



SHAPE THE FUTURE

The Future of Foundations

A Study by Roland Berger Strategy Consultants
on Behalf of Robert Bosch Stiftung

Robert Bosch **Stiftung**

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Foundations are special creatures. Their nature of being financially and politically independent gives them an almost unparalleled freedom to operate. This means they are equipped to position themselves as an important source of inspiration and ideas in civil society. This freedom is a major privilege, and as such, also encompasses the responsibility to be a driving force which shapes societal development.

This year, the Robert Bosch Stiftung is celebrating its 50th anniversary. We are using our Foundation's birthday as an opportunity to examine the future viability of our sector. Robert Bosch always said that "anyone who stops improving has also stopped being good." Here at the Robert Bosch Stiftung, we measure ourselves by this aspiration. The question of the "Future of Foundations" is initially a question of the potential of foundation activities and then of professionalism. How do foundations need to position their organization and their work to use the resources available in the best way possible for the good of society?

In light of the challenges to creating peace, to the environment, and to the economy, future viability – prosperity and social peace – is only possible with a strong civil society, where civil liberties, individual responsibility, personal solidarity, and small circles of life can develop and contribute free of encumbrances. Germany will only remain viable in the future when those with political power permanently and unselfishly recognize the importance of civic involvement and participate in a dialog with civil society as equal partners. A strong civil society is – to put it in the words of Kurt Biedenkopf, the former prime minister of Saxony – a counterweight to politics and government: It demands citizens' intrinsic right to shape their society and is a corrective measure against the tendency to fall back into an authoritarian state. Foundations can – and this is the key message of the following study – play a major role in strengthening civil society. In all transformational societies, civil society represents the key factor on the path to a constitutional democracy.

This is why foundations need to face the fundamental questions regarding their role perception and strategy. A strategic examination of their stated goals and a focus on effectiveness both offer helpful approaches to actually achieving these goals. At the same time, cooperating with partners gives foundations the opportunity to concentrate resources and as a result, allocate them more effectively.

In light of the increasing importance of foundations both in Germany and around the world, the question of the "Future of Foundations" is a question that is highly topical today. The complexity of our "global society" as well as within individual nations means that stakeholders from politics, business, and civil society must now interpret their roles differently and find new ways of operating, in order to complete different tasks while working together to develop viable solutions. In this context, through

their activities foundations can act as an important source of ideas and platforms which can be used to develop new methods of collaboration.

Roland Berger Strategy Consultants conducted this study on our behalf and offers a fresh, entrepreneurial perspective on our industry. I would like to offer my sincerest thanks for doing so. As part of the study, a number of interviews and discussions were held with notable professionals and experts from the world of foundations – including in the United States. I would like to take a moment to thank all of them for their dedicated and well-informed contributions to the study.

We hope that this study reaches numerous readers and plays a role in society's debate on the "Future of Foundations".

Dr. Ingrid Hamm

Chief Executive Officer of the Robert Bosch Stiftung

1

Why Founders and Foundations Need to Confront Questions Regarding Their Future

The following study addresses the question of how foundations and founders can and should position and orient (or reorient) themselves in the future. This is being undertaken in light of a changing environment in which foundations and founders are active. One look at current developments shows that this environment is shaped by particular challenges:

- :: The societal challenges of the future have reached a new dimension: in an increasingly volatile and globalized environment, overcoming demographic change, establishing resource security, and creating societal cohesion – to only name a few issues – are presenting societies with entirely new challenges. The search for answers is overwhelming individual stakeholders, be it the government, private enterprise, or civil society. Individual sectors' ability to solve problems is disappearing. Added to this is the government's foreseeable, partial withdrawal from certain areas of focus, such cultural duties. The future will be shaped by the government, businesses, and civil society finding viable solutions together and, if necessary, rethinking traditional methods of executing tasks. As active players in civil society, founders and foundations are faced with the question of how they interpret their role here in the future and define it within their relationship to government activities.
- :: The discussion of the future viability of foundation activities is becoming increasingly important. This is initially viewed in conjunction with the often-posed question of the effectiveness of the non-profit sector in general, as well as the proof thereof. When it comes to the foundation sector, this question primarily focuses on two aspects: achieving the pursued effect and the sustainable effectiveness of existing structures – how can foundations ensure that they will achieve the desired or best-possible effect with the resources allocated? And how can it be guaranteed that all foundations (regardless of their size) will be able to permanently achieve their mission? In light of the ongoing low-interest period and shrinking revenues as a result of the economic and financial crisis, finding an answer to these questions has become even more urgent. Founders and foundations face the question of how to use lower proceeds as intelligently as possible, in order to make the best-possible contribution to the general good.
- :: The pressure on foundations for more transparency and legitimacy is growing. In the early 1990s, numerous “super foundations” were created, particularly in the United States, which were founded by successful businesspeople from the IT and internet environment, with the Bill & Melinda Gates Foundation leading the pack. With their substantial funding and assertive manner, they have shaped the public perception of foundations on an international level in recent years.

Duties and responsibilities of the government, business world, and civil society must be reassessed

Increasing importance of the impact of the non-profit sector's activities and the proof thereof

Call for an increase in transparency and legitimacy of foundations

They have given rise to a debate that primarily centers around the power of foundations which questions the legitimacy of their activities in light of tax breaks and a lack of “mission,” and increasingly calls for more transparency. Founders and foundations that, in the future, rise to the societal challenges and want to take on a “more prominent” role need to clearly articulate their position and legitimacy.

When founders and foundations view their role as focused on the common good, they will have to answer questions about their future either way:

Key questions for the future

- :: How do founders and foundations exercise their social responsibility?
- :: How do they interpret their future role, in order to develop themselves or work on the development of viable solutions to societal problems as well as implement the solutions in a different environment?
- :: How do they define their actions in relation to government activities and to other active organizations?
- :: How can they achieve the greatest effect?
- :: How can they succeed in contributing their specific characteristics beyond their funding to maximize the common good?
- :: How can they create the necessary transparency and increase their legitimacy in society?

Goal of the study

The goal of this study is to investigate the challenges and areas of potential and offer food for thought regarding the further development of the foundation sector. The study does not want to provide any final answers, but instead provoke further discussion about foundations both within and outside of the foundation sector. This will be achieved by identifying the most relevant questions pertaining to the future of foundations and examining them from various perspectives. The study draws a conclusion regarding each individual aspect. It offers possible answers and highlights areas which demand action as well as potential options. It hones them in its argumentation and paints a vision for the “Future of Foundations” in an overall view of the situation.

If in doing so, the study brings a fresh look and new determination into the debate, it will have achieved its goal.

A Fresh Look – How this study was designed and conducted

The **focus** of this study is on the institutional manifestation of philanthropic commitment. Beyond that, the study will also examine aspects of donating as an act of philanthropic giving. The main characteristic is the founder's intention to permanently give up a portion of their financial means and in doing so, make a contribution to the general good, i. e. give some of the assets they have accumulated back to society at large. This intention can either be expressed through the founding of one's own foundation, but also come in other forms, such as donations, endowments, foundation trusts, as well as venture philanthropy. The importance of the aforementioned alternatives to forming a foundation has increased in the discussion and will be included in the examination on a case-by-case basis.

Focus on foundations as the institutional manifestation of philanthropic commitment

The term “foundation” does not have one standard definition. A variety of different definitions can be found in the literature that address different aspects, such as the legal form¹. For the following study, a comprehensive, generally recognized definition was used which encompasses institutional, financial, and purpose-oriented aspects:

Foundation “A group of assets with legal personality designated to fund a specific purpose determined by the founder on a continuing basis through an institution created solely for this reason.”²

Definition: Foundation

Speaking of the foundation “sector” can give one the impression of structural homogeneity, which in reality is in fact contrast with immense diversity – based on the foundation's assets, type, autonomous status, age, and scope of operation, a differentiation can be made between large and small foundations, public and private foundations, independent foundations and trust foundations, foundations which only provide funding and those which carry out their own activities, permanent foundations and those which cease to exist after fulfilling their mission or donating all of their funds, as well as foundations with either a local, regional, national, or international focus. In general, the “Future of Foundations” views the entire foundation sector as a whole, without exhaustively covering all the specifics of the sector. The relevance of the individual future issues which have been identified varies based on the foundation's assets and type as well as scope of operation.

Heterogeneous foundation sector

1 “An umbrella term for a complex variety of entities which can be enshrined in private, public, and church law.” Source: Association of German Foundations

2 Freiherr von Campenhausen, Axel: Geschichte des Stiftungswesens in: Bertelsmann-Stiftung (Hrsg.) Handbuch Stiftungen, 2. Aufl. 2003

In certain sections, the focus is on large and medium-sized foundations constituted under civil law as the “prototypical” foundation.

The main focus of this study is on the German foundation sector. Certain developments in the United States and Europe³ were examined in order to draw comparisons, particularly with regard to innovation and effectiveness.

The research conducted for the study began in September 2013 and was completed in May 2014. It is primarily based on three methodological elements:

Foundation of the study:
three methodological
elements

1. Literature and Press Research	2. Interviews	3. Workshops
<div></div> <div><div>:: Academic studies</div><div>:: Surveys</div><div>:: Professional articles</div><div>:: Essays</div><div>:: Speeches</div><div>:: Press</div></div>	<div></div> <div><div>:: 60 structured interviews</div><div>:: Interviewees</div><div>- Foundation representatives</div><div>- Scholars from a wide variety of fields</div><div>- Consultants</div><div>- Company representatives</div><div>:: Europa, USA</div></div>	<div></div> <div><div>:: Workshops with a group of experts in Germany</div><div>- Role and positioning, issues and content</div><div>- Innovative ability, transparency, impact</div><div>- Cooperation, vision</div><div>:: Workshop with a group of experts in the US</div><div>- Innovation and impact</div></div>

Figure 1: Methodology

Quantitative data comes from publicly available statistics and reports, particularly from the Association of German Foundations. Complete surveys of the foundation sector are not available. Available data usually applies to individual areas of the sector (such as foundations with specific constitutions), specific periods of time, or varied groupings of the population, such as in the case of surveys. In any area without a sufficient pool of data available regarding individual issues, the study fell back on qualitative representations and qualified (expert) assessments.

Sources

The participants were generally quite willing to hold discussions and participate within the scope of interviews and workshops. The authors of the study would like to thank all those interviewed in the United States and Europe for their time and willingness to speak with us.

