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The Deliberate Evolution

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In the aftermath of the nation's greatest economic boom ever, the notion that certain elements of the "new" economy might be permanent parts of *the* economy is finally beginning to take hold. The elements of this economy that truly matter – the role of information and knowledge as commodities, the global marketplace, and the speed of transactions – are now recognized as standard elements for the future. Other characteristics, such as the held-breath belief that internet-based companies could flourish without generating higher revenues than costs have proved themselves to be momentary misperceptions of a particular point in time.

As a society, it has taken several years for our understanding of the changes in the economic landscape to catch up to the actuality of these changes. That is, certain new strategies were being developed and tested within single companies that were analytically sound and projected as good business practice on the scale of that one organization. Over time, more and more companies were formed or attempted transformation using these strategies. For the most part, the focus remained on building single competitive entities or perhaps changing the way certain industries worked, not on trying to create a new economy. In the course of many single entities changing practice, a "new" economy was born.

Foundations should act differently than commercial corporations. Even as foundations focus on their individual operations and strategies they should do so in ways that align with their unique bottom lines – mission accomplishment. In general, foundations do not compete for market share and their success is not dependent on beating the competition. *In fact, achieving stated missions actually may require active collusion.* As non-competitive structures, for which market share makes little sense as a prime motivator, foundations have the chance to develop deliberate alliances in the new philanthropic economy, to work together to deliberately promote social change.

This opportunity is particularly ripe now, as the numbers and types of philanthropic institutions are increasing rapidly. As the numbers increase, new

regions of intense philanthropic density are emerging. This density eases the way for funders to capitalize on the skills and resources of their peers. The very tools of information technology that have played such a role in changing corporate behavior can be used by foundations to share information, conduct joint research and grantmaking, and pool skills and resources.

The changing tools of philanthropy give donors more options in structuring their giving. Today's philanthropists are consciously choosing multiple giving tools – private foundations, venture networks, issue-oriented public charities, and donor advised funds. In doing so, they are trying to derive the greatest value from each philanthropic structure to maximize the reach of their giving. This presents a new challenge for philanthropic institutions to emphasize their strengths and clarify their unique value given the expanding industry and choices.

What might this mean for foundations? What do foundations provide that donors cannot accomplish through private bank advisors, charitable gift funds, corporate philanthropy, or pooled funds? These questions have had little relevance for foundations in the past. Even now, established foundations may feel little pressure to prove their unique value – after all, their endowments ensure their existence. For individual institutions the option will always remain to do as they have always done. For philanthropy as a whole, however, foundations have the opportunity to lead the field and help define “wither philanthropy” in a way that none of the other philanthropic institutions can. For foundations can actually focus the question on the impact of giving on social change, and not on the tax benefits and management fees differences that the market-driven options are likely to emphasize.

Foundations are both independent and interdependent organizations. They are still products of individuals, families or corporations that wish to stand recognized for their unique contributions. They still manage their portfolios separately, hire individual staffs, perform their own (often repetitive and redundant) due diligence on grants, and publish their own reports on the impact of their work. Yet they increasingly operate within loose associations, the growing density of like organizations has not been lost on them, and there is frequent talk of networks of funders and partnerships with grantees.

It is the qualities of networks and communities of interest that hold the greatest promise for foundations to lead the way in developing a new philanthropy. The current operational practices of foundations quite possibly stand in the way of capitalizing on the full power of the philanthropic assets under management, the talents and skills of foundation executives and the vast knowledge of social change that foundations (individually) have accrued over the years. Such individualistic actions run contrary to what we have now seen to be some of the

truly transformational elements of the economy – valuing and applying information, networking communities of interest, and leveraging financial assets.

Philanthropic foundations can, if they choose, be deliberate and cross-institutional in employing practices that stand to improve their work and change the field. To do so would require a commitment to knowledge exchange that, thus far, is rarely seen in institutional philanthropy. We can imagine numerous ways for foundations to do this:

- Developing ways to share issues analysis and proposal reviews across like-minded foundations would streamline the application process (for funders and nonprofits) and possibly develop a standard set of success criteria;
- Sharing issue-based research at the point of strategy development, so that foundations work together from the beginning to define problems and proffer solutions;
- Mentoring board members across foundations;
- Incubating philanthropic strategies within groups of funders;
- Making transparent the cycle of proposal review and decisions with nonprofits and facilitating the exchange of information received via this process with grantees, other funders, and non-funded applicants;
- Hiring staff with specialized skills and sharing them across foundations;
- Establishing ongoing local task forces of community partners, funders, and public sources to mine the data received via proposals, research, and evaluation and brainstorm mutually-developed strategies;
- Reorganizing staff structures to utilize program staff expertise for analysis and strategy and not for proposal processing;
- Using existing networks of funders and consultants to develop deliberate information exchange practices;
- Finding, cataloguing, and valuing into job descriptions the active exchange of information and knowledge for foundation staff;
- Sharing cross-institutional analyses of local conditions and potential strategies, as well as grant recommendations, with individual donors, public charities, and other funders.

Foundations invest a significant amount of time, money and expertise into problem identification, definition and strategy development. This distinguishes them from other existing philanthropic institutions. Sharing the results of this analysis is a way to leverage their investments in this research. It is a way to bring in other financial resources, network and share information with peers and other funders, create cost efficiencies across the industry, and achieve common goals. The unique value of the foundations – the research and expertise of their staff and their ability to convene the partners – would be facilitated by the flexibility of fund transfer allowed by charitable gift funds, the reach of venture funds, and the issue-based knowledge of the nonprofit partners

What might these behaviors hold for philanthropy? At the least, we can imagine:

- Increased resources, focused on specific goals;
- Greater knowledge exchange;
- Cost efficiencies, particularly in terms of foundation staff time;
- Stronger partnership possibilities between funders and nonprofits;
- New partnerships across philanthropic structures and with the public sector.

What would these arrangements cost foundations? A starting list would include:

- Old job descriptions and organizational structures;
- Some pride of ownership;
- The security of internal-only accountability;
- Potentially less breadth in their funding;
- The price of new information technology;
- The comfort of the familiar.

It is time to consider how clusters of foundations act differently and how the philanthropic industry acts as a whole. Networks of foundations in cities and regions around the country might adopt deliberate collusive, knowledge-based, networked strategies to achieve shared goals. Doing so would bring to bear some of the hard-learned lessons of a century of foundation philanthropy (strategy, partnerships, length of commitment, sharing results) with the tools of today.

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