11 PHILANTHROPIC TRENDS FOR 2017

JOHNSON CENTER
AT GRAND VALLEY STATE UNIVERSITY
Philanthropy is changing faster than ever. At the Johnson Center, we believe learning curves shouldn’t get in the way of impact. We help grantmaking organizations, nonprofits, and professionals across the country navigate the field.

Through original research, tools, trainings, and more, we provide trusted guidance for doing good.

OUR MISSION
The Dorothy A. Johnson Center for Philanthropy is a university-based center leading a systems-based, comprehensive approach to serving nonprofits, foundations, and others seeking to transform their communities for the public good.

OUR VISION
We envision highly valued, effective philanthropy, equipped with expanded knowledge and resources to advance the public good and transform communities.
What is the Dorothy A. Johnson Center for Philanthropy?

We help nonprofits build capacity.
Grants are one part of strong philanthropy. Organizations with healthy teams and good tools are also key. Our Nonprofit Services team works directly with nonprofit organizations and also helps grantmakers plan and manage grantee capacity building on strategic planning, governance, collaboration, and more.

We provide education for grantmaking organizations.
As a professional in a grantmaking organization, ideas and information become more meaningful when you can put them to use in your daily work. The Grantmaking School helps professionals bridge research, knowledge, and good practice, with customized curricula and courses available nationwide.

We conduct research design and analysis.
The Community Research Institute helps people use data to do good. We partner with nonprofits, foundations, institutions, and neighborhood groups. Together we collect, interpret, and share national and local data. Our tools and original research assist local and regional leaders, community members, and others with decision making, program evaluation, and more.

We offer information and insight for the field.
The Foundation Review increases understanding of philanthropy and improves grantmaking practice. As the first peer-reviewed journal of philanthropy, it brings the experiences of practitioners to a range of foundation staff, boards, donors, and others.

LearnPhilanthropy is an online marketplace of knowledge, tools, and connections to help grantmakers learn about the field and improve their work. Our State of Generosity preserves and shares the milestones that have made Michigan a philanthropic leader. This online platform includes stories and tools for other states to use as a blueprint for effective philanthropy.

Our archives and special collections provide scholarly resources related to philanthropy and philanthropists in Michigan. The collections support the research interests of visiting scholars, GVSU faculty, students in the School of Public, Nonprofit and Health Administration, and the general public.

We house the Frey Foundation Chair for Family Philanthropy, the nation’s first endowed chair on family philanthropy, as well as the W.K. Kellogg Community Philanthropy Chair, also the first of its kind. Both support original research in the field, with a focus on how new data and ideas can equip donors, grantmaking organizations, and others in the field.
At the Johnson Center, our applied approach to research, thought leadership, tools, training, data, and analysis reaches across nonprofits, foundations, and the volunteers and staff who lead and support these institutions. Our leadership role in providing trusted guidance for doing good requires that we remain aware of our contexts and understand how that will influence our sector.

To help explore and understand the trends and challenges that inform our work, we are providing brief descriptions of trends we see as both forming and challenging the work of philanthropy.

1. Growth in the Number of Foundations

Teri Behrens

The U.S. has seen significant growth in the number of foundations over the past decade, from 67,736 in 2004 to 86,726 in 2014. Independent foundations have been one driver of this change, with 33% growth over this time period (60,031 in 2004 vs. 79,729 in 2014).¹ There is some evidence that family foundations and health conversion foundations (formed when a nonprofit healthcare organization is purchased by a for-profit company) are a big part of this increase. The National Center for Family Philanthropy found that

¹Foundation Center, Foundation Stats, Retrieved August 30, 2016 from: http://data.foundationcenter.org/?_ga=1.151937529.1326132320.1464885274
70% of the 40,000 plus family foundations in the U.S. as of 2013 had been created since 1990. Based on Form 990 filings, we know that there were 306 conversion foundations in 2010, while in 2000, Grantmakers in Health had identified 165 such foundations.

This growth in foundations creates an increased need for training and professional development for boards and staff at all levels. We know that most people come into philanthropy from other sectors. The Institute for Foundation and Donor Learning is responding to this need in several ways. LearnPhilanthropy.org will be hosting a series of online courses in basic grantmaking skills for those new to that role. In collaboration with Philanthropy New York, we’ve created a five-module course for people in any role, including board members, to learn about the history, ethics, and legal and organizational context of philanthropy. In 2017, we’ll be debuting versions of Grantmaking School courses tailored for family foundations. Of course, The Foundation Review is a valuable resource for anyone in the field, regardless of tenure or type of foundation.