3 Particularly Great Britain

Very special thanks go to the group of experts:

- :: Prof. Helmut K. Anheier, Sociologist and Dean of the Hertie School of Governance
- :: Nelson Killius, Director, Kabel Deutschland Holding AG
- :: Dr. Wilhelm Krull, Secretary-General of the VolkswagenStiftung and Chairman of the Association of German Foundations from 2008 to 2014
- :: Elisabeth Niejahr, Berlin correspondent from DIE ZEIT newspaper
- :: Dr. Andreas Rickert, Chairman of the Managing Board, PHINEO gAG

Further thanks go to those responsible at the Robert Bosch Stiftung.

In **Section 3**, the study focuses on the changes in civil society. It analyzes key developments, identifies civil society's new areas of activity, and the resulting options for foundations.

Structure of the study

Section 4 outlines the major developments within the German foundation sector. It analyzes the specific characteristics of foundations and the extent to which foundations can tap their existing potential to solve societal issues.

Sections 5 to 7 are dedicated to future issues. They determine foundations' positioning within the understanding of their role and their areas of focus (section 5), identify the focus of foundation activities within the dimensions of effectiveness, innovation, transparency, and strategy (section 6), and finally, examine aspects related to resources and partnerships (section 7).

Section 8 frames the resulting future agenda for founders and foundations within a singular vision and highlights eight aspects of future of foundations in the year 2030. They create the space for the opportunities founders and foundations will have in the next 15 years.

3

The Changing Face of Civil Society – Which developments can be observed and how they challenge the foundation sector

Thoughts on the future of foundations have their origins in civil society. As organizations that “have a formal structure, are organizationally independent from the government, not profit-oriented, are managed independently, and to a certain extent live from voluntary contributions,”⁴ foundations are considered a part of the Third Sector. They are the “vehicle for civic involvement and activities in civil society”⁵.

3.1 Civil Society and Its Characteristics

The term civil society stems from Aristoteles. Its history stretches from Thomas Hobbes, John Locke, Alexis de Tocqueville, Adam Ferguson, and Friedrich Hegel to Karl Marx and Antonio Gramsci⁶. As such, it is associated with a wide variety of connotations and normative reference points and its definition is varied and, even in the study of civil society, is “not particularly consolidated.”⁷ The use of the term civil society combines such different issues as “descriptions of conditions, normative value judgments, and future designs.”⁸ This study uses a modern⁹ understanding of civil society:

Civil Society

“The sum of all institutions, organizations, and individuals in the space between family, government, and the market, in which people voluntarily join together in order to promote mutual interests”

Definition: Civil society

As the “space between the government and the market,”¹⁰ civil society is marked by the following characteristics:

4 Priller, Eckhard, Zimmer, Annette: Der Dritte Sektor: Wachstum und Wandel, Gütersloh 2001, p. 11

5 Spengler, Norman, Hubrich, David-Karl, Tamm, Timo, Alscher, Mareike, Priller, Eckhard: Landkarte zur Datenlage Dritter Sektor/Zivilgesellschaft, p. 11

6 Schade, Jeannette: Zivilgesellschaft – eine vielschichtige Debatte, INEF-Report Heft 59/2002

7 Spengler, Norman, Hubrich, David-Karl, Tamm, Timo, Alscher, Mareike, Priller, Eckhard: Landkarte zur Datenlage Dritter Sektor/Zivilgesellschaft, p. 7

8 Adloff, Frank: Zivilgesellschaft – Theorie und politische Praxis, 2005, p.

9 Anheier, Helmut K., Glasius, M. Kaldor, M.: Global Civil Society, 2001, p. 8

10 Münkler, Herfried: Was bewegt die Zivilgesellschaft und wohin führt das? 2006

Characteristics of civil society

Civil Society	Rationale	Active Members	Characteristics
	Self-Organization vs. governmental top-down logic	:: Individuals :: Institutions :: Groups with varying levels of organization	:: Autonomy :: Normative and democratic focus :: Discursive practices
	Understanding, Dispute, and Negotiation vs. purpose-rational, market-based activities	:: Initiatives :: Movements :: Networks :: Associations	:: Critical potential :: Socially integrative element
	Public Spirit and Community vs. a society increasingly focused on the individual	:: Foundations :: NGOs	

Figure 2: Characteristics of Civil Society¹¹

If one looks at the development of civil society in Germany during recent years, the following changes can be seen:

- :: The willingness to participate in civic engagement activities has increased – This particularly applies to individual involvement. As such, the share of citizens in Germany willing to participate in such activities has increased by around 40 % in the last ten years.¹² The number of organizations in the Third Sector has to grow to its highest level in recent years, numbering 616,000¹³.
- :: Civil society has become more diverse – New, less rigid civic involvement structures are gaining in importance dedicated citizens value choices and flexibility when it comes to the scope, content, and amount of time they personally invest in such activities. The trend is moving away from the “classical honorary positions” and organizations that are characterized by member structures. Instead, a growing number of networks are developing as well as “externally focused organizations, whose activities increasingly also benefit third parties.”¹⁴
- :: Civil society is characterized by new dynamics – New technologies and forms of communication increase reach and allow individual groups to mobilize rapidly. They not only make it easier to organize activities in civil society, but also increase the public’s awareness of them, as illustrated by the activities of ATTAC or the Occupy Movement.

More engagement and more diversity

11 Sources: Kocka, Jürgen: Chancen und Herausforderungen einer alternden Gesellschaft, in Staudinger, U.M., Häfner, H. (Hrsg.): Was ist Alter(n)? 2008 und Schaade, Jeanette: Zivilgesellschaft – eine vielschichtige Debatte, INEF Report 59/2002

12 BMFSFJ: Hauptbericht des Freiwilligensurveys 2009,, p. 127

13 Zivis Survey 2012 – Zivilgesellschaft verstehen, 2013, p. 33

14 Zivis Survey 2012 – Zivilgesellschaft verstehen, 2013, p. 26

- :: New areas of focus have been formed – Today the focus is primarily on citizen and consumer interests, health care, international solidarity, and upbringing and education. A total of 40 % of the organizations which exist today in these areas were founded after the year 2000.¹⁵
- :: Civil society has developed a new self-image. People and organizations active in civil society increasingly view themselves as a “source of inspiration and ideas for social change.”¹⁶ Dedicated citizens have become more impatient and no longer wait for others to provide solutions, and instead take the initiative, develop solutions themselves, and put them into practice.¹⁷

More energy, new issues, new self-image

The civil society of the present is characterized by a new and wide diversity and a “change in form.”¹⁸ Its reach has increased – thanks to the use of new technologies, shifting areas of focus, as well as a more self-confident understanding of one’s own role and options for taking action.

3.2 Key Developments in and New Areas of Activity for Civil Society

Civil society is a key element of democracy. It is the “space of civil liberty.”¹⁹

It protects against government infringements into personal privacy, observes and controls state power, promotes citizens’ democratic and participatory socialization, and contributes to the articulation of shared values and societal interests outside of political parties and parliaments. And “civil society is consistently trusted far more than government, business, and the media at a time when trust is by far the most valuable currency.”²⁰

Its future areas of activity will be determined by the respective societal conditions. These can be differentiated from one another based on the respective society’s level of democratization:

Civil society has different areas of activity depending on the level of democratization

- :: During the transformation from authoritarian states (or partially authoritarian states) in which democratization processes are taking place, civil society’s job is to conquer areas of activity against limits set by the state as well as to support participatory and pluralization processes (“newly forming democracies”).
- :: In more mature, developed democracies with a comparatively long tradition of civil society, an increase in duties for civil society can be observed in light of new societal developments and challenges (“new needs” and “new balance”).

15 Zivis Survey 2012 – Zivilgesellschaft verstehen, 2013, p. 19

16 Zivis Survey 2012 – Zivilgesellschaft verstehen, 2013, p. 33

17 Niejahr, Elisabeth: Das Netzwerk nebenan, in: DIE ZEIT, 9.8.2012, Nr. 33

18 Klein, Ansgar: Der Diskurs der Zivilgesellschaft, 2001, p. 260

19 Biedenkopf, Kurt: Zur ordnungspolitischen Bedeutung der Zivilgesellschaft, Freiburger Diskussionspapiere zur Ordnungsökonomik, No. 13/12,, p. 15

20 Ingrid Srinath, former Secretary General of CIVICUS, in: The World Economic Forum: The Future Role of Civil Society, January 2013

Civil society plays a key role in democratization processes

Newly Forming Democracies – Civil society takes on a key role in democratization processes. Transformation research differentiates between different stages of the transformation process, in which civil society forms different structures and takes on different functions: liberalization (right granted on a limited basis, resulting in a strengthening civil society as opposition to the authoritarian state), democratization (more freedom for civil society due to the dissolution of existing political institutions, differentiation and function as a positive power for shaping the new democratic state, simultaneous weakening through the transition into new institutions and organizations), and consolidation (reduction in civil society's influence, institutionalized players come to the fore).²¹

Civil society takes on a key role in the step-by-step process of delegitimizing the regime.²² It is the engine for a plurality of opinions and perspectives (which cannot be enacted by the government) and strengthens society's ability to self-organize.

New, virtually “familiar” areas of activity for civil society result in proportion to the extent to which civil liberties and freedoms are restricted in totalitarian states (and semi-totalitarian states) around the world.

New ways of operating

New Needs – Changing realities of life allow “white spots” to appear wherever proven practices no longer work and no new practices have taken their place. A number of initiatives from the realm of civil society exist that are tackling these “white spots” and place them on their own map of activities. The following are two examples:

- :: Increased mobility and new family structures lead to the fact that it no longer goes without saying that social assistance and support duties (the grandparents as babysitters, the daughter as the parents' taxi driver) will be provided by members of the family. **New, local support structures** are needed. The initiative “welcome” operates in this field, helping couples and single parents without help from family or friends take care of everyday tasks after the birth of their child.²³
- :: **The cultural and linguistic integration of migrants** is one of the greatest challenges in Germany as a country with a large number of immigrants. State-initiated and financed programs define areas of focus (such as learning the language). Often times, however, continuous, local monitoring and assistance is required in individual and different life situations. In this area, civil society organizations offer support, such as the Hamburg-based association “Bridge of Cultures,” which provides assistance to immigrants entering the workforce.²⁴

21 Presented on the basis of: Klein, Ansgar: Der Diskurs der Zivilgesellschaft, 2001

22 Klein, Ansgar: Der Diskurs der Zivilgesellschaft, 2001

23 P. www.welcome-online.de

24 P. www.brueckenderkulturen.de

In these problem areas, civil society is the “closest local force.” It is characterized by a “closeness to the issues”²⁵ and as such, is best suited to shape activities on its own authority in these newly created “free spaces” and establish functioning solutions.

