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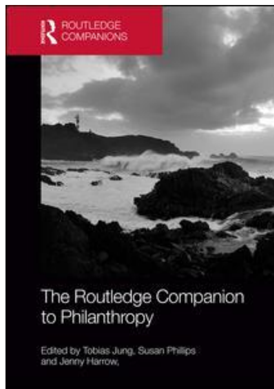

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Hybridity and philanthropy

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Hybridity and philanthropy
Implications for policy and practice

Steven Rathgeb Smith

Private foundations hold a highly visible and quite unique place in a country: they benefit from generous tax advantages and exemptions; they are quite diverse in mission and orientation; and they have considerable autonomy over their programs and operations, especially compared with many other types of philanthropic and public institutions (Hammack and Anheier, 2013; Leat, Chapter 18). Yet, foundations face increased competition in terms of influence and support. In many countries, the giving options for individual donors have exploded; donors can give to a proliferating array of causes and organizations and create vehicles for giving, such as donor advised funds (DAFs) in the US, that depart from the traditional foundation model. The widespread interest in social entrepreneurship, social innovation, and social enterprise has tended to focus attention on programmatic outcomes and leveraging grant funds. Many foundations also experienced steep losses in their assets due to the financial crisis, leading them to be more attentive than ever to the allocation of their scarce grant monies. With increased competition to their influence and legitimacy, many foundations are innovating in their structure, investment strategies, giving patterns, and creating new alliances and partnerships (Salamon, 2014).

The result is substantially increased hybridity in the organization of foundations and their programs (Smith, 2010). In general, hybridity refers to organizations with more than one institutional logic (Hammack and Heydemann, 2009; Billis, 2010; Skelcher and Smith, 2014). Foundations, like other organizations, are guided by particular logics such as a community or family logic. Their control over resources has tended to offer foundations an opportunity to pursue particular institutional logics such as meeting local community needs or specific mission related priorities, such as supporting democracy. But foundations now face more demands for relevance and accountability, encouraging many to adopt new strategies to support their grantmaking activities. Consequently, many foundations are trying to balance new, and different, logics through new alliances with government, other foundations and nonprofits, and even for-profit social enterprises. In particular, community foundations need to balance individual donor goals for their donor advised funds with the broader needs of the community (Harrow *et al.*, Chapter 19). This shift to hybridity offers opportunities for enhancing impact, but also raises complicated dilemmas regarding mission and accountability. In the following pages, this chapter examines the growth of hybridity within organized philanthropy and its implications for foundations, their grantees, and public policy.

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Philanthropic institutions and hybridity

Research on hybridity is quite extensive. For example, Koppell (2003) notes the existence of quasi-governmental organizations that do not fit traditional definitions of government agencies because they operate like a private corporation (Skelcher, 2004, 2009). Minkoff (2002) studies nonprofit organizations which combine features of two distinct organizational missions – in her case, national advocacy and service organizations. Thus, she is especially interested in nonprofit organizations that are committed to social change and have both a service and an advocacy mission. Relatedly, Joldersma and Winter (2002) suggest that hybrid organizations are public service organizations that serve government and other types of clients, including market-based clients. Yet another interpretation of hybridity is offered by Evers (2005; and Laville 2004) who argues that hybrid organizations reflect different logics and rationales within nonprofit organizations, thus, often highlighting the norms of the state, market, and community or civil society sectors (Brandsen *et al.*, 2005). Consequently, nonprofit organizations are inherently hybrid organizations. Yet, the works of Evers (2005) and Brandsen *et al.* (2005) do not adequately explain the marked shifts in organized philanthropy over the last few years, the changes in the mix of logics within many different types of foundations. These are evident across many policy fields.

