Nearly every professional in the nonprofit sector has felt increasing pressure in the last decade to be more "effective." This is driven by a number of irreversible forces in the field:

- The growth of the sector, which has led to more visibility, more competition among nonprofits to stand out to funders, more competition among funders to identify places to really "make a difference," and more outside interest in the money and work of philanthropy
- The growing professionalization of the sector as people move into leadership positions with management experience and MBAs or advanced degrees in nonprofit leadership
- The increased availability of information on the Internet about nonprofit charities and foundations, including their spending and activities
- The evolving relationship between government and the nonprofit sector, which has intensified the scrutiny of nonprofit activities

The combination of these forces means that the demand to demonstrate effectiveness—from insiders on boards to outsiders in watchdog groups and the press—is now a regular feature of nonprofit life, and is likely to shape many of the actions of nonprofits and funders for the next generation.

The desire to show that a donor’s gift or a nonprofit’s work is effective is vital to pushing the sector and everyone in it toward better performance and accountability. But despite the best intentions, the pressure for effectiveness could go in many different directions, some better than others. How could the choices each of us makes—to be effective and to demonstrate it—add up to a better future for creating social benefit or, conversely, a future no one ever intended?

Among the many answers to these questions, here are three stories that hint at the broad range of possibilities in the coming decades.

**Funding to the Test**

The people amassing new fortunes on Wall Street and in Silicon Valley around the turn of the century certainly knew the value of setting goals and meeting them. Their training, whether in business or in computer engineering, drove home the values of specificity, measurability, and results. That was how they made their money, and that was how they intended to give it away as philanthropists, too. Many liked to tell the story of Lew Coleman, then the head of the giant Gordon and Betty Moore Foundation, who recounted in May 2004 how the foundation designed its signature biodiversity program. "We sat down with a bunch of biologists and environmentalists and said, ‘What can you count?’ The result? We’re doing salmon because you can count the little buggers twice in their lifetime," Coleman explained.

The growing number of metrics-minded donors embraced the clear accountability this approach implied. Some actually thrived on it, fueling the competition reported in newspapers about who was betting on what, who was winning, and who was wasting money. Their competitive instincts were sharpened
Nearly 100 years after helping to establish the private foundation in 1915 alongside the Rockefeller Foundation and the Carnegie Corporation, the New York-based John T. Milton Foundation became a pioneer once again. Feeling increasing pressure to demonstrate its effectiveness, the foundation borrowed a page from individual investors and began to apply socially responsible investing practices to manage its endowment. “We were using 5 percent of our assets to make grants to address key issues like affordable healthcare, after-school programs for pre-teens, and land conservation. Funding for harder-to-measure categories, like the arts, public policy work, or human rights, and areas that do not show yearly gains, like poverty reduction, began to dry up, at least among the larger individual donors. Clearly donors had learned to ‘fund to the test.’”

- This scenario was written in a pointed way to stress the unintended consequences of a current trend. What positive effects could accompany the negative ones outlined here?

- How can you take on problems where progress is difficult to measure yet still demonstrate your effectiveness?

- If this scenario came to pass, what could you do to break out of the pressure to “fund to the test”?

Shaking Your Assets

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Nearly 100 years after helping to establish the private foundation in 1915 alongside the Rockefeller Foundation and the Carnegie Corporation, the New York-based John T. Milton Foundation became a pioneer once again. Feeling increasing pressure to demonstrate its effectiveness, the foundation borrowed a page from individual investors and began to apply socially responsible investing practices to manage its endowment. “We were using 5 percent of our assets to make grants to address key issues like affordable healthcare, while the other 95 percent of our assets were supporting companies that in some cases contributed to the very problems that our grants were trying to remedy,” explained Susan Underhill, Milton’s chief financial officer.

Underhill initially spent two years benchmarking the Milton portfolio against indices developed by Innovest, a leading socially responsible financial advisory firm. She began to study the way public pension funds wielded their influence, looking for opportunities where Milton might be able to vote its shares to influence companies’ behaviors related to healthcare issues. In 2009, Underhill convinced her CEO and board to ensure that all of the resources at the foundation’s disposal were aligned to support its mission.