New Balance – In light of the complex and wide-ranging future social challenges, new questions arise regarding the distribution and sharing of duties and responsibilities. In particular, the organization of state subsidiarity²⁶ in relation to civil society moves into the focus of considerations.²⁷ This can be illustrated by taking a closer look at two aspects as examples:

New distribution
of duties and responsi-
bilities between the
sectors

- :: The German concept of government – in contrast to the American, for example – is defined by the idea of an all-embracing state with social obligations. The public spirit is shaped by regulatory policy. This leads to responsibility being delegated to the government. Self-responsibility and independence on the part of the citizens, and as a result, their power of subsidiarity, is weakened. When, in such cases, too little is asked of civil society, it entails significant risks for society’s future cohesion, particularly when public institutions do not have the tools necessary to adequately react to new living conditions. Civil society entering (or reentering) these areas of activity becomes an absolute necessity.
- :: In a global context, an environment has been created as a result of higher volatility and increasing complexity, expanding interdependencies, and a wide range of different active organizations which presents the state with new challenges. It reaches the limits of its ability to solve problems. This results in regulatory holes and “institution-free areas” in globalized political arenas²⁸. Unsolved questions of governance lead to “imbalance(s) between the powers of globalized markets and their ability to be managed and controlled.”²⁹ The consequence is crisis-like conditions, such as the financial and economic crisis. And a field of activity opens up for civil society here as well.

The consilience of too little being demanded of civil society on the one hand and too much being demanded of the state on the other (whether at the local or global level)

Too little demanded of
civil society while too
much demanded of the
state

25 Biedenkopf, Kurt: Zur ordnungspolitischen Bedeutung der Zivilgesellschaft, Freiburger Diskussionspapiere zur Ordnungsökonomik, No. 13/12, p. 15

26 The principle of subsidiarity has its roots in Catholic social teaching: “Wo die eigenverantwortlichen Kräfte des Individuums oder kleiner Gemeinschaften überfordert werden, ist die Tätigkeit der übergeordneten Gemeinschaft als ergänzende gefordert und zulässig (Activities of the overarching community in a supplementary role are required and acceptable wherever the self-responsible powers of the individual or smaller communities are overburdened)” (Adloff, Frank: Zivilgesellschaft – Theorie und politische Praxis, 2005, p. 117)

27 Palmer, Christoph: Staat und Bürgergesellschaft. Wie können Politik und Staat eine Stiftungskultur für öffentliche und soziale Aufgaben schaffen? In: Anheier, Helmut K (Hrsg.): Stiftungen für eine zukunfts-fähige Bürgergesellschaft – Gedanken für eine Generation von Erben, 1998, p. 51-63

28 Anheier, Helmut K.: Zivilgesellschaft und Krisen: Dahrendorf’sche Reflektionen, in: Leviathan, Jahrgang 40, Heft 3, 2012, p. 425

29 Anheier, Helmut K.: Zivilgesellschaft und Krisen: Dahrendorf’sche Reflektionen, in: Leviathan, Jahrgang 40, Heft 3, 2012, p. 423

calls the future viability of our society into questions. This phenomenon can only be eliminated through a revitalized civil society that actively enters the newly created areas of activity not as a stopgap, but as a competent power, as well as a state that makes this possible: “Civil society’s time has come.”³⁰ Or to put it another way: Germany needs a new culture of subsidiarity.

3.3 Foundations’ Options for Shaping Civil Society

Foundations particularly well-suited to solving societal problems and strengthening social cohesion

The developments presented illustrate approaches for new “vitality” in civil society – increased diversity and a more dynamic environment as well as a new self-image which is developing meet upon newly resulting needs and areas of activity. This also results in new freedoms and options for shaping the environment for foundations as organizations active in civil society. Compared to other civil society organizations, foundations are particularly well suited to help solve societal problems and strengthen social cohesion. Their financial autonomy, their independence from the market and politics, as well as their high level of acceptance in society gives them options that others (whether the government, businesses, or civil society) do not have (at least not to the same degree). These options give foundations one-of-a-kind potential: “Foundations are in the most privileged situation of all.”³¹

Newly-resulting areas of activity as a new opportunity for foundations

The future of foundations lies in the ability to utilize this “most privileged of situations.” The newly resulting areas of activity represent a new opportunity for foundations:

- :: They invite foundations to play a role in shaping society – anywhere “white spots” result and creative, new approaches which are closely tailored to the current state of affairs are needed, as well as on a systemic basis to explore the new interrelationship between the state, business, and civil society.
- :: It gives them the opportunity to take on a proactive role from their position within civil society and in collaboration with other active organizations – the role of a catalyst for new developments.

If foundations decide to take advantage of this opportunity – which some may also view as a responsibility – then they will only be able to achieve the maximum possible in the spirit of the common good when they operate in line with the principles “strategic focus,” “maximum effect,” and “highest quality.” The following section looks at the individual qualities which characterize foundations and how they can not only utilize the options available to shape society in the future of foundations, but also get the absolute maximum out of them.

30 World Economic Forum: The Future Role of Civil Society, January 2013, p. 7

31 Adloff, Frank: Wozu sind Stiftungen gut? Zur gesellschaftlichen Einbettung des deutschen Stiftungswesens, in: Leviathan – Zeitschrift für Sozialwissenschaft, Heft 2, p. 269-285

4

Between Preservation and Change – The characteristics that shape the foundation sector and how it currently presents itself

4.1 An Overview – Facts, figures, data

The German foundation sector is characterized by impressive growth – the number of foundations³² has increased by around 70 % in the past ten years, from 12,088 (2003) to 20,150 (2013). On average, two new foundations are founded each day. The number of newly founded foundations reached its peak up until that time in 2007, with 1,134 new foundations.³³

About three-quarters of the foundations have total assets available of up to one million euros

Based on the number of foundations which exist, people occasionally speak of a boom. A more nuanced view results when looking at foundations by size: about three-quarters of the foundations have total assets available of up to one million euros. The share of large foundations (with foundation assets of more than 10 million euros) has increased slightly over time, yet remained relatively stable at five percent during the last few years. Only one percent of foundations hold assets in excess of 100 million euros.

When examining the fields in which the foundations are active, only marginal over shifts can be seen over time: the importance of education and upbringing, arts and culture, and environmental protection has increased at the expense of the fields social aims as well as science and research.

³² Based on the incorporated foundations recognized by the Association of German Foundations, see the Association of German Foundations: Foundations in Figures

³³ Bundesverband Deutscher Stiftungen: Stiftungen in Zahlen 2013

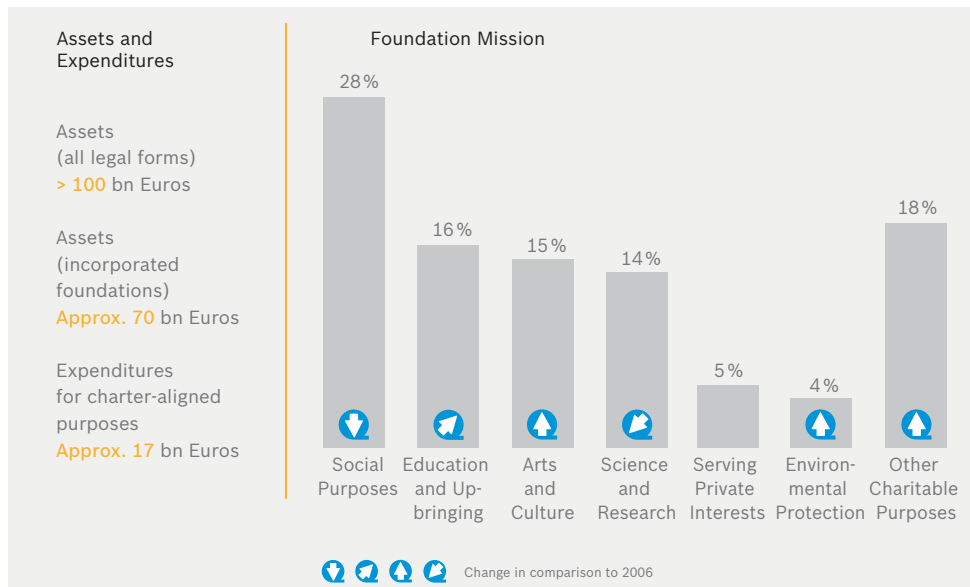


Figure 3: The World of Foundations in Germany³⁴

The foundation sector in the United States is much larger than the German sector. In 2011, a total of 81,777 foundations were active in the US³⁵. In the same year, these foundations held combined assets of approx. 662 billion US dollars and put approx. 49 billion US dollars to use³⁶ – a massive amount compared to Germany. The 50 largest American foundations together held over 30 % of total foundation assets in 2011 and put a total of 32 % of available foundation assets to use. The largest foundation in the US, the Bill & Melinda Gates Foundation, employed 7 % of total available funds alone. And the sector is also growing in the United States, with the number of foundations climbing to 86,192 in 2012³⁷.

When examining the fields in which American foundations are active, one sees a focus on similar areas as in Germany. A total of 27 % of all grants were allocated in the field of “Human Services,” followed by “Education” (19 %), “Health” (13 %), “Arts and Culture” (13 %), and “Public Affairs” (12 %).³⁸

The foundation sector is characterized by great diversity – which is not only expressed through size and foundation mission. Foundations can be classified based on different characteristics:

³⁴ Source: Bundesverband Deutscher Stiftungen: Stiftungen in Zahlen 2013, Stiftungsreport 2006

³⁵ see Foundation Center: <http://data.foundationcenter.org/#/foundations/all/nationwide/total/list/2011>

³⁶ ebenda

³⁷ see: <http://foundationcenter.org/gainknowledge/research/pdf/keyfacts2014.pdf>

³⁸ see: <http://data.foundationcenter.org/#/fc1000/subject:environment/all/total/list/2011>

Foundation sector in the United States much larger than in Germany

Lifetime	“Classic” Foundation	... established for an indefinite period (preservation of assets)
	Limited Term Foundation	... established for a temporary period (consumption of assets)
Legal Form	Public-Law	... subject to public law Usually established by law
	Private-Law	... subject to private law particularly charitable foundations, for example
Legal Entity	Independent	... i.e. its own legal entity
	Dependent	... i.e. not its own legal entity
Means of Fulfilling its Mission	Grant-Awarding	... supports third party (awards grants, carries out supporting measures)
	Operative	... carries out its own projects
Origin of Assets	Donation-Accepting Foundation	... fulfills its mission through active fund-raising and endowments
	Company-Dependent Foundation	... supporting foundation: operates a commercial enterprise
		... holding foundation: holds majority stakes

Figure 4: Overview of Classification by Foundation Type (Selection)³⁹

Community foundations and limited term foundations are two examples of relatively new types of foundations.