Philanthropy's hybridity in relation to grantmaking and programme operations is nicely illustrated by the example of nonprofit social housing in the US. The federal government has implemented an important tax credit program to support low-income housing called the Low Income Housing Tax Credit (LIHTC). Basically, this program allows private investors (and equity funds) to pool their money in support of nonprofit social housing projects and receive a tax credit. Often, this tax credit funding is mixed with other public and philanthropic funds from foundations and corporations. In particular, national foundations including the Ford Foundation and the Enterprise Foundation (now called Enterprise Community Partners) have provided extensive support for specific projects and capacity building to help social housing programs which receive tax-credit financing to develop sound and effective business plans. Foundations and corporate giving programs have also been essential to the widespread enthusiasm and interest in social enterprises that mix nonprofit and for-profit characteristics (Dees, 1998; Alter, 2007). Foundations have often directly funded new social enterprises as shown by the case of Building Community Forge, a nonprofit social service agency based in Hartford, Connecticut. It operates a restaurant that employs disadvantaged individuals; the restaurant income is also used to subsidize social housing and other programs. The Mellon Foundation of Connecticut has provided substantial support for this program over the course of many years. Many other examples exist, including the noteworthy work of REDF, a California-based foundation that has promoted innovative social enterprises for the disabled and unemployed, and the Greyston Bakery in Yonkers, New York, a for-profit bakery that employs disadvantaged workers alongside an affiliated foundation that operates social service programs.

The turbulence of the organizational environment for philanthropy reflects significant shifts in citizen and donor attitudes. The United Way has instituted a policy of 'donor choice'. This offers donors much greater control over the destination of their donation than was previously the case. DAFs, often located within community foundations or commercial investment houses, are designed to give donors greater flexibility in their donations compared with private foundations (Harrow *et al.*, Chapter 19). Also, the venture philanthropy movement is predicated in part on the idea that donors should have much more direct engagement with their grantee organizations than is typical with traditional foundations (Letts *et al.*, 1999; Morino, 2011). More broadly, the movement for greater donor choice and engagement in grantmaking reflects the widespread concern among policymakers and philanthropic leaders that organized

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philanthropy needs to pay much greater heed to outcome evaluation and the performance of their grantees (Fleishman, 2007; Brest *et al.*, 2009). Large national foundations, such as the Edna McConnell Clark Foundation, the Annie E. Casey Foundation, and the Robert Woods Johnson Foundation, have invested millions of dollars in the evaluation of their grant programs and more broadly the dissemination of best practices regarding philanthropic grantmaking and programming. The Robin Hood Foundation in New York City has made evaluation and performance targets a central tenet of its grantmaking practices.

Importantly, this interest in impact and accountability has in turn led foundations to innovate in their funding and grantmaking strategies. Many foundations no longer exclusively rely upon short-term grants to donor agencies – the traditional form of grant-making. Instead, many foundations utilize a diverse mix of funding strategies including: longer-term grants, predevelopment loans, planning grants, and loans for acquisition and construction. This shift is evident in new thinking on program-related investments (PRIs). In the Tax Reform Act (TRA) of 1969, Congress imposed heavy taxes on investments by foundations that were considered so speculative or risky as to jeopardize the foundation's tax-exempt purpose. However, TRA allowed higher risk investments if they met three key conditions: they had a charitable purpose; they did not have the production of income or property appreciation as their primary goal; and they were not connected in any way to lobbying or electioneering (Schmalbeck, 2004-2005; IRS, 2006; Grantcraft, 2011).

