

LOOKING OUT for the
FUTURE

Executive Summary



AN ORIENTATION FOR
TWENTY-FIRST CENTURY PHILANTHROPISTS

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Introduction

Your passion may be curing disease, reforming education, supporting artists, fighting hunger, or anything else that philanthropists support. But have you noticed that philanthropy itself is changing?

Long-term trends—from new technologies to dramatic demographic shifts—are combining to create a new reality for every gift and every giver. One result is that anyone who wants to give has more choices than ever. We wrote this guide to help you make sense of those choices.

Perhaps you are considering giving away larger sums of money or more of your time. Perhaps you've accepted an invitation to serve on a foundation board or are starting a new job working in philanthropy. Perhaps you are reconsidering your strategy, as an individual giver, as a leader of a philanthropic institution or network, or as a staff person in charge of a program area. Perhaps you work as an adviser, helping others give more effectively. Or perhaps you are working to change philanthropy.

No matter what your particular situation, our aim is to help you understand and rethink your assumptions and see the new possibilities that are available to you. Because if you understand how philanthropy is evolving and could evolve in the next generation, you will make better decisions today in support of the issues, institutions, and communities you care about most.

Looking Out for the Future contains the most important things a project team from the Monitor Group has learned after more than four years of listening hard and looking deeply at U.S. philanthropy from the outside in and with an orientation to the future. We read widely, conducted scores of interviews, gave dozens of speeches, led workshops and other consulting engagements, and attended many conferences and events, which brought us into contact with more than 5,000 funders and nonprofit leaders.

Our findings are organized into four major sections:

**The New Ecology of
Social Benefit**



**The Seeds of Change
in Philanthropy**



**Imagining the Future:
Looking Back from 2025**



**Choosing Your Path: Principles for
Seizing the Opportunity Ahead**



The New Ecology of Social Benefit

The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic.

- Peter Drucker

Every philanthropic effort to promote social benefit today takes place in a new ecology—a context deeply different from that in which many of today's institutions, assumptions, and habits were formed. The pressures of this new ecology, and the need to respond to it, will shape both how philanthropy is practiced for the next generation and what philanthropy is called upon to do. The first section of the guide describes seven major forces and the ways they are combining to create a new ecology of social benefit.

The forces are represented on the concentric circles pictured below, which outline the shifting context in which the practice of philanthropy is framed. Every actor sits in the middle of changes taking place in the world outside of philanthropy, and in the midst of irreversible changes within philanthropy itself.

The world around philanthropy. Many interacting trends in the world beyond philanthropy are shaping the field and its role. We draw your attention to several of the most critical forces: the complex evolution of power that is redistributing resources and influence (*privatization*); the explosion of ways to connect people at any distance for almost any reason, which leads to new threats and opportunities (*connection*); and the speed with which knowledge is created, shared, and drives change (*acceleration*).



The world of philanthropy. Just as the world around philanthropy is changing, so philanthropy is too. The shift of resources into private hands has generated new wealth for philanthropy and has brought many additional players and perspectives to the creation of social benefit (*multiplication* and *diversification*). This growth has increased the appetite of outsiders—the press, the public, the politicians—to look into the once-quiet, often insular world of philanthropy, while changes in media and communications have made it far easier to do so, and to publicize the results (*observation*). At the same time, givers also enjoy more and better ways to learn from the past and each other. The accumulation of experience practicing philanthropy, a new emphasis on studying and sharing that experience, and new means to do so in networks of all kinds have boosted the capacity to make informed decisions (*reflection*).



The Seeds of Change in Philanthropy

The fish is the last to know it swims in the water.

- Chinese proverb

The new ecology opens up a wide range of opportunities to reinvent and improve the way that philanthropy operates. Many donors are experimenting in response, working hard to improve and adapt while questioning traditional notions of how philanthropy has been done in the U.S. Some are experimenting with their grantmaking strategies, while others are rethinking available resources, redefining the spheres of activity, creating a culture of learning, aggregating actors, and even questioning the foundation form. The result: seeds of change being planted all around, sprouting, cross-pollinating, and in a few cases, bearing real fruit. The second section of the guide looks at the patterns emerging in these innovations, and explores numerous examples of philanthropists who are experimenting with alternatives to the traditional ways of doing things.