The concept of a **community foundation** originated in the United States. Community foundations are charitable foundations by citizens for citizens. Within the scope of a broadly defined foundation mission, they are primarily active at the local level and have great potential to mobilize the community thanks to their participative approach. The first community foundation in Germany was founded in 1996. Since then, the number of community foundations has grown impressively. There are currently 259 community foundations in Germany with a seal of approval⁴⁰. Even more impressive, however, is the growth of their total assets – from 2003 to 2013, community foundation assets increased more than tenfold, from about 20 million euros to 216 million euros⁴¹. When viewed over time, we see a clear shift toward larger community foundations. In line with their primarily local and regional roots, their areas of focus lie predominantly in the fields of education and upbringing as well as youth services.

Community foundations: local civic involvement

39 Source: Bundesverband Deutscher Stiftungen, Centre für Philanthropy Studies/ceps

40 The seal of approval is awarded by the Association of German Foundations

41 Source: Initiative Bürgerstiftungen: Bürgerstiftungen in Zahlen 2013

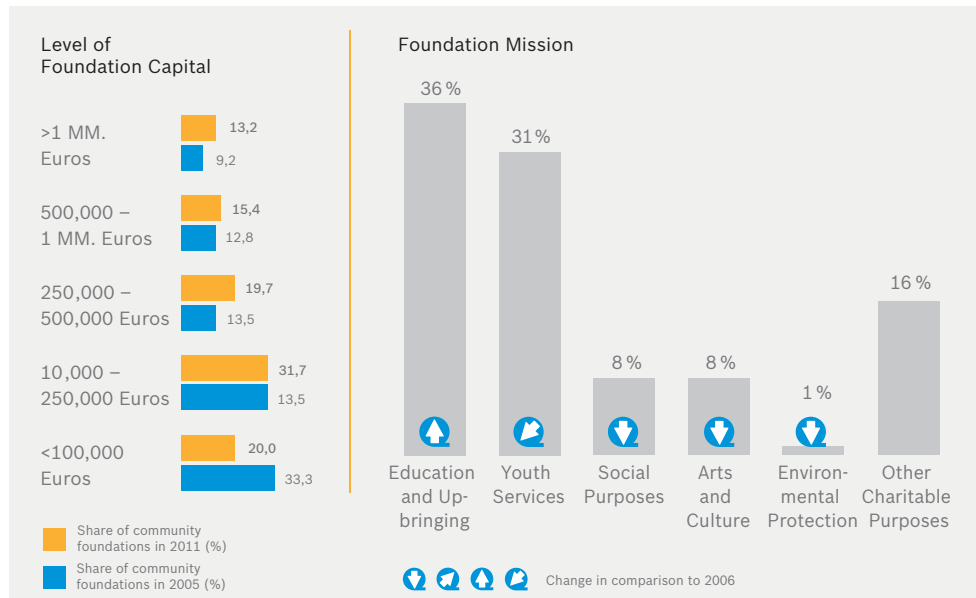


Figure 5: Community Foundations in Germany⁴²

The **limited term foundation** is a relatively new phenomenon in Germany.

It was introduced in 2013 with the German “Gesetz zur Stärkung des Ehrenamtes” (“Law to Strengthen Volunteer Work”). In contrast to the “classic foundation,” limited term foundations can not only employ investment income, but instead their entire assets for their foundation mission. They are “temporary foundations” so to speak, and by law must exist for at least ten years. They represent an attractive alternative to the classic foundation, particularly for smaller asset amounts and the short-term implementation of the foundation mission – and do so not only in periods with low-interest rates. The current number of limited term foundations is currently being calculated by the Association of German Foundations. The most well-known limited-term foundation is probably the Bill & Melinda Gates Foundation.

Limited term foundations an attractive alternative

4.2 Characteristics of Foundations

The act of creating a foundation is deeply personal: “The modern foundation is difficult to separate from the identity of the founder.”⁴³ Motivated by the desire to give a portion of their assets back to society and get involved over the long term, the founder permanently gives up a portion of their assets. They are, to a large extent, free to choose the purpose for which the funds are used –⁴⁴ foundation missions are often motivated by the founder’s personal history and as such, range from preserving the habitat of certain types of animals to international understanding to combating diseases.

Foundation missions usually based on personal motivations

⁴² Source: Initiative Bürgerstiftungen: Bürgerstiftungen in Zahlen 2013

⁴³ Adloff, Frank: Wozu sind Stiftungen gut? Zur gesellschaftlichen Einbettung des deutschen Stiftungswesens, in: Leviathan – Zeitschrift für Sozialwissenschaft, Heft 2, p. 269-285

⁴⁴ If the foundation is seeking non-profit status, which is normally the case, it only needs to take the provisions of the applicable tax code into consideration.

The lion's share of founders create foundations with the desire to personally be actively involved, with four of five founders establishing a foundation during their lifetime⁴⁵ and exercising control over the institution's activities.

Although foundations have a centuries-old tradition in Germany, the public image of foundations is extremely vague. According to a survey by the Allensbach Institute for Public Research,⁴⁶ a majority of Germans do not have a clear idea of what a foundation does.

What are the qualities which characterize foundations? Why are they attributed a certain uniqueness?

Characteristics of foundations

Compared to other organizations active in civil society, there are two qualities in particular which make foundations stand out:

- :: Financial independence – Foundations have their very own financial basis that lay out for the long term and, in principle, secures the foundation's existence in perpetuity. Whether a classic foundation or limited term foundation, foundations are completely free to make decisions regarding the use of their capital and/or associated earnings within the scope of their mission.
- :: Independence from the market and politics – When carrying out their activities, foundations are not subject to political election cycles; they operate in a politically independent manner. In addition, they are not subject to the pressure of short-term financial success, meaning they are disconnected from market activity.

Financial autonomy

Independence from the market and politics

These qualities mean that foundations can operate in an extremely unique way. They ...

Unique options available for taking action

- :: ... autonomously determine the issues which they want to focus on and advance. Their options are only limited by their stated foundation mission. And this is usually laid out so broadly that the foundation has significant leeway when it comes to selecting areas of focus. As such, they can also concentrate on unpopular issues or issues without majority appeal.
- :: ... can work on issues and support projects over longer periods of time. They have a lot of staying power, which allows them to be active in fields in which results can only be expected after a certain period of time.
- :: ... can "afford" to take risks as a result, since they do not need to worry about their future. They can accept uncertainties and failure.
- :: ... can be innovative. Foundations have the freedom to experiment without focusing on specific results. They can break new ground and try out new things.

⁴⁵ Timmer, Karsten: Stiften in Deutschland, Bertelsmann Stiftung, 2005

⁴⁶ Bundesverband Deutscher Stiftungen, Institut für Demoskopie Allensbach, BDO AG Wirtschaftsprüfungsgesellschaft: Stiftungen im Spiegel der öffentlichen Meinung, 2013

- :: ... can operate in a flexible and rapid manner, launch new projects more quickly, or go in a new direction while carrying out a current project.
- :: ... are well-accepted in all sectors thanks to their political and economic independence. Foundations are well respected among public institutions, other civil society organizations, and in the business world – the latter particularly because many founders generated their wealth as businesspeople.

Taken together, these qualities – freedom with regard to areas of focus, significant staying power, a willingness to take risks, innovative spirit, flexibility, and acceptance – give foundations a special, if not one-of-a-kind position which clearly sets them apart from over active members of civil society. It gives them special potential and makes them ideally suited to helping solve social issues – at least in theory.

Potential is not fully tapped

When examining the real world, we see that foundations are not tapping this potential to the degree expected:

Foundations financial assets comparatively small

- :: Foundations financial assets are comparatively small. The Association of German Foundations estimates that foundation expenditures for purposes set forth in their charter totals approximately 17 billion euros per year.⁴⁷ This corresponds to about five percent of Germany's federal budget.⁴⁸ This clearly shows that foundations' actual financial resources are often overestimated. However, foundations can use their funding in a comparatively flexible manner; they represent "funds available to play with." Ideally, these funds are used "intelligently," in the sense that they are used to trigger a leveraging or multiplying effect, for example by initiating a change in awareness or setting off political decision-making or opinion-forming processes. Foundation activities can only generate the maximum additional value when these leveraging and multiplying effects have been given active consideration.

Lack of focus

- :: The freedom to select areas of focus can occasionally lead to foundations getting involved in a large number of issues. Individual dialog partners refer to them as "alluring," since there are so many issues where active involvement would be worthwhile. On the other hand, giving in to this "allure" also means passing up on the opportunity to focus and concentrate the foundation's resources. Such focus, understood as intensively working on only select issues, opens up the ability to selectively achieve an increased effect, i.e. to qualitatively work better as a foundation.

Short-winded when carrying out activities

- :: Foundations often prefer to operate in a manner which strives to prove the exemplary success of new approaches in the projects they carry out themselves or those which they support. If this succeeds, the successful

⁴⁷ Bundesverband Deutscher Stiftungen: Stiftungen in Zahlen 2013,, based on foundations of all legal forms

⁴⁸ Bundesregierung 2014: Bundeshaushaltsplan 2014

approaches should rapidly be brought to scale or transferred to third parties. Support periods are then specified for shorter periods of time from the outset, usually between three and five years. This approach can lead to self-limitation – namely when foundations then rarely carry out projects whose success may first materialize over a longer period of time. The ability and opportunity to exercise staying power is wasted; the foundation world is then ruled by short-windedness.