---

These systems-thinking based approaches work to improve lives in our communities. We gather and make data available to guide decision, and help equip those who work in the philanthropic sector — both on the funder and nonprofit side — with the knowledge and tools they need to be effective in their roles. These are powerful tools in changing systems. Some specific examples: the Community Research Institute is the data infrastructure organization for several efforts underway in western Michigan, thereby providing an evidence base for collective action to address systemic issues. The Institute for Foundation and Donor Learning and Nonprofit Services educate and advise nonprofits and foundations on ways to work together toward their shared mission. We are in the beginning stages of developing regional groups of foundations to do professional development together, with a goal of fostering local networks that can coordinate and act more systemically.

Perception “Growth of Number of Nonprofits”
Matthew Downey

Attempting to solve community problems without investing in nonprofit capacity is like sending soldiers to battle without weapons or armor. Over the past several years, the philanthropic sector has become acutely aware of the critical state nonprofit capacity is in and the fundamental role it plays in meeting stakeholder needs and expectations. The Urban Institute addressed this in 2001 with their report, “Building Capacity in Nonprofit Organizations” where they laid out the need for support for organizations to define their mission, develop leadership, grow and sustain resources, engage in outreach, improve products and services, and put in place critical monitoring and improvement systems. Further, they pointed out a need for support to build and maintain this model of organizational infrastructure. Yet, beyond infrastructure and the awareness for support is knowledge, experience and resources, which are issues that need more attention if nonprofit organizations are to impact the problems that trouble communities the most.

Traditionally, our sector has defined nonprofit capacity through the limited lens noted above and include the skill-based knowledge the nonprofit workforce requires, both paid and volunteer, and their access to technology. However, there are two other equally important and interconnected dimensions that more fully define capacity. One relates to the ability of organizations to anticipate, adapt to and leverage the changing cultural and economic conditions of their environment. The other considers the well-being of communities and the roles nonprofits play in shaping their overall character, values and quality of life.
New generations of leaders in the sector are engaging in a deep examination of these challenges or new ways the sector needs to work. These change makers, or disrupters of the norms and asking hard questions and exploring new community based solutions that stretch the boundaries of what we think of as typical work in the sector and thereby the needs nonprofits have to be relevant.

For instance, Author, Philanthropist and Activist Debra Frieze (during her visit to Grand Rapids as part of the Johnson Center’s Strategic Leadership Series) pushed on the traditional ways most communities approach inclusion and equity by exploring the idea of biomimicry and how it should inform community building. Similarly, Dennis McMillian of Alaska’s Foraker Group introduced Chaordic Theory, a concept of social and cultural evolution created by Dee Hock, founder of VISA. Translating it to the nonprofit sector, Dennis shared a vision of our future nonprofit sector where hierarchical organizational structures will be a thing of the past. In its place will networks and systems that are adaptive, nonlinear, self-organizing, and complex. Examples of these patterns are already taking shape in many aspects of today’s society. The questions before the sector are how are these patterns impacting the way nonprofits should work and will they be comfortable with the changes that will be need to be relevant, effective, and enduring agents of positive social change?

#4

Funders and Nonprofits Show Increased Focus on Data and Measurable Progress

Jodi Petersen

While data are ever present in the hearts and minds of the staff of the Johnson Center, the sector has seen a renewed focus in the last year. Recent issues of *The Chronicle of Philanthropy* (e.g. Wallace, 2016; Stiffman, 2015) have highlighted how fundraisers are utilizing data to understand what donors want, as well as how funders need to place higher data demands on nonprofits to ensure their funds are resulting in measurable progress.

While we believe that data lead to information that can empower nonprofits and funders to increase their impact, there are several important areas of caution. There must be a continued emphasis on funder-nonprofit relationships, with special attention paid to the creation of shared learning. Resource-scarce nonprofits often feel pressure to only report good news to funders. The increased pressure

---


for data without co-occurring funding for capacity building runs the risk of leading nonprofits collecting data with poor fidelity or where outcomes and indicators do not match up to activities, resulting in an inability to show measurable progress even when it exists.

