

# A Legacy of Innovation

**By Gabriel Kasper**

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Organized philanthropy as it is practiced now in the United States is one of the nation’s great social innovations—“America’s passing gear” for accelerating invention, in Paul Ylvisaker’s memorable words. While reflecting on philanthropic innovations just taking hold, it is useful to remember that today’s institutional forms and ingrained practices were once new and untested.

This timeline provides a brief tour of some of the major innovations in organized giving. Not all of them were the very first of their kind; some of the dates mark the time of an innovation’s mainstream adoption or the start of its more widespread use. But all have helped to shape philanthropy as it exists today.

## 1891

**Philanthropic staff.** Burdened by investigations into philanthropy that were taking as much of his time and energy as the affairs of Standard Oil, John D. Rockefeller hired Frederick T. Gates to be his assistant. Although not the first staff person ever hired to manage a philanthropic effort, Gates pioneered the role of modern foundation staff in handling Rockefeller’s philanthropic activities: exploring new ideas and strategies, interviewing potential recipients, making inquiries, and suggesting actions. Following in his footsteps, more than 17,000 staff members now work in American foundations.

## 1895

**Identity-based philanthropy.** *Informal* giving between individuals who share a common cultural identity has been present throughout history. In early nineteenth-century Jewish communities in the U.S., for example, the tradition of “taking care of one’s own” initially took the form of individual support for synagogues and welfare agencies. But in 1895, German Jews in Boston began the earliest *formal* identity-based philanthropies when they began to form fundraising federations to help new Jewish immigrants adjust to life in the U.S. The early federations focused primarily on local issues and supported a host of Jewish service organizations. Today, the Jewish federation movement has grown to more than 150 federated communities, alongside approximately 7,000 foundations with some mandate for Jewish giving. Identity-based philanthropy is also growing dramatically among women, African Americans, Asian Americans, Native Americans, Latinos, and gay and lesbian communities.

## Early 1900s

**Leveraging government funds.** The practice of leveraging investments—multiplying the impact of a gift by attracting other contributions—has a long history.

1891

1895

early  
1900s

But it was Andrew Carnegie, with his public library grants at the turn of the twentieth century, who first brought the practice to philanthropy. Carnegie required matching contributions from local communities and governments for ongoing operation of the library buildings he funded as a way to get local communities to take ownership of and responsibility for library management and maintenance. Julius Rosenwald took a similar approach in support of schools in the South starting in 1917. The Rosenwald Fund would pledge money for a fixed period; local government was expected to take over payments for the schools within a few years.

## 1907

**The operating foundation and think tank.** In 1907, Margaret Olivia Slocum Sage formed the Russell Sage Foundation to study and disseminate knowledge about social problems. In many ways, her organization was a precursor to modern operating foundations and think tanks. Rather than focusing on grantmaking, the Russell Sage Foundation concentrated on producing and promoting surveys of social conditions, making their findings available to influential citizens, and mobilizing public opinion to bring about change. Today, there are approximately 4,000 operating foundations in the U.S.

1907

## 1911 & 1913

**The private foundation.** Although many recognize the Peabody Education Fund, established in 1867, as the first philanthropic foundation, others believe it was John D. Rockefeller and Andrew Carnegie who mainstreamed the private foundation form in the early twentieth century. “Let us erect a foundation, a trust, and engage directors who will make it a life work to manage, with our personal cooperation, this business of benevolence properly and effectively,” Rockefeller said. Both men established a number of foundations, starting in 1901, before founding their most enduring institutions: the Carnegie Corporation of New York and the Rockefeller Foundation in 1911 and 1913, respectively. Estimates suggest that there are now more than 60,000 private foundations in the United States.

1911

## 1913

**Federated fundraising.** The earliest recorded coordinated fundraising drive dates back to 1887, when the Charity Organizations Society in Denver conducted a single fundraising campaign for 22 local organizations. But the first modern federated fundraising campaign, called a Community Chest, with a coordinated local fundraising campaign and a clear system for allocating funds, was founded in Cleveland in 1913, and was soon adopted in 15 other cities. The birth of what is now the United Way of America dates back to 1918, when executives of 12 fundraising federations met in Chicago and formed the American Association for Community Organizations. The United Way movement now includes approximately 1,400 community-based United Way organizations, which together generated an estimated \$4.4 billion for nonprofit organizations in 2002–2003.

1913

## 1914

**The community foundation.** In 1914, banker Frederick Goff created the Cleveland Foundation as an alternative to private foundations. His foundation allowed people of modest means to respond collectively to the needs of their neighbors. Today there are more than 1,000 community foundations in the world, nearly 700 of them in the United States.

## 1940s

**Evaluation.** Early policies and programs to address social conditions rarely focused on assessing results. For example, no one studied the outcomes of the social programs of Jane Addams's Hull House and Dorothea Dix's prison reforms; it was simply taken for granted that the attempted remedies would solve the problems. By the 1930s, a few early instances of evaluation in education and medical care had emerged; in the 1940s, private foundations began funding evaluations of the social programs they supported. By 1993, the Council on Foundations book, *Evaluation for Foundations*, estimated that evaluation was still relatively uncommon: "It was unlikely that more than 100 U.S. foundations and corporate giving programs were pursuing serious or sustained evaluation of their own programs or of grantee programs." Today, according to the California Wellness Foundation's *Reflections on Evaluating Our Grants*, the American Evaluation Association—the largest national organization of evaluators—has a membership subset of more than 720 philanthropy evaluators.

