

# **Changes in Philanthropy and The Role of Affinity Groups**

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## Foreword

1999 honoree Hugh C. Burroughs is Director, External Affairs at The David & Lucile Packard Foundation. His responsibilities include communications, and government and public affairs. His distinguished career includes senior positions at the John Hay Whitney Foundation in New York, The William and Flora Hewlett Foundation, and the Henry J. Kaiser Family Foundation in California. He serves as a member of the Board of the Peninsula Community Foundation, and chairs the distribution committee. He also serves on the boards of Hispanics in Philanthropy, CIVICUS, and the Communications Network. He is a former chair of the Association of Black Foundation Executives, an early director of Women and Philanthropy, and a former member of the boards of the Council on Foundations, Northern California Grantmakers, the National Charities Information Bureau, and the Foundation for Joint Venture: Silicon Valley. He is also a former member of the board of overseers of Morehouse School of Medicine.

### James A. Joseph Lecture

I am delighted and honored to be the James A. Joseph lecturer in philanthropy on the occasion of the eighth anniversary of this lecture series. I am especially honored to be in the company of former lecturers such as Franklin Thomas, Anna Faith Jones, Jean Fairfax, Eldridge MacMillan, Bernard Watson, and James A. Joseph himself. I will use the opportunity to share with you some of my thoughts about private philanthropy and the role of affinity groups in the growth of private philanthropy.

Before I do that, I feel compelled to say a few words about the man whose name this lecture series bears and to share my assessment of him. Jim Joseph has been an inspiration and model for me ever since I entered private philanthropy in the 1970s. I worked very closely with him in the formation of the first affinity group, the Association of Black Foundation Executives, and learned from him ways in which one can influence private philanthropy and bend the course of history .

The early success of ABFE can be ascribed largely to Jim's leadership skills and his choice of targets on which to focus the Association and its members. As you all know, one of those targets was the Council on Foundations, in which Jim led the

Association in an artful assault on the *status quo* of the Council. As a result, the Council has never been the same, and we are all beneficiaries of his skillful leadership.

But what were the major factors contributing to the early success of the Association of Black Foundation Executives? I would like to list a few.

The urgency with which we moved to reach consensus with respect to needed actions against those practices that we felt required change, and the speed with which we identified the barriers to be removed.

A recognition that we could not do it alone. We needed allies across racial and political boundaries who could assist us in reaching our goals.

The early members of the Association of Black Foundation Executives worked both inside the organizational structure and procedures, as well as outside, to accomplish our goals. What do I mean by that? The interactions in the hallways and the lounges were just as important as the interactions in our formal membership and board meetings. Those interactions were very important in enriching one's experience as a foundation executive. They were also very important in building mentor/mentee relationships and in providing opportunities for coaching and learning.

We also did some small things like suspend adherence to Robert's Rules of Order when they seemed to get in the way of our making progress towards reaching a consensus and developing a course of action.

But I want to emphasize that because of Jim's unflagging leadership, his strong determination about our course, and his natural abilities as a human being, those of us in the early days of ABFE not only developed professional relationships with fellow members, but deep and abiding personal relationships that have endured over time. I'm delighted to see many of those early soldiers in the room this evening.

I would like now to turn to the main portion of my lecture and say that I would like to make two points this evening. I have learned that speeches made at the Council on Foundations highlighting more than two points run the risk of losing their audiences, so I was determined in this lecture not to do that.

However, I have not told you how complex those points are and how long it will take me to make them. I hope you will be optimistic that I will do so in a moderate amount of time.

My two points follow.

1. The foundation world has changed substantially in terms of assets, grantmaking, ranking, geography, and style in the last decade.
2. Have affinity groups, which grew from 16 in 1988 to over 35 in 1999, capitalized on the changes?

I would like to challenge the foundations whose assets have swollen in the last decade, and the newer foundations, to do more in the areas of diversity and inclusiveness. I would like also to challenge the affinity groups to capitalize on the growth and changes in private philanthropy. I would note that the changes are in all types of foundations: private foundations-large, medium, regional and new; community foundations; and corporate foundations and contributions programs.

Community foundations now represent the fastest growing segment of philanthropy. They number more than 540, are present in nearly every major metropolitan area, and, thanks to the Lilly Endowment, are in nearly every county of Indiana. Have community foundations played a leadership role in addressing the issues of diversity and inclusiveness in their communities? Some have; most have not.

In the area of corporate foundations and contributions programs, grantseekers, in general, report that corporate grantseeking is increasingly a process in which corporate needs and wishes too often dominate over those of the grantseeker.

This evening I would like to focus on the changes experienced by a few of the large national foundations, and to share my observations with you. I think similar analyses can be done with regional private foundations and community foundations, and the conclusions would be comparable.

The following table compares the assets of the largest 10 grantmaking foundations in 1989 and 1998.