Additionally, as the push for measurable progress increases and nonprofits begin collecting more data, they may learn that aspects of their programming that they previously believed to be impactful need tweaking. Often results may be too distal or long term to be amenable to reporting in an annual grant report. This runs the risk of encouraging nonprofits to shrink programming to only that which is measurable in a short time frame in an effort to ensure positive results and better secure future funding. It is important to maintain a focus on feasibility and incremental progress in the effort to increase data availability for decision making.

The dramatic numbers can be hard to wrap your head around. The wealthiest 10 percent of Americans now own 75 percent of all the wealth in the country, while the wealthiest 1 percent own an astonishing 43 percent. The 20 richest billionaires own more wealth than the bottom half of Americans combined (about 152 million people), and the richest 62 individuals in the world own more than the poorest half of the world’s population (about 3.6 billion people). And this wealth gap is growing. Data from the annual Forbes lists shows that in 1987 there were 41 billionaires in the United States; thirty years later, in 2016, there were 540.

We know that much of modern philanthropy was originally developed during a previous “Gilded Age” of incredible wealth concentration. So what will our current Gilded Age mean for philanthropy?

At the Johnson Center, we expect it will mean an unprecedented amount of money flowing to charitable causes, and a big cohort of new donors with substantial assets but little prior experience or expertise in giving. So donor education efforts — like those offered by our Institute

---

Rising Wealth Concentration
Michael Moody

There has been a lot of buzz recently — for good reason — about the extraordinary and rapidly increasing wealth concentration in American society today.

---

12 Based on data published annually in Forbes magazine. For historical data, see: http://www.statista.com/statistics/220093/number-of-billionaires-in-the-united-states/
for Foundation and Donor Learning and by our two endowed chairs — will be vital. Also, nonprofits need to engage these donors in effective ways, both to attract greater investments and to use those investments for maximal good. So nonprofit training and education will be just as important as donor education in the years to come, if we want to ensure our modern-day Gilded Age donors have an impact on philanthropy comparable to the Carnegies and Rockefellers of old.

### #6

**Generational Transition of Wealth and Leadership**

**Michael Moody**

If current trends in wealth and giving continue, America’s next generation of major donors — the big donors from the Gen X and Millennial generations, those in their 20s, 30s, and early 40s — will be the most significant philanthropists ever. They will have unprecedented financial assets available for giving, and all signs point to them wanting to give in new ways that will reshape philanthropic norms. So these emerging “Next Gen Donors” will have an outsized impact on both philanthropy and the world we share. Clearly, we need to understand what kind of donors they want to be.

We are currently in the midst of what scholars believe is the greatest “wealth transfer” in American history. A 2014 Boston College study estimated that just over $59 trillion will be transferred across generations between 2007 and 2061.\(^1\) Not $59 billion — $59 trillion. Most of this wealth transfer is happening within a relatively small group of high-net-worth families, and it means the next gen members of these families will ultimately give significantly more than their predecessors. At the same time, techies, hedge funders, and others in the next gen are making their own wealth, often in staggering amounts, and many are beginning to give that wealth in aggressively innovative ways.

The Johnson Center is on the forefront of research into the philanthropic identities of Next Gen Donors. Our Frey Foundation Chair for Family Philanthropy is co-authoring a book that shows how these rising donors want to fundamentally change philanthropic strategy, and to be much more hands-on and closely engaged than previous generations, while still stewarding the legacy they are inheriting. And this research is informing other Johnson Center programs that help nonprofits, families, advisors, and others in our field respond effectively to what these historically significant donors want and need.

Social Movement Hashtags Propelling Philanthropy
Stephanie Adams

#IceBucketChallenge  #GivingTuesday  #BringBackOurGirls  #BlackLivesMatter  #AmINext  #LoveWins  #Fightfor15

Social media is increasingly growing to be a critical part of effective social change efforts locally and globally. The hashtags above are just a fraction of those that, in the last few years, have driven momentum towards their intended goals. This social media tool has gained increasing importance in the philanthropy world and there is evidence that it works.