## 1949

**The regional association.** In 1949, shortly after the end of World War II, the Hogg Foundation brought together a small group of Texas foundations to share information and experiences and learn from one another. The group met informally for the next eight years, and because it was the only meeting of its kind, foundation representatives from elsewhere in the region often attended. The organization was formalized in 1956 as the Conference of Southwest Foundations. Today, there are more than 30 regional associations of grantmakers (RAGs) in the U.S., covering all 50 states and collectively representing more than 4,000 grantmakers. The RAGs provide a support system and focal point for regional collaboration, learning, and professional development, and serve to connect media, researchers, and public policymakers to information about regional issues and philanthropy.

## 1954

**Matching gifts from employees.** In 1954, the GE Fund, the corporate giving wing of General Electric, became the first organization to match employee contributions to charity. Since then, more than 7,500 companies worldwide have adopted similar programs, contributing well over \$1 billion per year.

1914

1940s

1949

1954

## Early 1960s

**Shaping government policy.** While they were by no means the first foundation to foray into influencing public policy, the Ford Foundation's efforts to combat juvenile delinquency and deteriorating conditions in the so-called gray areas of U.S. inner-cities marked an important redefinition of the relationship between private philanthropy and the state. The foundation's demonstration projects for community action in a half-dozen cities formed the basis for the Economic Opportunity Act of 1964, which launched federal programs based on the Ford model in 600 cities.

early  
1960s

## 1969

**Donor-advised funds.** Community foundations pioneered donor-advised funds (DAFs) after the Tax Reform Act of 1969 to allow philanthropists to easily distribute their gifts to area charities. DAFs are funds held by a community foundation or other public charity, where donors can recommend eligible charitable recipients for grants from the fund. DAFs are becoming one of the most popular tools for philanthropy today, offering a simple, flexible, and cost-effective way for Americans of even average wealth to practice philanthropy. A recent study in *The Chronicle of Philanthropy* found that the collective assets of donor-advised funds totaled at least \$11.3 billion in 2003.

1969

## 1969

**Program-related investments.** The term "program-related investment" (PRI) was first coined in the Tax Reform Act of 1969 to describe investments made by foundations to support charitable activities that involve the potential return of capital within an established timeframe. PRIs often take the form of loans, loan guarantees, and other investments made for charitable purposes, and are commonly used to support community revitalization, low-income housing, and micro-enterprise development, as well as historic preservation, human services, education, church renovations, and many other types of projects. In 2001, foundations reported nearly \$233 million in program-related investments, according to the most recent published Foundation Center analysis.

1969

## 1971

**The affinity group.** The Association of Black Foundation Executives (now called ABFE) was formed at the 1971 Council on Foundations annual conference, when eight Black philanthropic executives protested the nominations for the Council's board of directors, demanded inclusion of African American professionals who demonstrated a commitment to addressing the needs of minorities and the poor, and called for greater African American representation in the philanthropic field. The group was the first of

1971

the now more than 40 Council on Foundations affinity groups that serve as associations to bring together grantmakers with shared interests in identity-based populations (such as African Americans, Latinos, or disabled people), issue areas (such as health, the environment, children, and families), or foundation functions (such as communications). Regardless of their focus, affinity groups help grantmakers to meet other funders with shared interests, build capacity and learn together about issues, promote common agendas, and, in some cases, take action together.

## 1974

**Community involvement in funding decisions.** The Haymarket Fund pioneered the use of community-based funding boards in 1974. Its decision-making bodies are representative of the communities served by its grantmaking programs and are drawn from a local constituency of past and present grantees. Today, Haymarket is one of 15 social change foundations in a coalition called the Funding Exchange that use this mechanism for community-based decision-making. Funders of all types have begun to adopt community advisory groups and other approaches to incorporate community input into their grantmaking.

1974

## 1979

**Use of intermediaries.** The use of intermediaries—organizations that stand in between one or more foundations and grantees to re-grant funds received from the foundation(s) or to provide capacity building or other technical assistance to a set of grantees—traces back to the 1960s. But many point to the creation of the Local Initiatives Support Corporation by the Ford Foundation in 1979 as a key moment in the use of these types of organizations. According to a recent report, the use of intermediaries among foundations is increasing. The practice can offer many benefits, such as increased speed, reduced staff costs, lower visibility on potentially controversial issues, and access to the judgment of independent outsiders.

1979

## 1981

**Cause-related marketing.** The Statue of Liberty-Ellis Island Foundation began the practice of using corporate sponsorships to raise money for restoration of the Statue of Liberty in return for exclusive rights to use the campaign symbol in the advertising and promotion of sponsor products and services. The term “cause-related marketing” was coined to describe an alliance between a for-profit company and a nonprofit organization to both promote the company and raise money for the nonprofit. Estimates suggest that this practice generates more than \$700 million per year in the U.S.