- :: Risk considerations are often guided by a focus on the foundation's reputation. In the absence of a market, it is often the most important measure of a foundation's success. Prestige and recognition, the question of how the foundation's activities are viewed externally, stands in the center of considerations. This particularly motivates foundations associated with a private company and foundations who actively fundraise to fulfill their mission to take a more cautious approach.
- :: Foundations do not usually view themselves as organizations driving innovation. This is also due to the fact that their very nature lends them to stability. They are active in an environment which has little need for innovation.⁴⁹ In addition, the incentives are lacking. In contrast, it can be observed that the pursuit of an innovative approach occasionally is expressed through foundations publicly showcasing new and supposedly innovative findings. Combined with the fear of missing a new trend, this can lead to a certain kind of "herd mentality."⁵⁰

Focus on reputation

Lack of incentive to innovate

As is clear, realizing the potential that results from foundations' specific qualities is in no way a matter of course. This primarily lies in the fact that market mechanisms do not exist which can have a corrective effect:

Lack of corrective mechanisms

49 Leat, Diana: The Future of Philanthropy, The Philanthropy Australia Conference, Sydney, März 2003

50 Bundesverband Deutscher Stiftungen: Stiftungsreport 2012/13 Auftrag Nachhaltigkeit – Wie Stiftungen den sozialen Zusammenhalt stärken, 2013, p. 81



Figure 6: Consequences of Missing Market Mechanisms

As such, the foundation sector develops into a largely self-referential system, which represents a challenge to maximizing foundations' contribution to the general good.

The Bottom Line

The bottom line

- :: Their specific qualities give foundations a special ability to play a key role in solving societal issues.
- :: In reality, however, foundations often fail to fully tap this potential. This is primarily due to the fact that foundations operate in a market-free space.
- :: In order to better mobilize their inherent potential to help solve societal issues, foundations must consciously grapple with and counteract existing incentives (and misguided incentives).
- :: Foundations can, for the most part, "make themselves comfortable," since doing so will not have any consequences. If they want more, they need to get active. The market will not correct the situation on its own.

4.3 Developments and Prospects in the German Foundation Environment

Trends which influence future foundation operations

In addition to the previously presented developments which shape civil society⁵¹, there are three trends in particular which will impact foundation operations in the future:

- :: Foundations need to learn how to operate in a society as a whole which is characterized by complexity, volatility, and uncertainty.
- :: New founders and tools for philanthropic activities are coming to the fore. The foundation world must deal with them.

⁵¹ See Section 3

- :: Foundations are increasingly moving into the public consciousness. The public is continuously growing more aware of foundations and as a result, foundations as a civil society organization are increasingly become a topic of discussion themselves.

New Starting Conditions Due to Increasing Complexity and Joint Responsibility for Effective Solutions

Today's societies, including German society, are without a doubt becoming more complex. This increase in complexity finds its expression in an "expansion and consolidation of interdependencies between events, actions, and structures."⁵²

In this context, in the social dimension we see "growing social complexity in increasingly disjointed combinations of conflicts of interest and interpretation between active members" – which for foundations is likely an especially interesting point of reference.⁵³ Complexity and declining reliability in structures and combinations are both aspects which foundations need to take into account when carrying out their activities. In addition, the volume of available data and information is growing thanks to new technologies; the frequency and intensity with which information and ideas are exchanged increases. Issues such as climate change, migration, and growing income inequality demand new problem-solving skills. To the extent to which foundations decide to play a role in examining and solving these issues, they are faced with the challenge of understanding the complexity of social reality and assuming responsibility here together with other active members. In light of this situation, collaboration with other active members of society is gaining a new level of importance.

Challenge of understanding the complexity of social reality and assuming responsibility here together with other active organizations

A further challenge for foundations exists in the consequences of the economic and financial crises. Lower interest earnings and the resulting decline in available funding leads to the question of how to employ the lower quantity of available funds in the most efficient way possible. Based on current estimates, up to 33 % of foundations can no longer fulfill their stated mission due to a lack of financial resources.⁵⁴ Regulatory bodies' practice of viewing the mandatory preservation of assets as fulfilled through nominal capital preservation cannot be viewed as a long-term strategy. Here the question arises of how to deal with these "idle" foundation assets in the future in order to mobilize it and a sustainable manner for the general good pursuant to the foundation's mission.⁵⁵

Dealing with lower interest earnings

Foundation activities are faced with increased demands in this regard – in order to

52 Werle, Raymund, Schimank, Uwe (Hg.), Gesellschaftliche Komplexität und kollektive Handlungsfähigkeit, Frankfurt/New York 2000, p. 9

53 ebenda

54 STIX_Stiftungsindex, Umfrage 2014

55 Hüttemann, Rainer, Rawert, Peter: Die notleidende Stiftung, ZIP Zeitschrift für Wirtschaftsrecht 2013, 2136

Intelligent use of resources and partnerships

make a substantial contribution to the general good, a wide variety of skills are required. The type and form of collaboration with other active members of civil society is taking on a new position of importance. The focus is shifting toward the intelligent use and combination of available means from different partners in the form of funding, but also especially skills.

Foundations need to find the answers to the following questions:

- :: Which role should they play, do they want to play, and can they play in the future?
- :: How can they generate the greatest effect?
- :: How can foundations work with other active members of civil society, and to what goal?
- :: How can they best use internal and external resources?

New Active Members of Civil Society and New Tools

New founders

The foundation sector is being guided in a more entrepreneurial manner and by economic principles more strongly than before. This development is primarily being driven by young founders from the United States, such as Jeffrey Skoll, Pierre Omydar, and Dustin Moskovitz. They accumulated their wealth in the IT, internet, or financial industry and are incorporating their proven recipes for success in these fields into their philanthropic activities. They operate strategically, in a goal-oriented and take-charge manner, and in doing so are bringing a breath of fresh air into the foundation world. In Europe, this development is being shaped by foundation executives with a background in the private sector.

New tools

When it comes to the tools, increasing tools are being used which are characterized by democratic participation. This includes crowdfunding, a financing model in which a larger number of interested, private citizens can help finance a project, usually carried out using a web-based platform. Using this model, an estimated six million euros was “collected” in Germany between 2011 and 2013⁵⁶. In contrast, the goal of crowdsourcing is not to collect funding, but instead to use the crowd as a source of ideas. This model gives foundations the opportunity to make use of a participatory approach to selecting issues of focus or allocating funding.

Technological progress has brought forth new forms of participation and self-organization. It gives organizations the ability to continuously measure the “social pulse” and interact with a wide variety of different active members of civil society. German foundations have been slow to get on board in this regard – an analysis of their presence on popular social media channels shows that based on a random sampling⁵⁷,

⁵⁶ Statista: Crowdfunding – Statista Dossier 2013, 2013

⁵⁷ Zehn größte Stiftungen privaten Rechts nach Vermögen, Stiftungen in Zahlen 2012, Bundesverband Deutscher Stiftungen, 2010

a presence on social media is not a given. Participation-driven formats are still rarely used overall.

The innovations that are arousing significant curiosity within the foundation sector include establishing and testing vehicles which combine charitable activities with the possibility of financial profit or reinvestment. Social Impact Bonds (SIB) are one example of this, which private investors use to finance social, charitable projects. In contrast to and independent of their success, the government pays the investors a return on investment from the savings achieved. The Esmée Fairbairn Foundation from Great Britain is one of the first foundations that invested in such bonds about three years ago. In Germany, the first SIB is being tested by the state of Bavaria in collaboration with the Benckiser Stiftung Zukunft and various investors.⁵⁸ Here we see a new philosophy behind philanthropic activity – social commitment combined with financial profit.

Social Impact Bonds

Young founders' entrepreneurial way of thinking, new democratic approaches, and tools which combine charitable activities with the "recycling" of funds mean that in the future, foundations will need to give more consideration to the impact and efficiency of their operations and make clear decisions regarding which new approaches and business models they want to use in the future.

They will have to answer the following questions:

- :: How do foundations deal with a culture that is more strongly shaped by strategic and entrepreneurial thinking?
- :: How can they maximize their impact and added value?
- :: How innovative are they?

New Attention and Critical Supervision

More than half of the foundations which exist today were founded after the year 2000.⁵⁹ The increasing number of foundations shows that foundations' appeal has increased in recent years among people looking to donate. The appearance of globally active large-scale foundations which expand into completely new financial dimensions is a comparatively new phenomenon. This includes, for example, the Bill & Melinda Gates Foundation, which holds assets of approximately 25 billion euros. This corresponds to approximately one quarter of total German foundation assets. These foundations are led by their wealthy founders and set the tone for the worldwide discussion about foundations through their size and radius of operation alone. Their presence shapes how all foundations are viewed.

A small group of major foundations dominate public perception

58 Investors include the BHF Bank Foundation, two BMW foundations, and Bonventure. The goal is to place young people in Augsburg into jobs or vocational training programs. See Sozialarbeit mit Rendite, in: Handelsblatt, 27. Februar 2014, p. 26.

59 Association of German Foundations, Allensbach Institute, BDP AG accounting firm: The Public Image of Foundations. The number refers to private, incorporated foundations

Supposedly "small" community foundations are growing

On the other hand, with community foundations, we see an area in Germany that is growing which (initially) appears to have a rather small focus. The number of community foundations has grown rapidly in recent years, with their assets particularly gaining in size. Thanks to their participatory nature, they are becoming increasingly important at the municipal level. They play a key role in mobilizing and promoting civic involvement within the community.⁶⁰

Expansion of the academic debate regarding foundations

The examination of foundations from an academic perspective in various different fields has grown in importance since the 1990s.⁶¹ There are currently several university institutes and departments which study foundations and their work, for example in conjunction with the field of study Non-Profit Management.

Question of legitimacy

An increasingly critical discussion centered around the question of foundations' benefit to the public good and the associated tax breaks can also be observed. The government loses a portion of its tax revenue, and the more prominent the role of foundations becomes, the more the legitimacy of their activities is called into question.⁶²

Growing societal awareness of foundations

The growing number of foundations, the appearance of internationally active "super foundations," the growing importance of community foundations, as well as the growing academic scrutiny of the sector is causing an increase in the German public's overall awareness of foundations. This trend is expected to continue. Foundations and their activities will be observed more carefully. This scrutiny will also be accompanied by the debate regarding foundations' legitimacy, transparency, and impact.

In this context, in the future foundations will need to be prepared to answer the following questions:

- :: How can we demonstrate and secure an impact through foundation activities?
- :: How can we achieve greater transparency and legitimacy?

The Bottom Line

The bottom line

- :: The developments occurring in civil society offer foundations new opportunities and options for impacting society. In the future, their activities will particularly be shaped by three trends: the increasing complexity of societal issues and joint responsibility, new active members of civil society and new tools, as well as increased public awareness of foundations overall.