In just a short few weeks, the Ice Bucket Challenge raised $118 million in unrestricted dollars for ALS research and programming in just eight weeks — exceeding all its previous fundraising efforts combined. These hashtag conversations create unity and movement for or against causes or issues. Some have increased funding or awareness to a cause and others may have even influenced Congress. They are more than a new communication tool; they create their own social movement economy — varying in value by their impact. These are the drivers of conversations and action within and for philanthropic movements around the globe. Although a social media campaign igniting movements cannot replace the hard work of foundations and nonprofits, there is little room to dispute its opportunity to give voice to significant issues and communities around the world.

Political Change and Polarization
Kyle Caldwell

Philanthropy’s major elements (nonprofits, volunteers, and donors) are dealing with a number of economic, political and social forces that are ultimately reshaping the traditional boundaries that these actors have come to rely on to engage in long-term community problem solving. The social contract — the compact that defined the symbiotic relationship between the public and private sectors — called on government and private philanthropy to focus on their own strengthens and act within their limitations to provide the vital services and civic participation necessary for a healthy and vibrant republic. This relationship evolved over more recent times to mean that there are activities that government can or will no longer do that philanthropy can better deliver with the support of public resources and private contributions.
Today, many say that these roles have blurred. Governments at the local, state and federal levels are increasingly looking to markets and philanthropy to scale solutions and take on traditional government functions including transportation, human services, and public safety. Philanthropy and commerce are leading in areas normally reserved for elected bodies including providing education (public and private), supporting basic infrastructure (like water and transportation), and economic development (job training and business development). These new frontiers of public/private partnerships can be seen throughout our communities in ways both exciting and tragic including the recent Detroit Bankruptcy, the realignment of college loans financing, the auto-manufacturing bailouts, the creation of social impact bonds, and most recently the announcement of more than $70 million gift to the city of Kalamazoo to lower property taxes to name a handful.14

While exciting, the lack of clarity of the boundaries for these new frontiers combined with the speed of change make for a dangerous alchemy of role confusion, false expectations of capacity, and the potential for politicization of our philanthropy. What makes this more concerning is that many of the solutions that we might identify require policy making. In today’s polarized and caustic political environment, these changes will be hard to achieve. For evidence of this difficult environment just analyze the current state of policy making. In the 113th Congress, 352 laws and resolutions were enacted (2013–14). During that same time, state legislatures (combined) passed 45,564 bills and resolutions. Pew Research studies show that Democrats and Republicans are more divided along ideological lines than at any other time in the last two decades.15

It is imperative that leaders in government, philanthropy and industry work to re-clarify their respective roles to society, but they either need to be engaged in repairing our ideological divides, or find ways to change policies without the help of policy makers. Thoughtful consideration and decisive action must be taken soon to address the very real needs that communities are facing during these times of social disruption and technology-accelerating change in the middle of our political dysfunction.

Global Community Philanthropy

Jason Franklin

Community philanthropies are among the fastest growing institutional forms of giving around the globe. From 2000 to 2010, the most common type —

community foundations — grew by 86% with an average of 70 institutions created annually.\textsuperscript{16} A century after the Cleveland Foundation was established in 1914 as the first community foundation, the Community Foundation Atlas was launched to map the identities, locations, assets, roles and achievements of community philanthropies around the world. Today, the Atlas includes 1,843 place-based foundations around the world granting more than U.S.$5 billion annually... and almost three quarters are less than 25 years old.\textsuperscript{17}

In 2012, Global Fund for Community Foundations Executive Director Jenny Hodgson noted that this dramatic growth has many causes including "organizations supporting development of the practice, a flexible organizational model, long-term funding, and expanding efforts to build civil society across the globe."\textsuperscript{18} Across the globe, we see an ever-expanding interest in community philanthropy as a tool for civic engagement and transparency, collective investment in local social services, and mobilization of voluntary resources to complement and supplement shifting (and often falling) government investment.

Indeed, the spring 2016 call for research proposals issued by the Johnson Center and the Global Fund yielded almost 50 proposals from over 25 countries on an incredibly diverse range of topics.\textsuperscript{19}

It is an exciting time to be involved in the field of community philanthropy, as it continues to both dramatically grow and continually evolve. Yet, while the growth has been dramatic, the pace of research and evaluation to inform and improve the field has not kept pace. Indeed the first strategies that the Charles Stewart Mott Foundation has suggested for improving the field have been providing more opportunities for "knowledge exchange among community philanthropy practitioners" and advancing practice "through research, evaluation, and communications."\textsuperscript{20} The opportunities for deeper and more widespread research is dramatic, highlighting a key opportunity for the Johnson Center to help build the global field of community philanthropy.