1981

## 1982

**Charity as the purpose of profit-making.** In 1982, Paul Newman began selling salad dressings, pasta sauces, salsas, popcorn, lemonade, and steak sauce under his name and image. Newman gives away all profits, after taxes, from the sale of the products to educational and charitable organizations, both in the U.S. and in other countries where his products are sold. His company has given over \$150 million to charity since its inception. Another company, Working Assets, founded in 1985, provides telephone service and donates a portion of customers' monthly charges to charity. To date, Working Assets has raised more than \$40 million for progressive causes.

1982

## 1992

**Charitable gift funds.** The Fidelity Charitable Gift Fund was founded in 1992 to bring more resources and donors into philanthropy by allowing people to make deductible contributions into donor-advised funds hosted by the mutual fund company. Since its inception, the fund has given more than \$4.5 billion from more than 32,000 donor-advised funds to over 84,000 grantees, making it consistently one of the U.S.'s largest public charities and the nation's largest public grantmaker. Many financial-services firms, including Vanguard, Charles Schwab, Eaton Vance, T. Rowe Price, and Openheimer, have started similar programs.

1992

## Late 1990s

**Giving circles.** Throughout American history, groups of people have been coming together to support various causes. But giving circles—formally or informally organized groups of people who meet regularly to learn about social issues and make joint giving decisions—as they are commonly structured today, emerged on the heels of the investment clubs of the 1990s. Although they were initially popular primarily among women, giving circles have grown to include all types of people interested in learning and giving together. Social Venture Partners (SVP), one of the most organized and high-profile giving circles, was created in 1997 to bring together wealthy individuals in the Seattle area; it now has affiliate giving circles in more than 20 cities in the U.S. and Canada.

late  
1990s

## 1997

**Venture philanthropy.** Venture philanthropy, which is increasingly called “engaged philanthropy,” was popularized by a 1997 *Harvard Business Review* article, “Virtuous Capital: What Foundations Can Learn from Venture Capital.” The authors drew parallels between venture capital firms and foundations and recommended that venture capital practices might be illuminating and applicable to the practice of philanthropy. The model's metaphor captured the attention of many technology-boom donors,

1997

and new organizations like Venture Philanthropy Partners and New Profit Inc. began to use venture capital's practices of providing not just financial resources but also management and other technical assistance to grantees; developing active, involved partnerships between the grantmaker and grantee; making long-term funding commitments; building nonprofit capacity; and tracking outcomes to assess progress and make improvements.

## 1999

**E-philanthropy.** Early attempts at e-philanthropy can be traced to United Way efforts in Canada back in 1995. But most consider 1999 to be the year that interactive sites that enable a user to take action online began to emerge in significant numbers. Nonprofits such as GuideStar and ImpactOnline and for-profit organizations such as Charitableway.com and Allcharities.com went online, or were preparing to go online, that year with services to help nonprofits raise funds and attract volunteers. By 2001, a Kellogg Foundation report found nearly 140 online sites that aim to facilitate philanthropy, volunteerism, social change-making, and the development of nonprofit organizations. By 2010, as much as 25 percent of personal dollars donated may be given online, according to *The Chronicle of Philanthropy*.

1999

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For more information about other innovations that are now being tried in philanthropy, visit [www.futureofphilanthropy.org](http://www.futureofphilanthropy.org) and read "The Seeds of Change in Philanthropy," or the larger online learning journey, "A Tour of Innovation in Philanthropy Today."

For more information about the history of philanthropy, take a look at:

- "The Evolving Role of American Foundations," by James Allen Smith, in *Philanthropy and the Nonprofit Sector in a Changing America*, Charles T. Clotfelter and Thomas Ehrlich, eds., Indiana University Press, 1999.
- *Inside American Philanthropy: The Dramas of Donorship*, by Waldemar A. Nielsen, University of Oklahoma Press, 1996.
- *Philanthropic Foundations: New Scholarship, New Possibilities*, edited by Ellen Condliffe Lagemann, Indiana University Press, 1999.

## About the Author

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Gabriel Kasper joined the Future of Philanthropy project team fulltime in its final stages to help in researching and writing *Looking Out for the Future*, to create the online tour of philanthropic innovation showcased on this website, and to coordinate editing, design, production and dissemination of the project's findings. He is an independent consultant, providing applied research, program design, and strategic advising services for foundations. Until late 2002 he was the program officer for philanthropy at the David and Lucile Packard Foundation, where he was responsible for developing the foundation's strategy and managing its grantmaking to increase the effectiveness of philanthropy as a field. Prior to joining Packard, Gabriel spent more than 10 years as a consultant, managing community programs and providing research, program design, and information management planning for foundations, nonprofits, and corporations. He has written numerous articles on topics including diversity in philanthropy, foundation collaboration, the use of knowledge as a philanthropic asset, community development, and the growth of philanthropy in Latino and other identity-based communities. He can be reached at [gdkasper@yahoo.com](mailto:gdkasper@yahoo.com).

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