**COMPARISON OF ASSETS:  
THE 10 LARGEST FOUNDATIONS IN 1989 & 1998**

<u>1989</u>		<u>1998</u>	
<u>Foundation</u>	<u>Assets</u> (billions)	<u>Foundation</u>	<u>Assets</u> (billions)
Ford	\$5.8	Lilly Endowment	\$15.4
Kellogg	4.2	Ford	10.7
Lilly Endowment	3.4	Packard	9.6
Pew Charitable Trusts	3.3	R. W. Johnson	7.7
J. and C. MacArthur	3.2	Kellogg	6.0
R. W. Johnson	2.6	Gates	5.2
Rockefeller	2.1	Pew Charitable Trusts	4.7
A.W. Mellon	1.8	J. and C. MacArthur	4.1
Kresge	1.3	Woodruff	3.7
C.S. Mott	.96	A.W. Mellon	3.3

Source: *Foundation Giving*  
1991, Foundation Center

Source: *Chronicle of Philanthropy*  
2/25/99

I would like to bring to your attention a few characteristics evident from the table. The first is that the foundations that dominate the listing in 1989 were based on the East Coast or in the Mid West. They represented foundations that derived their assets from families that, for the most part, acquired those assets during the 1930s through the 1950s. The style of these foundations was dominated by the mode of operating of the New York-based foundations, principally Ford, Carnegie, and Rockefeller. They set the tone about what a well-managed, well governed private foundation should look like and how it should behave. And, one can see in the table that the names are quite recognizable, and you'll understand how grantseekers in search of large funds would naturally turn to these foundations for support, blessings, or both if they could have them. And, would suggest that the style of operating of these dominant foundations has guided philanthropy since its early days up until about the 1970s, when the tax-reform act was implemented.

So, we have a pretty steady state, a fairly stable model of what a foundation should look like and how it should operate. I would suggest that that model held sway from the time of the founding of the early foundations through the 1970s. And, starting about the 1970s, we began to see some changes. The newer foundations, large and small, began to challenge the stable model. This challenge is in full swing today.

In the early days of ABFE, when we began to develop targets outside of the Council on Foundations, we paid attention to some

of these large foundations and had dialogue with them about the importance of diversifying their boards, staffs, and grants. We met with mixed success, but did start a "questioning" about what makes an effective foundation.

Now I'd like to turn our attention to the listing of the top 10 foundations in 1998. Here, one will see, as is obvious, a very different ranking of foundations. Three of the foundations that were on the 1989 list do not appear in 1998; they are replaced by three foundations outside the East Coast and Mid West: Packard, Gates, and Woodruff. As one examines the top 10 foundations today, we notice a major shift in the gravitational center of philanthropy, shifting westward to the West Coast. I submit to you that these new developments have implications for both the grantmaking and grantseeking processes of philanthropy. The first is that the largest foundation (Lilly Endowment) has the shortest national reach and lowest visibility of the 10, as seen by the public, media, and government. The second observation I would make is that among the top 10, there are only two New York-based foundations, Ford and Andrew Mellon. The other foundations in the top 10 are spread across the country: California, Washington state, Michigan, Illinois, and Georgia.

I think the 1998 ranking, as interesting as it is, tells part of another powerful story, and it's the story of the rise of the West. I would submit to you that, as interesting and as engaging as the Lilly Endowment's number one ranking is, the most interesting foundation listing in this category is not the Lilly Endowment nor the Packard Foundation. The most interesting ranking is the sixth foundation, the William H. Gates Foundation. It has the known potential to grow more than any of the other 10 foundations in the table and become the number one foundation in the country. So having looked at this data, it invites the obvious question-what does this all mean?

I submit that there are several interpretations. The first is that we are moving away from a state of philanthropic policies and practices, as we know them, to a new form of philanthropy as yet undefined. The second is that the new large foundations appear uninterested in following the eastern model and they are in the process of establishing a new model whose outlines are not yet clear. Third, the new large foundations seem more inclined than their eastern counterparts to make large grants for single projects. Fourth, because the families of these foundations are still actively involved in policy-shaping, some of their larger grant investments are investments that reflect the priorities of

those families. One can make one's own judgments about that type of philanthropy, however, it's a staple of the newer foundations and I think we will see more of it, not less.

There are other observations that flow from this new listing; one of them is the lesson of geographical diversity and what it means for philanthropy. Another is the absence of a dominant model, and the emergence of a new type of governance and staffing pattern and what that means for philanthropy. I submit that the answers to these questions are in formation, and not yet definitive.

I'd like to turn now to the second point in my presentation: the role of affinity groups against the backdrop of the changing philanthropic landscape that we've just examined. The Association of Black Foundation Executives had a very clear mission: to increase the representation of African-Americans on the staffs and boards of foundations and to increase grants to organizations serving African-Americans. This has remained the charge and mission of the Association even today. The mission has endured and has been emulated by other affinity groups that have come along. Today, there are about 37 affinity groups, and the affinity group movement continues to grow.