\textsuperscript{20}Hodgson (2012) pp 7
Crowdfunding
Jason Franklin

As a tool to democratize and diversify philanthropy, engage new donors, increase local giving and more, giving circles and crowdfunding are some of the most popular and rapidly spreading strategies for collective giving being promoted today.

While some of the oldest giving circles have existed for decades, the majority have only formed in the last few years and new models and networks of giving circles continue to emerge. The Johnson Center is partnering with a team of researchers on a new survey of the giving circle landscape and initial estimates from that research indicate that more than 1,200 giving circles exist in the U.S. alone, almost double the number from a decade ago. We have seen even more rapid growth in crowdfunding with estimates from 2013 to 2014 showing that donation- and reward-based crowdfunding platforms grew dramatically (45% and 84% respectively) and totaled over $3 billion worldwide in 2014.  

The momentum for growth and diversification of crowdfunding platforms and giving circles as approaches to philanthropy will only continue to expand and be an increasingly important facet of the philanthropic landscape in the years to come. For the Johnson Center, this offers an opportunity for new work to inform the field. For example, while we know that considerable growth is taking place, it has been nearly a decade since the last systematic scan of giving circle activity in the U.S and no work has yet examined the variety of new giving circle models to emerge in the U.S. in recent years even though they continue to evolve and grow in number. Additionally, there has been little scholarly research on the impact of these emerging efforts, on both their members and host organizations, and none yet to understand the impact of giving circles over time. The Kellogg Chair will be working toward research on impact of giving circles as well as developing training and insights for nonprofit leaders and grantmakers about how to access and engage with crowdfunding.

#11

Fewer Traditional Infrastructure Funders
Kyle Caldwell & Jason Franklin

Elizabeth Boris (2009),22 former director of the Urban Institute Center on Nonprofits & Philanthropy, said that we should think of infrastructure as a network that “connects civil-society organizations through its hubs,
which create opportunities for peer-to-peer learning and shared experiences as well as for improving practices, conducting and using research, and developing ethical standards” rather than just the collection of organizations needed to support the philanthropic ecosystem (p. 7). Many might describe the constellation of trade organizations, affiliation groups, and learning circles the field’s “infrastructure” and perhaps that description fits what infrastructure was, but it falls well short of today’s reality.

Today’s philanthropic infrastructure has the great burden of ensuring that the sector has all the items listed above in addition to opportunities to develop supportive public policy, a strong sense of the sector’s role in society, better use of data and digital tools in an evolving field, and a crystal clear series of messages and brands that convey the very need for philanthropy. This is critically needed today because the philanthropic sector (nonprofits and funders) is being challenged to justify its existence in ways not seen since the last great policy reforms enacted in 1969. At the same time, long-time infrastructure funders have shifted their priorities, and dollars, toward new ways of advancing social change that are challenging traditional infrastructure organizations to adapt or shrink.

The infrastructure of tomorrow needs to align with these changing dynamics. It will no longer be enough to just network, develop standards, and collaborate. Future infrastructure needs to advance innovation, increase the effectiveness of the sector’s voice, and continually demonstrate value to community.

The Johnson Center has been at the forefront of innovation in engaged philanthropy. We were first to publish a peer-reviewed journal for the field about the field. We were one of the first to establish a grantmaker education program and first to create an endowed chair in Family Philanthropy. Additionally, we are unique among our peers in our focus on both funders and nonprofits. No other academic center on philanthropy has the grounding in local impact that is represented by the Community Research Institute with research and evaluation. No other peer academic center has our unique business model centered around an earned revenue paradigm with University support.

While being first and unique are great qualities, the Johnson Center has to think differently. Looking forward, we have to embrace our good fortune in regional support and awareness, while reaching to become more global in our impact. We will need to expand our understanding of the co-dependent nature of nonprofits and funders as the lines between the sectors (philanthropy, government, commerce) continue to flex. Our innovative approach to support must now expand to include a diverse mix of earned and contributed revenues to provide the flexibility we need to meet customer needs while also exploring the sector’s trends, challenges, and opportunities.

This is the future of the Johnson Center as we seek to be an organization that is leading engagement toward social change.