PRIs are part of a growing movement in philanthropy for mission-based investing which is the practice of using foundation assets for purposes that fit with the mission of the foundation, and simultaneously earning a financial return (Emerson, 2003; Cooch and Kramer, 2007; F. B. Heron Foundation, 2007; Swack, 2009; Lindblom, 2010; Lawrence and Mukai, 2011a; Wood *et al.*, 2012). Good illustrations of PRIs in action can be found in the work of the Packard Foundation. This foundation's Conserving California Landscape Initiative (CCLI) used a PRI strategy including loans to purchase or facilitate the purchase of land or conservation easements (Delfin and Shui-Yan, 2006). Packard also provided a PRI loan to a for-profit health company to supply needed drugs to developing countries. Overall, the Packard Foundation devoted over $450 million to PRI investments between 1980 and 2012 (David and Lucille Packard Foundation, 2014). The Ford Foundation (1991) has been using PRI investments extensively in its 'asset and community development' programs to fund land trusts, revolving loan funds, microfinance programs, loan guarantees, and sometimes equity investments in for-profit companies with a social mission. Since 1968, the Ford Foundation (2012a) has provided over $560 million in PRI investments to nonprofit and for-profit organizations. It has also supported a diverse set of innovative Community Development Financial Institutions (CDFIs), including the Self-Help Federal Credit Union with a PRI investment of over $30 million (Ford Foundation, 2012b; see also Mary Reynolds Babcock Foundation, 2011; Calvert Foundation, 2012; 2014). The Medina Foundation, a family foundation in Seattle, decided to dramatically shift its grant strategy and devote a substantial investment to the creation of the Express Credit Union, a for-profit community-based financial services organization that offers low-income families important financial products and an affiliated nonprofit entity to offer related social services and support (Medina Foundation, 2012). Several foundations also used PRI investments as a rapid response strategy to address the serious problems resulting from the financial crisis of 2008 and its aftermath. The MacArthur Foundation, for instance, committed $34 million in PRIs in response to the homeowner foreclosure crisis including a $15 million low-interest loan to ShoreBank in Chicago, a bank specializing in loans to disadvantaged individuals and communities (Lawrence, 2009).

PRIs are part of this movement for mission-based investing because they reflect a link between the overall goal of the foundation – helping communities in need – and their funding

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priorities and strategy. Thus, a foundation interested in helping low-income communities might invest its endowment in institutions or funding vehicles such as loans that benefit these same low-income communities. Or a foundation might invest part of its assets in a new for-profit start-up health firm in a developing country to further its mission of improving health. As a result, mission-based investing differs slightly from socially responsible investing which tends to focus on screening in an investment strategy to exclude certain types of industries such as tobacco or companies with poor labour practices (Swack, 2009).

Mission-based investing, including PRIs, pushes foundations to more explicitly manage different institutional logics within their organizations, since foundations are more likely to be engaged in various types of market-based activities. For example, instead of granting to a local nonprofit to promote community development, a foundation could invest in *linked deposits* at local banks so that local banks can provide low interest to local businesses (Cooch and Kramer, 2007, p. 26). The Rose Foundation of northern California bought stock in a lumber company in order to have the ability as a sizable shareholder to press the company to preserve an important expanse of redwood forest (Emerson, 2003). The investment of the Packard Foundation in the commercial health firm is another example. These investments also require foundations to manage different logics than is normally the case in more traditional foundation grants; in the case of the Packard grant for example, the Foundation must balance the market logic of the health firm with its own vision of community needs.

Concerned about impact and leveraging scarce grant dollars, many foundations are engaging in more formal types of collaboration with public and nonprofit entities that bring foundations into a closer relationship with government (Kania and Kramer, 2011). Foundations have, of course, funded projects of public policy significance for a very long time (Hammack and Anheier, 2013). But in recent years, foundations have forged complicated partnerships with government that require balancing public and foundation priorities on an ongoing basis. Examples abound. In 2006, the Gates and Rockefeller Foundations established a major partnership to develop new crops to help farmers in Africa called the Alliance for a Green Revolution in Africa (Rockefeller Foundation, 2008; AGRA, 2012). The Gates Foundation collaborates with numerous public, for-profit and nonprofit entities throughout the world in support of their initiatives. At the local level, countless foundations are collaborating in support of program innovation and reform, especially related to urgent social and health problems. For instance, a nationwide initiative called Funders Together to End Homelessness strives to bring together the resources and expertise of multiple funders in order to develop a more coordinated and effective strategy to end homelessness (Wertheimer, 2011). In Washington State, Thrive by Five was formed as a collaborative effort of several private foundations, corporate funders and the state of Washington to support early childhood education. In Minnesota, the Itasca Area Schools Collaborative is a joint project of local schools and the Blandin Foundation to support opportunities for improved success in school for all students regardless of income or background (Bielefeld, 2014). In the UK, the government has provided £80 million to support Community First, a program to help communities come together to identify their strengths and local priorities in order to plan for their future and become more resilient. It is managed by the Community Development Foundation as a partnership with the national government (Community Development Foundation, 2014).

