trusts, the family checkbook, and federated workplace giving).

another foundation to allow them to continue to make technical assistance grants to their nonprofits. They might develop "code-sharing" systems like the airlines, and reduce the number of docket profiles they all have to produce on the same local arts organization. They might map private resources in human services in their metro area and work with the public sector to identify short-term gap strategies and longer-term budgeting priorities.

I said it before; I'll say it again. Working together is hard. Working with the other "nodes" of the "donor portfolio" shown above is even harder. But doing so is just as necessary, if not more so, if the unique values of staffed foundations – their expertise, their access, their research, and their convening power - are going to remain significant parts of the philanthropic capital and investment streams.

Stewarding resources applies to financial assets, human and intellectual capital, and the community resources in which foundations have invested. Change management accommodates operational issues ranging across the professional career of foundation staff, and those that require a clearly articulated internal equation for how structure contributes to mission accomplishment. Results require use of hard-earned metrics and measures, as well as trying new organizational approaches such as knowledge management and learning. All of these must be managed well, in both good times and bad, for a foundation to succeed.

These three points of the frame can overwhelm senior decision makers when they are out of balance. They also might serve as scaffolding to support internal structures when the external pressures acting upon them are greatest. Maintaining the integrity of the foundation structure, during times of market and regulatory pressure, will allow the overall form and role of the organizations to adapt as needed, without sacrificing their unique contributions in the system. There are no superheroes in philanthropy, but those who can navigate these challenging times will help to define the future role for foundations in our world.

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This is a first, unedited draft of the paper. I welcome all feedback on the concepts and their presentation. I hope the stylistic shortcomings of this draft do not obscure or diminish the value of the ideas and concepts attempting expression. Please let me know if and how the paper was helpful to you and how it might be improved.

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