OLD PATTERNS OR HABITS

Giving primarily late in life

Foundations as the key institutional form

Social benefit equals the nonprofit sector

Philanthropy corrects for the market, because the market is part of the problem

Older, white, male leadership

Donors focus on communities where they live or have a connection

Donors fund great strategies brought to them by nonprofits

Donors set general goals

Donors make gifts

Money is the resource, grants the tool

Donors keep grantees at arm's length

Donors give independently

Donors content to do good

Donors learn from their own work

SEEDS OF CHANGE

Giving throughout life

Foundations as one form among many

Social benefit can come from any sector

Philanthropy connects to the market, because the market is part of the solution

Diversifying leadership

Donors focus both close to home and on systemic global problems with equal ease

Donors have great strategies and fund great strategies

Donors set specific targets

Donors make investments, award contracts, and make gifts

Influence is the resource, money is one tool

Donors highly engaged with partners

Donors give independently and give together

Donors try to assess impact

Donors learn from their work and share what they learn with others



Imagining the Future: Looking Back from 2025

The dominant intellectual strategy that people bring to the future is denial.

- Peter Schwartz

The new ecology—and the experiments in response to it—could evolve in many different ways in the years ahead. What happens will depend on how individual choices add up over time as they respond to some of the most important uncertainties facing donors and the field in general. The third section of the guide examines some of these possibilities, first in broad strokes that imagine the field overall (either improving or declining), then more deeply in a series of short scenarios that look back from the year 2025. Each scenario offers a plausible account of how a piece of philanthropy’s future might unfold in the next generation. These stories of the future are clustered around three key themes that donors face—the pressure for accountability, the demand for effectiveness, and the need for infrastructure. The section also looks at a number of new external challenges that could emerge in the coming decades that will test philanthropists’ best strategies or create new needs for donors to address.

Possible Futures of Philanthropy

The Pressure for Accountability

- *The Donor in the Driver’s Seat.* What if donors decided the best way to be accountable was to stop making grants and just start their own programs?
- *Mutualismo, not Filantropía.* What if community foundations changed their structure to become even more responsive and accountable to the needs of their communities?
- *The Decline of the Foundation.* What if the unintended consequence of new pressures is the deprofessionalization of philanthropy?

The Demand for Effectiveness

- *Funding to the Test.* What if the current boom of interest in measurement and metrics went too far?
- *Shaking Your Assets.* What if grantmakers began to use their entire endowments to promote social change, rather than just the five percent of assets they annually give as grants?
- *Joint Venture Philanthropy.* What if funders and nonprofits coordinated their efforts to create integrated strategic responses to specific challenges?

The Need for Infrastructure

- *Googling Giving.* What if a comprehensive technological infrastructure put accessible information about giving at the fingertips of every donor?
- *Will You Be My Fundster?* What if new networking technologies allowed people to easily link to others who share specific philanthropic interests?
- *The New Power Brokers.* What if people began to make their charitable investments through managed philanthropic portfolios that worked much like mutual funds?



Choosing Your Path: Principles for Seizing the Opportunity Ahead

Good is the enemy of great.

- Jim Collins

There is no going back to a less complex and varied time in philanthropy—or in the world. The new ecology can make the resulting choices seem more difficult than ever. What may be less obvious, but more important, is that every donor also has many new opportunities. The last section of the guide offers four principles that together create a framework for making decisions within the new ecology.

Four Principles for Philanthropists in the New Ecology

EXPLOIT PHILANTHROPY'S STRATEGIC ADVANTAGE

Philanthropy supports social benefit along with governments and businesses, but it is profoundly different from either of them. Its capital is entirely discretionary, free from quarterly profit projections or regular election cycles. As a result, it is money that has the most ability to take risks and to be patient, or to move quickly in response to something unexpected.

SEEK COOPERATIVE ADVANTAGE

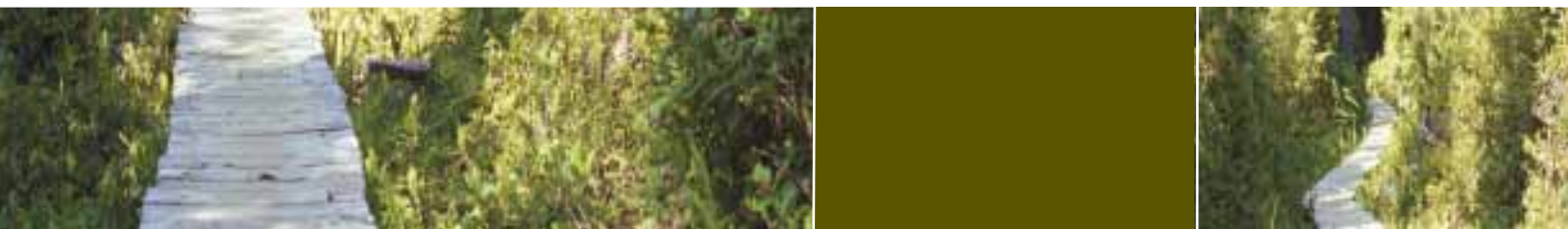
Rather than seek competitive advantage, philanthropists should develop their cooperative advantage—the advantage that comes uniquely from working in concert with others, developing the capacities to harness resources beyond any single institution, and applying them to complex problems. In the new ecology, it may make as much sense to identify a useful network and join or incubate it as to seek a distinctive niche and occupy it.