These initiatives involve managing a mix of different logics: the community, the government, and often market imperatives. To be sure, some of these partnerships represent the agreement of the public sector to foundation priorities, but in many other cases, the mission and programmatic priorities are negotiated among the various partners. In this sense, these partnerships represent the increase in hybridity within organized philanthropy. In order to effectively

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manage these hybrid arrangements, foundations and their partners need to devise strategies that effectively manage potentially conflicting logics and expectations among donors, as well as their descendants, staff and volunteers.

The complex mix of logics within organized philanthropy is also illustrated by the growing interest in social impact bonds (SIBs) which require the joint production of a particular service by several public and nonprofit entities. SIBs essentially offer government the opportunity to define specific outcomes and then agree to pay an external organization if they meet the agreed-upon targets (Clifford and Jung, 2016). In Peterborough, England, social impact bonds were implemented through a new intermediary entity called One Service which included several service agencies and funders. Private funders, including leading foundations, invest in One Service and then receive repayment from the government (Ganguly, 2014; Social Finance, 2014) – indeed, the Rockefeller Foundations used a PRI investment to support the Peterborough program. SIBs have also been used in New York City to support an innovative jail recidivism program; the social impact bonds operate through a lead organization that works closely with other funders and an actual social service delivery agency (Preston, 2012). SIBs represent a shift among foundations and philanthropists to focus more specifically on impact and evaluation. The result is a mix of different logics that foundations and other partners need to manage.

Another example of hybridity – DAFs – represents new and more complicated balancing between individual goals of donors and the broader community interest and has seen rapid growth in the last 15 years. These funds are, at least for many wealthy individuals, an alternative to establishing a private foundation because they permit a donor to make a charitable gift and take an income tax deduction for that tax year and, at that time or later, advise which charities should receive the distribution. Further, DAFs are not required to file separate tax returns, file for tax-exempt status, or adhere to private foundation rules; thus, DAFs have many of the advantages of a private foundation, but without the higher transaction costs and ongoing administrative burdens (Bjorklund, 2003; General Accounting Office, 2006: 12; U. S. Department of Treasury, 2011).

A few other examples of the changes within organized philanthropy illustrate the turbulent organizational environment. First, more organizations are called foundations when in fact they are not private foundations as defined under federal law. Instead, they are typically a private 501(c)(3) public charity – a trend driven primarily by the pressure on nonprofit and public organizations to raise private donations. For instance, Tacoma (WA) Goodwill Industries, a social services agency, established the Goodwill Heritage Foundation as a 501(c)(3) public charity; its mission is to 'seek long-term funding to endow the programs of Tacoma Goodwill Industries'. Indeed, it has become quite common for larger 501(c)(3) public charities and churches to create affiliated foundations which are actually public charities, reflecting a prevalent assumption among development professionals and nonprofit executives that attracting private donations and foundation grants will be easier if a separate organizational entity focuses on the sustainability and long-term future of the parent organization. Donated funds can also be restricted to specific purposes and insulated from the ongoing uncertainties of the operating budget of the parent organization.

While this trend of creating 'foundations' which are actually not private foundations began in earnest with nonprofit, 501(c)(3), organizations, it has recently grown rapidly among governmental agencies, notably at the local level. For instance, in Seattle, foundations have been created in the last ten years by the following municipal agencies: Parks and Recreation, the Police, the Public Library, the School District, the Seattle Center (a multipurpose event area), the Pike Place Market Development Authority, the Zoo (a mixed public-nonprofit initiative), and Historic Seattle, a preservation organization. None of these foundations are private nonoperating

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foundations as defined by federal law; instead they are 501(c)(3) public charities raising money to augment the support the related organization receives (primarily from tax revenues). Native American tribes, which are considered sovereign nations, have also established similar foundations. These public foundations illustrate the interest of many philanthropists and foundations in supporting public-policy oriented initiatives; the affiliated foundations are a vehicle for attracting and channeling these donations. From the government's perspective, these affiliated foundations offer an opportunity to raise and spend funds with fewer restrictions and scrutiny than is typically the case with direct government appropriations.