60 Verbandsmanagement Institut (VMI): Bürgerstiftung: Richtige Organisation zur richtigen Zeit, 2013

61 Waschetzko, Melanie, Maecenata Institut: Die Kultur des Stiftens – reaktualisiert und angewendet auf aktuelle Stiftungsdiskurse, 2008

62 Lorentz, Bernhard: Geben ohne Gegengabe? In: Geschichte in Wissenschaft und Unterricht, Jahrgang 63, Heft 1 / 2; Stiftungen: Fokus auf Wirkung in: Stiftung Mercator 51 Grad, Ausgabe 02.2012

- :: The questions that foundations need to answer in order to position themselves in the future apply to their position (role and issues), the focus of their work (impact, innovation, transparency, strategic approach), and their organization and resources (founders, executives and employees, partnerships).

The following chapters develop an agenda for the future for foundations. They identify options and guidelines for professional foundation management under consideration of foundation's special characteristics, and provide answers to the future questions of what, how, who, and with whom.

The agenda for the future begins with the changes that can currently be observed in civil society overall⁶³ as well as the developments and prospects that result within the foundation sector⁶⁴. The following considerations and findings regarding the “Future of Foundations” are guided by the belief that:

- :: Founders and foundations are, in general, willing to make use of the new areas of activity that civil society offers, as well as take advantage of the resulting opportunities
- :: They accept the responsibility that results from their institutional uniqueness
- :: They strive to achieve the maximum possible in terms of general societal good
- :: They want to operate as an organization professionally and in the best way possible

63 See Section 3

64 See Section 4

5

Future Agenda I – Determining the position: on foundation’s role perception and the future viability of their areas of focus and content

Developing options and guidelines for their activities as part of an agenda for the future begins at the core of the foundation – its mission and the content of its work. Two key questions that founders and foundations need to answer pertain to their positioning and/or profile: which role should the foundation take on? And which issues should the foundation focus on?

5.1 On Foundation’s Role Perception

A foundation’s perception of its role determines which function it wants to embrace within the context of society to achieve certain goals. In reality, both in a German and international context, one can find foundations which perceive their role differently. The remarkable range of different roles makes clear the significant creative leeway and high level of flexibility with which foundations can position themselves as a result of their special characteristics.

For each role outlined in the following, corresponding foundations are listed:



Patron – Foundations have “free” funding available to them. As a patron, they focus their role primarily on that of an organization which finances individual projects and programs. They make grants available – in line with their foundation mission – to support measures carried out by other active members of civil society and make civic involvement possible. Their focus is not on carrying out their own operations or activities on the issue. Instead, when it comes to the “meat and potatoes” of what they are striving to achieve, they position themselves through the supported activities of those who receive grants.

Foundations finance individual projects

The Andrew W. Mellon Foundation – Grant-making foundation focused on providing support related to issues such as education, art history, and museums⁶⁵

65 See The Andrew W. Mellon Foundation: <http://www.mellon.org/>

Foundations contribute specialized knowledge



Experts – Foundations position themselves as organizations with considerable knowledge of an issue. They contribute expert knowledge or long-term experience working on specific issues in order to enrich the public or professional dialog and help develop strategies and approaches to solving problems. Due to their independence, foundations which take on the role of active, issue-driven members of civil society are widely accepted.

The Hertie Foundation – A foundation focused on issues related to the work-life balance⁶⁶

Foundations contribute to the plurality of opinions being formed



Think Tank – The expert's role perception can be expanded to include the role of an “engine driving societal change on an issue.”⁶⁷ As an organization which creates concepts and ideas, foundations can specifically develop new approaches, often working in an interdisciplinary manner in collaboration with academia, and bring these into the public or professional discussion. In doing so, they contribute to the plurality of opinions being formed and in doing so bring new ideas into the societal debate.

Stiftung Neue Verantwortung – Innovative think tank for social change⁶⁸

Foundations meet specific needs



Service Providers – Foundations provide specific services to directly meet certain societal needs. Thanks to their comparatively high level of flexibility, foundations can usually react to an identified need for a service considerably more quickly than other civil society organizations, such as municipal decision-makers. In most cases these foundations use their own operative skills, and only occasionally hire third parties.

Central Minnesota Community Foundation – Supports and renders administrative and coordinating services, such as local initiatives to promote the arts among young people⁶⁹

66 See Hertie Foundation: <http://beruf-und-familie.de/>

67 Bundesverband Deutscher Stiftungen, Vodafone Stiftung Deutschland: Denken fördern – Thinktanks als Instrumente wirkungsvoller Stiftungsarbeit, 2011

68 See www.stiftung-nv.de

69 See Central Minnesota Community Foundation: <http://www.communitygiving.org/pages/ArtWORKS/>



Incubator – Foundations provide initial support for good ideas. They make an environment available to third parties which allows them to develop and pilot-test approaches and solutions whose viability has not yet been proven and which require a longer period of time to reach maturity. The comparatively low pressure to produce results and achieve success which foundations are subject to strengthens in taking on this role.

Foundations provide initial support for ideas

VolkswagenStiftung – “Experiment!” – Support for research projects with unconventional approaches, methods, or technologies⁷⁰



Capacity Builder – Foundations support the development of knowledge, skills, and structures among other active members of civil society⁷¹ so that they can complete their duties in a more systematic, effective, and sustainable manner. The philosophy which underpins this role is that financial aid alone is not sufficient to carry out professional, impact-oriented projects. Studies show that capacity building is most effective when it comprehensively takes existing needs into account and is tailored to specific needs.⁷²

Foundations support the development of knowledge, skills, and structures

Edna McConnell Clark Foundation – PropelNext program which networks 15 social organizations active in youth research with the goal of improving selection, learning, and evaluation processes⁷³



Agitators and Mavericks – Foundations can go beyond established and well-known ideas and pick up on, pursue, and spread unconventional ideas and approaches. They take on a new position, critically question proven concepts and approaches, shine a light on issues from a different angle, provoke others to think differently, and demonstrate alternatives.

Foundations critically question and demonstrate alternatives

Breuninger Stiftung – “New Life 100 Times Over” integration program for the long-term unemployed⁷⁴

⁷⁰ See VolkswagenStiftung http://www.volkswagenstiftung.de/foerderung/herausforderung/experiment.html?tx_itaofundinginitiative_itaofundinginitiativelist%5bcontroller%5d=FundingInitiative&cHash=29d4f3d9556a5d7f02d3a438b7a91ac7

⁷¹ Usually non-profit organizations

⁷² The Center for Effective Philanthropy: More than Money – Making a Difference with Assistance Beyond the Grant, 2008

⁷³ See Edna McConnell Clarke Foundation, PropelNext, <http://www.emcf.org/our-strategy/propelnext/>

⁷⁴ See Breuninger Foundation, <http://www.breuninger-stiftung.de/projekte/projektansichten/100mal-neues-leben.html>

Foundations represent the interests of excluded persons



Spokespeople – Foundations use their own reputation to make the voices of certain groups heard in a societal or political context. They represent interests and rights of excluded, poorly integrated, or underrepresented groups and organize a platform for their concerns and new opportunities for societal participation.

Oak Foundation – “Housing and Homelessness” program for the homeless⁷⁵

Foundations set standards



Developers of Standards – Foundations set standards and benchmarks in order to provide positive incentives for certain groups to take action on specific issues. In addition to the initial development standards, often these foundations oversee their introduction and implementation.

Vodafone Foundation – “Standards of Quality during Parental Leave” for better cooperation between parents and schools⁷⁶

Foundations become proponents of certain issues



Advocate – Foundations position themselves as proponents and representatives of certain social issues. As advocates, they make the respective issues accessible using fact-based information, increase the awareness of them, and position them in the public debate with the goal of initiating the desired changes.

European Climate Foundation – Road Map 2025 for a carbon-free economy in the EU⁷⁷

Foundations bring people together



Bridge-Builders – Foundations enjoy a high level of acceptance in the public and private sectors and civil society. Thanks to their independence, they are credible in their focus on issues. That makes them well-respected dialog partners on all sides. They have the potential – to a much greater extent than other organizations – to bring together active organizations from other spheres and mediate between different perspectives and interests as issues-oriented moderators.

Robert Bosch Stiftung – “Fostering Understanding and Reconciliation in Southeastern Europe” to promote the democratization and reconciliation of the region’s ethnic groups⁷⁸

75 See Oak Foundation, <http://www.oakfnd.org/node/1298>

76 See Vodafone Stiftung, http://www.vodafone-stiftung.de/pages/programme/family-proramm/presse/pressemitteilungen/subpages/vodafone_stiftung_deutschland_entwickelt_qualitaetsstandards_in_der_schulischen_elternarbeit/index.html

77 See European Climate Foundation, <http://europeanclimate.org/>

78 Robert Bosch Stiftung, <http://www.bosch-stiftung.de/content/language1/html/28989.asp>

In reality, foundations rarely fulfill their role (or roles) in the aforementioned, ideal form: “Of course, the lines dividing these roles are often blurred.”⁷⁹ Instead, depending on their mission they often simultaneously take on several roles in the different issues they are active in and then adjust these roles over the course of time.

If, in the future, foundations decide to accept the new opportunities and options that civil society offers and fully tap their inherent potential, then: how should the foundation reach a **decision** regarding its own positioning? And which **role (or roles)** should foundations fulfill **in the future**?

On the **decision-making process**: the interviews and workshops conducted within the scope of this study demonstrated that in the real world, different levels of importance are ascribed to the process of consciously defining the foundation’s own role – few foundations explain their role explicitly, such as the New Responsibility Foundation (Stiftung Neue Verantwortung), founded in 2009, does, clearly positioning itself as a think tank. In contrast, countless foundation representatives admit that their role and self-image was not so much actively discussed and articulated, but rather developed more or less “automatically” and implicitly over the course of time.⁸⁰

Few foundations explicitly explain their role

Countless foundations obviously have not established a systematic method in which their own role is derived from their mission in a stringent process. An explicit examination of the question as to which role a foundation wants to fulfill with regard to a certain issue in order to achieve their stated goals, or carefully weighing the pros and cons of different possible positions when moving toward the defined goal only takes place in rare cases.