EMBRACE COMPLEXITY

The problem-solving institutions of the last century thrived on cultivating clarity. The problems facing philanthropy today, however, are not as amenable to reduction and clarification. They require us to experiment with responses that see complexity as part of the nature of the problem, not simply a failure to clarify it. Therefore, philanthropists seeking greater impact will have to develop more sophisticated strategies.

INVITE MEANINGFUL SCRUTINY

As philanthropy has grown in size and ambition, it has attracted more attention from the outside and generated more reflection on the inside. Outsiders and insiders are both asking harder questions, a new form of scrutiny that, while not always comfortable, is here to stay and perhaps even grow. Donors and funders can use this growing pressure as a source for learning, rather than a source of distraction.



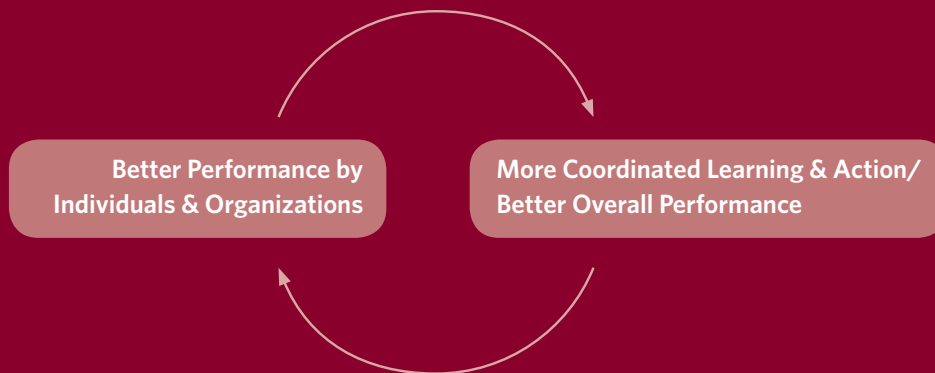
Conclusion: An Invitation

One's real duty to the future is to do as you should do *now*. Make the best choices, do the best work, fulfill your obligations in the best way you can...

- Wendell Berry

No one is in charge of working for a better future, and no one can be. A better world can only emerge from the bottom up, by many creative citizens and institutions that are willing to grapple courageously with an issue they feel passionately about, whether it's in their own backyard or in a village halfway across the planet. In the networked knowledge age, those efforts can now be connected in ways never before possible. Whether they add up to a better future or not will depend on the quality of the choices people make along the way.

If more people seize the opportunity ahead and make decisions in new ways, the entire field of philanthropy—and its potential to help look out for the future—could be remarkably improved in the next generation. The result would be a truly virtuous circle, in which the more individuals and institutions make good choices and contribute to the health of the whole, the more the health of the whole can support and sustain good choices among the individuals.



This guide outlines choices that only some will make. Those who turn toward the new ecology and the forces it has unleashed in every field that donors give to will by definition be pioneers. And we all have a greater stake than ever in whether they succeed.



What's On the Web

Our future of philanthropy initiative has a dedicated website where you can obtain the whole guide, or select individual sections to download.

In addition, some elements of the guide are covered in greater depth on the Web, drawing from the larger body of work we have created as we have studied the future of philanthropy. For instance, the guide's second major section, "The Seeds of Change in Philanthropy," appears on the Web in an expanded form, with more examples and active links, to enable you to take your own online "learning journey" of philanthropic innovation.

Looking Out for the Future was created for anyone interested in examining their own giving. The website is also host to a companion piece, *Cultivating Change in Philanthropy*, a shorter essay aimed at the smaller audience of people who are actively trying to change philanthropy as a field. It examines the barriers that make philanthropy difficult to change, and explores how those hurdles might be overcome to create a more diverse, integrated, and effective system of giving in the U.S., and ultimately around the world.



www.futureofphilanthropy.org