This trend toward grantmaking public charities is also evident in the growth of 'donor giving circles'. In an era of greater emphasis on donor and consumer choice, donor giving circles are increasingly attractive (Layton, Chapter 8). Giving circles are typically structured as 501(c)(3) public charities, rather than as private foundations. Donors are members of these organizations and are expected to donate a minimum amount every year. Members are then expected to contribute volunteer time and their expertise to help nonprofit recipient agencies. In this sense, these new organizations are an effort to offer high engagement philanthropy where members are actively involved in the recipient organizations. Good examples include Social Venture Partners with many chapters around the country and the Washington Women's Foundation; both organizations are registered as public charities.

Greater complexity of organizational form and the potential for conflicting logics is also illustrated in the US by 'health conversion' foundations. During the 1980s and 1990s, many nonprofit hospitals and Blue Cross/Blue Shield firms (which were previously organized as nonprofit entities) were either sold to for-profit companies or were converted to for-profit status. In the process of the sale or the conversion, the charitable assets of the nonprofit entity were often converted into an entirely new private foundation, frequently with very substantial assets. Indeed, three of the largest foundations in California – the California Endowment, the California Healthcare Foundation, and the California Wellness Foundation – are health conversion foundations (*Health Affairs*, 1997; Ferris and Melnick, 2004). The logic of these conversion foundations is that the assets of the existing nonprofit should remain committed to charitable purposes and often restricted to use in the geographic region for the benefit of the state or community, rather than distributed to shareholders of the acquiring company throughout the world. The growth of conversion foundations has slowed considerably in recent years, partly due to frequent controversy and scandals involving these foundations. After the conversion, these new foundations can find themselves ensnared in multiple and conflicting demands from the community and the for-profit hospital. Many of the initial conversion foundations had ties to the for-profit hospital and were also expected to uphold promises made by the acquiring company to the local community on standards of care and levels of service. New conversions have tried to learn from past problems, but these foundations, nonetheless, present complicated management and governance challenges (Carlson, 2012).

Another type of foundation – corporate foundations – also embody this mix of different logics. Corporate foundation staff are frequently employees of the corporation and the corporation provides direct cash support and/or in-kind assistance such as office space and utilities. The boards of corporate foundations are typically controlled by the corporation. Predictably, the grantmaking policies of corporate foundations are closely tied to the priorities of the corporation. Many corporate foundations, such as the Starbucks Foundation and the Wal-Mart Foundation, depend upon annual allocations from the corporation; thus, they do not build assets or an endowment. Consequently, the grantmaking capacity of corporate foundations tends to be highly dependent upon the financial health of the corporation, a sharp contrast to many private nonoperating foundations which have substantial assets and strive to build their asset base to

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ensure the long-term sustainability of the foundation. To be sure, corporate foundations are not a new phenomenon, but the attraction of corporate social responsibility worldwide has prompted more engagement by corporations in various types of philanthropy including the establishment of affiliated foundations. But these foundations often need to manage different logics such as a market logic tied to the strategic direction of the company and the needs of the community or citizenry, broadly defined. Thus these foundations do not have the autonomy and independence of action of other types of foundations, especially foundations with sizable endowments. Many for-profit social enterprises such as the Greyston Bakery have also established similar affiliated foundations and also face the dilemma of managing market and community logics.