All of these affinity groups have in common a desire to influence the grantmaking and grantseeking processes so that foundations are more responsive to the needs of particular grantseekers' groups. I think these are entirely commendable missions for affinity groups and I believe their contribution has enriched private philanthropy and has made it more effective. I would also say that, given the changing landscape that I described earlier, affinity groups are needed now more than ever.

I believe they are needed now more than ever because my experiences with several affinity groups over the years suggest that unless those affinity voices are articulated and heard in the hallways of philanthropy, the interests of the groups they represent are not effectively addressed. My observation has been that with new and newly expanded foundations, with new staffs and new governance structures-both national and regional-there is too strong a tendency to reinvent the wheel, to "start from scratch." And, as this process gets underway, the inclination to exclude the marginalized is very high. It seems to me that an effective affinity group should remain targeted and focused on influencing private philanthropy so that philanthropy is more responsive to the particular constituency that the affinity

group proposes to assist, as well as being more responsive generally.

How should an affinity group go about its work?

1. It should remain focused on philanthropy, and not yield to the temptation to respond to needs in other areas. A simple concept, but I think a powerful one in guiding the effectiveness of the affinity group because it speaks to the use of resources.
2. The affinity group should become a resource for its members and a resource for grantmakers to facilitate the process of improving the responsiveness of philanthropy to its groups and the general effectiveness of philanthropy.
3. The affinity group should be thoughtful and skillful enough to reach out to partners across philanthropic boundaries that might be helpful to the affinity group in fulfilling its mission. I think Hispanics in Philanthropy has been doing this well in recent years.
4. Finally, I do believe that it is important for affinity groups, over time, to be strategic enough to recognize change and adapt their programs and activities to capitalize on those changes. And that leads me to my conclusion.

I'd like to talk now about what I consider to be the sluggish pace of affinity groups to recognize changes in the landscape of philanthropy and the slowness with which they have moved to capitalize on those changes.

I spent some time recently with a group of grantees serving largely racial and ethnic minority populations. They were lamenting the unresponsiveness of private philanthropy and strategizing about ways in which they could bring about change. As I listened, I was struck by how much the group missed the targets that they should pursue to bring about change. I was struck that in the first six suggestions of this group, the target for change was the Council on Foundations. They were going to ask the Council to direct foundations to change their hiring and granting behaviors. I was struck by the omission of attention to national and regional foundations, as well as community foundations. Indeed, the Council can encourage changes in foundation behavior, but I would submit to the affinity groups that they need to pay increased attention to the practices and

policies of the national, regional, and pace-setting foundations across the country .

The Council has come a long, long way, and now has broad representation in its governance staffing. The Council is now regarded as a responsive organization. It cannot, however, dictate to its members.

The leadership of national, regional, and community foundations needs to be engaged in direct dialogue with the affinity groups. And, since the leadership of those foundations is not inclined to start the dialogue, then it is incumbent upon the affinity groups to initiate it. I would suggest that these foundations be the targets of dialogue, conversation, and exploration of opportunities for change.

The second general point about affinity groups has to do with the temptation to try to address a wide variety of needs of its members and community organizations that takes it far afield from private philanthropy. I submit that to the extent that an affinity group moves in that direction, it reduces the chances of its effectiveness within the realm of private philanthropy.

Third, I would suggest that the affinity groups set a standard for the way in which they operate, that the affinity groups set a standard for the nonprofit organizations in their realm that look to them for leadership and guidance. I realize that this is not easy to do, but I think it would be a great service.

So, in conclusion, I would say that I appreciate this opportunity to share with you my observations about changes in private philanthropy and to share with you my call to the affinity groups to be more strategic and focused with respect to national, regional, and community foundations.

Private philanthropy has been an important force in American life and I think the potential for it to do more, with more resources, is even greater. However, I fear that unless affinity groups are vigilant and provide responsible advocacy, the needs of the organizations and people they represent would not be appropriately addressed. I hope that I have succeeded in conveying to you the need for a reexamination of the practices of national, regional, and community foundations, and a reexamination of the role of affinity groups to bring about a better and more effective philanthropy for the benefit of all of us.

The first piece of good news is that foundation resources, which have grown dramatically in the past decade, will continue to grow as the intergenerational transfer of wealth gets underway. The challenge is for foundations and affinity groups to forge strong working partnerships and alliances to deal effectively with the unmet needs of our society as we enter the new millennium.

The second piece of good news is that there are tremendous opportunities to form creative alliances and coalitions. Identifying a common agenda and coming together to push for change should be a high priority as we move toward the new millennium, and I am confident that funders and affinity groups will be able to do so.

Thank you.