Clarity regarding a foundation’s role perception, as a part of its strategic approach, leads to higher quality and the increased effectiveness of foundation activities.⁸¹ A structured, strategic discussion about their own role is necessary to develop internal clarity and a mutual understanding of the foundation’s positioning. And in turn, this is indispensable for the organization’s focus on a mutual goal as well as the systematic mobilization of the necessary skills and capacity.

On the **Roles of the Future**: the experts we interviewed do not believe any fundamentally different or new roles will emerge: “Foundations can fulfill the entire panoply of role perceptions.”⁸² The great majority sees the need to advance in two directions, however:

Future role:
Foundations as a platform for reflection and communication

79 Fleishman, Joel: The Foundation – A Great American Secret, 2009, p. 59

80 Interviews with foundation representatives, September 2013 – January 2014

81 Fleishman, Joel: The Foundation – A Great American Secret, 2009

82 Expert interview, September 2013

Foundations should become more active in the pre-political arena

- :: Foundations should increasingly create **platforms and space for reflection and communication**: they benefit from their high level of societal acceptance and their “convening power” – the potential to bring a variety of different groups and organizations to the table. As such, they have a far greater ability than other active groups to create a framework and space for systematic and regular dialog between different groups and “create convergence”⁸³, a function that is becoming increasingly important in a future with complex and interdependent problems. This can be carried out using a wide variety of formats (such as round table discussions, workshops, town hall meetings, and online formats).
- :: Foundations should **become more active in the prepolitical arena**: “The future lies in the prepolitical arena.”⁸⁴ If foundations want to strengthen societal convergence and tap their potential, their active participation (which means more participation) in the prepolitical opinion-forming process is required. In this context, the focus is less on political activities, and instead on placing relevant issues on the agenda (or rather adding them to the agenda) and enriching the debate with sound, fact-based arguments. Foundations are ideally suited to do so, since they can operate over the long term.

The Bottom Line

The bottom line

- :: A role derived from the foundation’s mission which is consciously selected and articulated gives foundations a clear internal and external focus on their goal and increases the quality and effectiveness of their activities.
- :: If foundations decide to use the options which civil society will offer in the future, then they should:
 - .. More actively utilize their cross-sector skills and acceptance
 - .. Operate more courageously in the prepolitical arena and proactively position issues

5.2 The Selection of Issues and Content

The foundation mission provides the framework for future activities

Foundations operate with a focus on the founder. It is in their nature that the content of their work is shaped by this person’s individual, often extremely personal motivations: “It is usually guided by the interests, passions, or obsessions of the foundation’s donor.”⁸⁵ During the founding stage, the founder has extensive freedom to dictate the foundation’s future activities within the foundation mission.⁸⁶ Once the mission has been defined, it provides the framework for the foundation’s future

83 Interview with foundation representative, October 2013

84 Expert interview, October 2013

85 Fleishman, Joel: The Foundation – A Great American Secret, 2009, P. 124

86 In the case of a charitable foundation (which is the most common case), Article 52 of the German Tax Code stipulates the framework for selecting issues; in addition, the foundation’s purpose cannot be detrimental to the common good.

operations – the foundation has a permanent obligation “... to adhere to the founder’s will.”⁸⁷ This still applies even if the founder has passed on or foundation boards in the meantime view other goals as more important. Often, the foundation’s mission is laid out so broadly, that it has considerable freedom to select new issues of focus. How is this freedom used in actual practice? How are new issues selected within the scope of the foundation’s mission?

Method of selecting issues

The analyses and evaluations conducted within the scope of this study have shown that foundations often have not established or do not use any systematic processes to identify and select issues. Instead, more often foundation representatives report of “traditions” or “ad-hoc decisions”⁸⁸: issues exist which the foundation has long pursued and stood for, and which are not reconsidered or regularly scrutinized. Or the decision to focus on certain issues is viewed as arbitrary or random. A documented selection ratio, which evaluates possible issues based on defined criteria within the scope of an objective analysis prior to the decision, is the exception to the rule.

Issues often not selected in a systematic process

Often, we see “issues du jour” – “one can be shocked by the extent to which foundations chase after certain trends.”⁸⁹ Countless foundations work on the same issues. This can result from the significance of the issues – and of course it makes sense when many organizations and groups are active in a field as fundamentally important as education, for instance. But often the decision made is less the result of rational consideration and much more the result of a fear of “missing the boat.”

“Issues du Jour”

This approach is not without its risks. On the one hand, there are issues which – as a result of a lack of a systematic process to find and identify issues – simply remain undiscovered.⁹⁰ They are not recognized and as such, not worked on, and simply lay “untapped.” On the other hand, this results in the uncoordinated coexistence of activities: “In the field of charitable activities, such as working with children from disadvantaged social groups, we see many different active organizations working in parallel, but no one decisive, well-thought-out approach.”⁹¹ This means that opportunities to achieve more through joint, coordinated efforts are lost.

Uncoordinated coexistence of activities

A “requirement” specifying certain issues and activities for foundations would contradict the very essence of the foundation and the autonomy of its founder. Every foundation mission is valid as long as it benefits the common good.

Structured selection of issues as a sign of professionalism

87 Adloff, Frank: Wozu sind Stiftungen gut? Zur gesellschaftlichen Einbettung des deutschen Stiftungswesens, in: Leviathan – Zeitschrift für Sozialwissenschaft, Heft 2, p. 273

88 Interview with foundation representatives, January 2013

89 Expert interview, November 2013

90 Bundesverband Deutscher Stiftungen: Stiftungsreport 2012/2013: Auftrag Nachhaltigkeit – Wie Stiftungen den sozialen Zusammenhalt stärken, 2013

91 Expert interview, September 2013

If the founder follows the principles of the greatest possible contribution to the common good as well as a high level of professionalism, however, they also must ask the question of how the issue selection process must be designed to achieve these goals.

The following criteria for this kind of strategic issue selection were identified within the scope of the study⁹²:

High Societal Relevance	Does the plan meet a real societal need? How relevant is this need in comparison to other issues?
High Pressure to Act	Do actions need to be taken quickly to protect an existing social asset or meet a newly-created need?
Problems Not Tackled Sufficiently	Have other organizations and groups worked on the issue in the past or have sufficient approaches to solving the problem not yet been developed?
Necessity to Moderate between Various Stakeholders	Can the foundation moderate and make advancements to the joint development of approaches to solving the problem together with all other groups of accepted dialog partners?
Necessity to Remain Long-Winded	Can the foundation, thanks to its independence and ability to operate largely free of the pressure to produce results and succeed, contribute to the creation of long-term solutions or improvements?
Possession of Relevant Skills	Can the foundation contribute the necessary expertise and the required skills? Do these skills greatly contribute to the development of approaches to solving the problems?
Resources for Maximum Impact	Can the foundation be expected to have the desired impact using its financial means and employees? Or are there other active organizations in this position?

Figure 7: Criteria for the strategic selection of issues

These criteria are geared toward the purpose of fully tapping foundations' potential to maximize the common good. Before selecting the issues to focus on, foundations must first address the question of identifying them: how will future social needs and trends be identified within the scope a systematic approach? How can foundations unearth relevant issues over the medium and long term? If, in the future, foundations want to take advantage of their new freedom to shape civil society, it would be beneficial to have a solid basis for identifying social needs and trends. In addition to available trend analyses and forecasts, in the future foundations will increasingly turn to participative approaches. For example, the increased use of crowdsourcing can offer new insights into the issues that are truly important to society and where the people see needs. For example, the Rockefeller Brothers Fund launched the "National Purpose Initiative" in the fall of 2013, which kicked off a "national discussion" which uses traditional as well as modern forms of interaction to determine the issues American citizens are truly concerned with.

The Bottom Line

- :: Following the principles of maximum benefit to the common good and increased professionalism mean selecting issues strategically. The strategic selection of issues begins with the question of suitable selection criteria. Important dimensions are both the value of the contribution to society and the benefits of one's own comparative advantages.
- :: The prior identification of relevant future issues should be carried out systematically. Possible forward-looking ways include, for example, mechanisms of greater inclusion.

The Bottom Line

6

Future Agenda II – Honing the focus of foundation activities: on foundations’ effectiveness, innovative spirit, transparency, and strategy

The following section focuses on the aspects that determine the quality of foundations and founders work. It addresses the question of a standard of quality in the future of foundations. The key aspects – impact, innovation, transparency, and strategy – are largely economic in nature. They take into account the fact that – if nothing else due to new founders’ strongly entrepreneurial impetus⁹³ – economic ways of thinking are more strongly taking over the foundation world.

6.1 More Clarity Regarding the Impact of Foundation Activities

The impact of foundation operations, their analysis and evaluation, is one of the most-discussed topics in the foundation sector. Its development to a “hot topic” corresponds with the general trend toward evaluation in the entire social sector⁹⁴ and is simultaneously the result of the increasing attention foundations are attracting to themselves. The question of impact (how effectively do foundations make use of their funds and opportunities?) is closely tied to the question of the transparency and legitimacy of work carried out by an institution that receives tax privileges: “Foundations are currently under more pressure than ever before to provide evidence of something demonstrable.”⁹⁵

General trend toward evaluation

Question of transparency and legitimacy

A generally accepted definition of impact in the foundation sector has emerged in the literature:

Impact The extent to which foundations, within the scope of their stated strategic goals, actually trigger or bring about societal change through their activities, whereby change can be expressed through the creation of a viable, new institution, through new knowledge, and new opportunities.⁹⁶

Definition: Impact

⁹³ See Section 4

⁹⁴ PHINEO gAG: Kursbuch Wirkung. Das Praxishandbuch für alle, die Gutes noch besser tun wollen, 2013 und Engagement mit Wirkung, 2012

⁹⁵ Expert interview, November 2013

⁹⁶ Based on Fleishman, Joel: The Foundation – A Great American Secret, 2009

Foundation do not achieve what it needed when analyzing impact

The international debate within the foundation sector on the topic of analyzing impact is carried out on a broad scale.⁹⁷ Particularly over the last ten years, a wide range of publications as well as standards, indicators, and specific approaches⁹⁸ have been developed in the Anglo-American, but also German-speaking world. Their application is supported by guidelines and assistance. From a purely theoretical standpoint, we get the picture of a topic that has been analyzed comprehensively and worked on systematically.