Policy and practice implications

Foundations, then, find themselves in a more complex operating environment. On the one hand, this is encouraging new initiatives and prompting the formation of different types of philanthropic instruments and organizations; on the other hand, foundations are facing pressure to be more outcome-oriented and to demonstrate impact for their investments. In part, this concern with outcomes and evaluation stems from the sheer amount of money that is now held by foundations and DAFs: in the US, private foundations held $590.2 billion in assets in 2009 and paid over $45.8 billion in grants (Roeger *et al.*, 2012); DAFs in sponsoring organizations had assets valued at $31.1 billion (U.S. Department of Treasury, 2011); with foundation's steady growth across Europe, European foundations held more than €200 billion in assets in 2008 (European Foundation Centre, 2008).

Moreover, the increase in hybridity within organizational philanthropy has raised new and nettlesome questions regarding the accountability of foundations and their affiliated entities. One persistent problem is that mismatch between the government regulatory structure and the larger and more diverse foundation universe. First, the staff capacity and resources of the federal and state regulatory agencies have not kept pace with the growth in foundations, indeed, the Internal Revenue Services (IRS) and some state agencies have reduced their staffing levels. Second and relatedly, the existing reporting system for foundations was designed for a more conventional and simpler philanthropic universe. For instance, organizations holding DAFs are required to include data on their organizational assets and record of charitable donations on their form 990-PF. However, DAFs do not need to be separately reported. Consequently, the complicated regulatory issues pertaining to DAFs, such as the relationship of the donor to the fund (and possibly levels of control) are very difficult for the IRS to discern. Similar issues arise with supporting organizations which are not required to provide information on 'payout' rate comparable to private foundations. The relationship between supporting organizations and their grant or loan recipient is frequently unclear (U.S. Department of Treasury, 2011).

Third, transparency is a more pronounced challenge for citizens due to the increased diversity of the foundation and philanthropic world. Many private, nonoperating foundations, especially larger foundations such as the Ford Foundation, the Gates Foundation, and the Rockefeller Foundation, have detailed reporting procedures that go well beyond that required by federal law. But many smaller foundations, especially family foundations, often do not provide easily accessible information on their grantmaking policies and awards. DAFs are a big component of the assets of community foundations but detailed information on these funds are often lacking.

To address the calls for more accountability, greater investment in self-regulation is occurring. For instance, the Council on Foundations (CoF) issued a 'Statement of Ethical Principles' that seeks to encourage greater accountability and self-regulation by foundations. Recently, CoF developed national standards and ethical principles for community, corporate, and independent

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foundations, and standards for international grantmaking. It has also initiated training programs focusing on best practices for foundation managers. CoF has also tried to promote best practices among community foundations (Council on Foundations, 2010). Reflecting the worldwide interest in self-regulation by foundations, the European Foundation Centre (2011) has also recently published a report on transparency and self-regulation among European foundations.

The challenge and opportunity of hybridity

Foundations face an uncertain environment that often requires them to manage multiple logics. Moreover, wealthy individuals and companies now have a wide array of charitable vehicles including donor-advised funds, supporting organizations, charitable remainder trusts, public charities and even for-profit companies. Indeed, in a widely-publicized move, Google's first philanthropic initiative was Google.org that was established as a unit within the corporation; under this structural umbrella, a more traditional philanthropic foundation was created. This hybrid structure is similar to the Omidyar Network, the philanthropic arm for the founders of eBay. In both cases, these philanthropic initiatives invest in nonprofit and for-profit entities (Fulton and Blau, 2006; Hafner, 2006; Boss, 2010).

Many foundations in previous decades tended to view their role as supporting innovation and program reform, with the expectation that government might choose to support worthy programs after they demonstrated their effectiveness. But more targeted and scarcer government funding has pressured foundations to adopt a different approach. Hence many foundations are striving to place more emphasis on impact, evaluation, and capacity building as a way of promoting greater effectiveness, especially as it pertains to complicated social problems such as homelessness, economic development, and mental health (Fleishman, 2007; Morino, 2011). Many United Way chapters and foundations, which previously distributed many relatively modest grants to a broad range of local nonprofit agencies, increasingly focus their unrestricted, nondonor designated grantmaking on just a few key priorities such as early childhood education and homelessness. Their grantmaking is also tied to the use of logic models and other evaluation tools by their grantees in order to enhance the impact of their grantmaking. So in this sense, the priorities of many foundations and United Way chapters, as well as their evaluation tools, are often quite similar to government, representing a marked departure from their previous funding policies that emphasized support of organizations rather than direct engagement in solving social problems. United Way chapters increasingly operate like community foundations and thus represent another important player in the organized philanthropic world at the local level.