After three consecutive years of market-beating asset growth, Underhill landed on the front page of *The Wall Street Journal* when she presented the Milton
experience to fellow CFOs at a national meeting of foundation financial officers. As Underhill recollected, “Lots of foundations felt their investments should simply produce the greatest returns possible for future grantmaking, and worried that socially responsible practices might decrease returns and increase risk. Some were even afraid that we might bring regulators to our doorstep for exercising our rights as shareholders. But others saw that it made sense to use all of our assets in achieving our social goals.” Over the next five years, the success of the Milton experience and its high visibility in the New York financial community helped catalyze a similar commitment in 30 large foundations, including five of the largest in the U.S.

At the same time, Milton was moving aggressively to the next stage of using its endowment assets more productively. The foundation spearheaded the creation of the NewHealth investment company to support the development of promising low-cost healthcare and drug treatments. More than a dozen foundations joined the effort.

“Our board is thrilled, both by the early returns and by the recognition that we’re using our assets more wisely,” explained Underhill. “Looking back, it’s amazing to me that it took us more than 100 years to figure this out.”

• What’s keeping foundations from doing this now? Are there downsides to this approach?
• Do you have other assets that you could think about using differently than you do now?
• If foundation boards felt that their portfolio value was lagging as a result of this approach, what might convince them to stick with it?
• If the center of gravity in foundations moved from the grantmaking side to the investment side (in line with which side controlled the major efforts to promote social benefit), what new challenges or problems might emerge for those making grants to nonprofits?

Joint Venture Philanthropy

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“Growing up in San Jose back in the 1990s, I saw people sleeping on the streets all the time,” remembers Cornel Reese, the president of the South Bay Regional Assembly. “Now, it’s nothing like it used to be, at least not in San Jose.” Reese gives much of the credit to the Silicon Valley foundations and nonprofits that focused on the issue as a group, spurring state and local government investment and policy changes.

These foundations and nonprofits were galvanized into joint action by the state budget troubles that cut deeply into urban social services in the ‘00s.
What had begun as informal connections developed through Silicon Valley’s Foundation Incubator soon became the basis for a more formal commitment to understand this local problem better. The organizations shared the best analyses and evaluations of past programs and generated maps of local resource flows from government, business, and philanthropy aimed at fighting homelessness. The program officers and nonprofit executive directors then held weekly meetings to review findings and develop joint strategies to test. With homelessness mounting, they concluded that new ways of judging progress and performance were essential. That’s where the commitment to “Keep It R.E.A.L.” came in—the plan for Rapid Evaluation and Learning that allowed them to act together, learn together, and reach consensus on changes based on shared information. It soon became clear that they didn’t need to develop a new program or approach because they all agreed that “supportive housing”—linking housing with other support services designed to help people systemically—was successful elsewhere and could work in San Jose.

Impressed with what the joint strategy group had accomplished in just three years, eight of the local foundations agreed to establish a more formal consortium, a kind of joint venture to address homelessness in a sustained way. Realizing that any solution needed support from a wider range of interests than just the foundations, they created a governance structure that included people from the local business community, government, nonprofits, and each of the foundations. The foundations pledged 25 percent of their giving through the consortium, while decisions about strategies and grants were decided by the consortium’s board.

Homelessness didn’t disappear overnight, but the group of funders, nonprofits, businesses, and local governments working together did deliver steady gains. Now, in 2025, with the homelessness crisis long past, the South Bay/Silicon Valley consortium is a model of joint venture philanthropy in two new areas: public health and early childhood education. And Cornel Reese of the Regional Assembly has high hopes for that, too. “If those folks can make the same kind of gains with education and health that they did when they got together around homelessness, then I tell you, I’m going to give them regional development and transportation and go home early.”

- What prevents foundations from developing strategies in concert with nonprofits more often?
- What would have to be true for foundation leaders to pledge giving through a consortium? Would there need to be changes in regulations, perceptions, or expectations?
- If donor independence declines and grantee involvement in funding decisions increases, what would keep that balance in check to make sure that great new ideas from outside the consortium get support?
- In this scenario, the funders and nonprofits agreed that they didn’t need a new strategy because they found one that already was generating good results. What keeps funders focused on novelty instead of supporting approaches that have proven to be effective?