This rethinking of roles and responsibilities and grantmaking can be conceptualized along a continuum. Some foundations will reinvent themselves and fundamentally rethink their roles and mission. The refocusing of the Edna McConnell Clark Foundation on low-income youth and outcome evaluation is just one high-profile example of this adaptation (Edna McConnell Clark Foundation, 2011). Other foundations are adopting more modest but nonetheless important strategies such as greater use of PRIs or multiyear grants; increased willingness to collaborate with other foundations, nonprofit organizations, and government; and more targeted investment strategies. In this context, foundations are often working together or with government and private sector partners, either directly or indirectly, to achieve an important public priority such as reducing homelessness or building a new wing to a local museum.

To respond to these emergent developments, many foundations have adopted new relationships in their community. Foundations now find themselves as partners in more horizontal networks with public and nonprofits entities. Many foundations supporting social enterprises also have complicated relationships with for-profit firms. These shifts require foundations to think

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creatively about the governance and accountability of these new initiatives and new approaches to their approach to accountability and results.

To be sure, foundations, especially smaller foundations will continue to fill particular market niches and may not necessarily engage in new more hybrid activities. However, small foundations will also be increasingly challenged in terms of their relevance by new models of philanthropy such as donor-advised funds and demands for greater impact.

This changing landscape for foundations is worldwide. Collaborative initiatives involving foundations are evident in many large-scale, as well as more modest initiatives in a wide variety of countries. The use of new tools of social finance and innovations such as social impact bonds have been to date more prominent in countries such as the US, the UK, Australia and New Zealand that have implemented more market-oriented strategies in public and nonprofit management. However, the ongoing restructuring of the welfare state in many countries suggests that even foundations in countries with less dramatic change in the public and private responsibilities for public policy are likely to experience pressure for change in their role and relationship to other foundations and local nonprofits and government.

Thus, foundations appear to be at an important moment in their historical development: in the crowded philanthropic marketplace, foundations will need to distinguish themselves in order to maintain the trust and support of the community and policymakers. The increase in the number of nonprofit organizations, the diversification of policy and philanthropic instruments, and the increasingly common public-private organizational models provide more opportunities for foundations to be engaged in addressing important public problems. This new landscape of organizations requires support if it is to be sustained, especially given the economic crisis and the competition for public and private grants. As a result, foundations will need to support the institutional infrastructure of nonprofit organizations. A sound business strategy and enhanced impact by nonprofit grantees requires an appropriate strategic vision, effective governance and a sustainable revenue plan. As part of this effort, foundations are likely to be more engaged in supporting or promoting mergers and significant collaborations among grantee organizations. In search of more leverage and more impact in a more complicated environment, foundations are likely to steadily increase their involvement with mission-based investing including the creative and innovative investments in nonprofit and for-profit organizations to achieve foundation goals.

These new investment strategies pose organizational risks, so foundations will need to balance the goals of impact and leverage with longstanding policies on the support of local community organizations and adequate investment returns. Nonprofit organizations, for their part, will continue to face a proliferating array of philanthropic options. Yet, these options are likely to be outcome-oriented and emphasize entrepreneurial management and programming. Nonprofit service agencies will need to invest in their own professional infrastructure to effectively cope with this more complex environment. Further, this evolving philanthropic culture will require that foundations and their nonprofit grantees be very assertive in advocating for the other important values expressed through local community organizations, including citizen engagement, social justice, and programmatic diversity.

Notes

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