In the real world, things look much differently. When it comes to analyzing the impact of their own work, the foundation sector lags behind what is actually possible and necessary – a fact that is reflected in foundation CEOs’ own self-perceptions as revealed in an extensive American study:

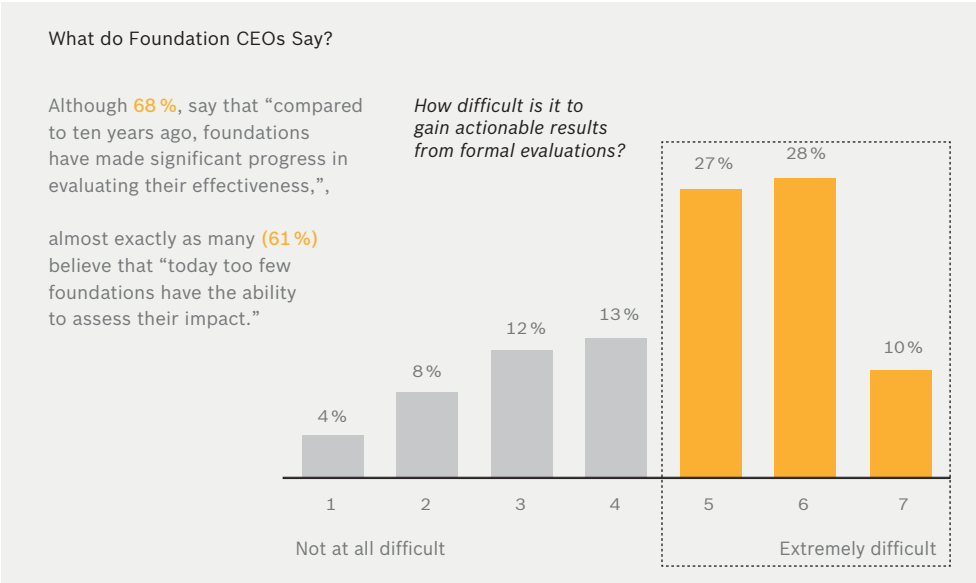


Figure 8: Foundation CEOs on the Analysis of Impact⁹⁹

Difficulties in analyzing impact

Theoretical knowledge and practical application are miles apart. It goes without saying that the analysis, particularly of social impact, is not a trivial matter. Causalities often cannot be determined. The impact of an activity does not reveal itself immediately, but instead over a longer a period of time, particularly when it comes to complex issues. This does not explain the stated deficit, however. Discussions with experts

97 See (as representative examples): PHINEO gGmbH: Philanthropy with Impact, 2012; the CSI’s “Strategies for Impact in Philanthropy” research project (https://www.csi.uni-heidelberg.de/projekte_sip_e.htm), EVPA: A Practical Guide to Measuring and Managing Impact, April 2013; The Center for Effective Philanthropy: How Far Have We Come, 2013, Indicators of Effectiveness, 2002

98 Such as Social Return on Investment (SROI) or Social Reporting Standard (SRS), for example

99 The Center for Effective Philanthropy: The State of Foundation Performance Assessment – A Survey of Foundation CEOs, 2011

and foundation representatives as part of this study identified the following patterns:

- :: The critical examination of the topic of achieving impact is carried out without getting to the heart of the matter. Some experts even label it as dishonest: “More honesty is needed when it comes to the question of what foundations can actually perform and achieve.”¹⁰⁰
 - .. Foundations are more focused on their activities than on analyzing their results. Or, as Joel Fleischman puts it: “They simply don’t know for sure, and they don’t know because they fail regularly to assess the consequences of their grants.”¹⁰¹
 - .. The desired achievement of objectives is either not defined or broadly defined (i. e. too broadly defined). As a result, foundations do not have a basis for later analyzing and assessing the degree to which they achieved their objectives: “Few organizations consider the topic of evaluation right from the beginning.”¹⁰²
 - .. And if a foundation does decide to more closely examine the topic of impact analysis, then usually the focus is on the technology, i. e. the questions of tools and methodology: “Foundations can get very hung up on metrics.”¹⁰³ As well as the significant time, energy, and cost of analyzing impact: “You spend a lot of time and money.”¹⁰⁴
- :: There is a lack of openness (both internal and external) – which institutionalizes exchange and feedback – that is needed to generate awareness of the contribution to society that a foundation has made. Particularly when it comes to larger projects, there a tendency during day-to-day foundation operations to rather discuss the structures as opposed to the content of projects and programs. When carrying out their duties, foundation bodies rather focus on new projects than on the analysis of existing or completed projects.¹⁰⁵ And due to the characteristics of the system itself, those receiving support from a foundation usually shy away from criticism. This is where “Learning from Partners” (LfP), for example, sets a counterpoint – LfP is an initiative launched by several foundations to acquire systematic feedback from partners in order to identify strengths and areas in need of improvement within the foundations’ own activities.¹⁰⁶ The methodology is oriented around the Grantee Perception Report by the Centers for Effective Philanthropy, which has operated in the United States for more than ten years.

Critical examination of the topic of achieving impact is carried out without getting to the heart of the matter

Lack of openness

¹⁰⁰ Expert interview, October 2013

¹⁰¹ Joel Fleischman: The Foundation – A Great American Secret, 2009, p. 223

¹⁰² Expert interview, September 2013

¹⁰³ Interview with the foundation representative, November 2013

¹⁰⁴ Interview with the foundation representative, September 2013

¹⁰⁵ Results of expert workshop

¹⁰⁶ LfP is a research project conducted by the CSI. It was initiated and supported by the Fritz Thyssen Foundation, the Robert Bosch Stiftung, the Mercator Foundation, and the VolkswagenStiftung. For the 2011/2012 project year, the Stifterverband and the ZEIT-Stiftung Ebelin and Gerd Bucerius joined Learning from Partners. Overall report 2012

Analyzing impact must be viewed as a learning opportunity!

- :: The cause of the lack of focus on impact is primarily due to the fact that foundations' basic understanding is incorrect – impact analysis and assessment is seen as more of a means of legitimizing their activities than as a learning opportunity in the sense of “prove and improve.”¹⁰⁷ The question of “how can we make the most effective use of our means?” is usually not posed. A culture of systematic, continuous learning with the goal of improving future activities barely exists. Learning and improvement processes while projects are being carried are the exception. And communication between foundations regarding the success of their projects and about what worked and what didn't is practically non-existent.¹⁰⁸ Corresponding to this is the fact that there is often little acceptance of external evaluations by third parties. If anything, discussions about achieving impact are associated with a general questioning of one's own activities. And those responsible at the project level are usually not used to a culture of learning and feedback.¹⁰⁹ To counteract this, the Hewlett Foundation holds the “Worst Grant Contest”: each year, every program manager must present a grant that did not succeed.¹¹⁰

The high profile that the topic of impact holds in the debate is contrast with its virtual invisibility – almost to the point of irrelevance – in everyday project and program activities. Foundations rarely analyze the impact of completed projects; regularly conducting systematic, accompanying evaluations and interviewing partners both remain the exception (at least for now). Foundations simply do not foster a culture of openness and exchange. This means that there is a lack of crucial information about the actual achievement of goals (and as such, the achieved contribution to the general good), cause-effect relationships, and the viability of the approaches which were used.

The Bottom Line

The bottom line

- :: Systematically focusing foundation operations on impact will be absolutely essential in the future if foundations want to better achieve their goals and make their work more professional.
- :: This requires the culture of a learning organization which reacts to internal developments and external influences with flexibility and adaptiveness, and is focused on continuous, joint learning – this includes the desire to gain insights

¹⁰⁷ Results of expert workshop

¹⁰⁸ The Center for Effective Philanthropy: How Far Have We Come? Foundation CEOs on Progress and Impact, 2013

¹⁰⁹ Brock, Andrea, Buteau, Ellie, Herring, An-Li: Room for Improvement. Foundations' Support of Non-Profit Performance Assessment, 2012

¹¹⁰ Plummer, Matthew, Forti, Matthew: How Leading Philanthropists Fail Well in: Stanford Social Innovation Review, February 2013

(both positive and negative) over the course of carrying out a project and after its completion, and using these findings to further optimize the foundation's activities.

- :: Analyzing impact requires a more open manner of handling and communicating the results (and interim results) of foundation activities – both internally and externally.
- :: The selection of methods and tools should be shaped by a pragmatic approach. Results and the time and cost of achieving them should be proportionate to one another.

6.2 A Realistic Aspiration to Be Innovative

Similar to impact, the topic of innovation holds a broad spot in the foundation debate. In this context, innovation is defined as ...

Innovation ... the process of changing anything already existing, particularly through the establishment of new methods, ideas, and solutions.¹¹¹

Definition: Innovation

The main criterion is that these new methods, ideas, and solutions must be “socially viable and lasting.”¹¹² In foundation operations, innovation is found in different forms:

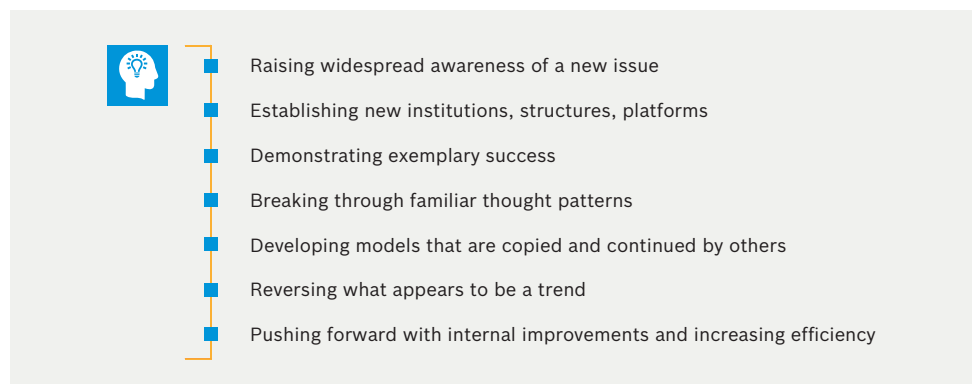


Figure 9: Forms of Innovation in Foundation Operations¹¹³

So what is the current state of foundations' innovative ability? A comparison of external perceptions and foundations' own self-evaluation shows a high level of coherence:

¹¹¹ Definition based on the OECD Oslo Manual (2005) and the Oxford Learner's Dictionary

¹¹² Krull, Wilhelm: Ermutigen, nicht erzwingen: Stiftungen als Innovationskraft. Vortrag zur Eröffnung der Jahrestagung des Bundesverbandes deutscher Stiftungen, 11. Mai 2005

¹¹³ Source: Expert workshops

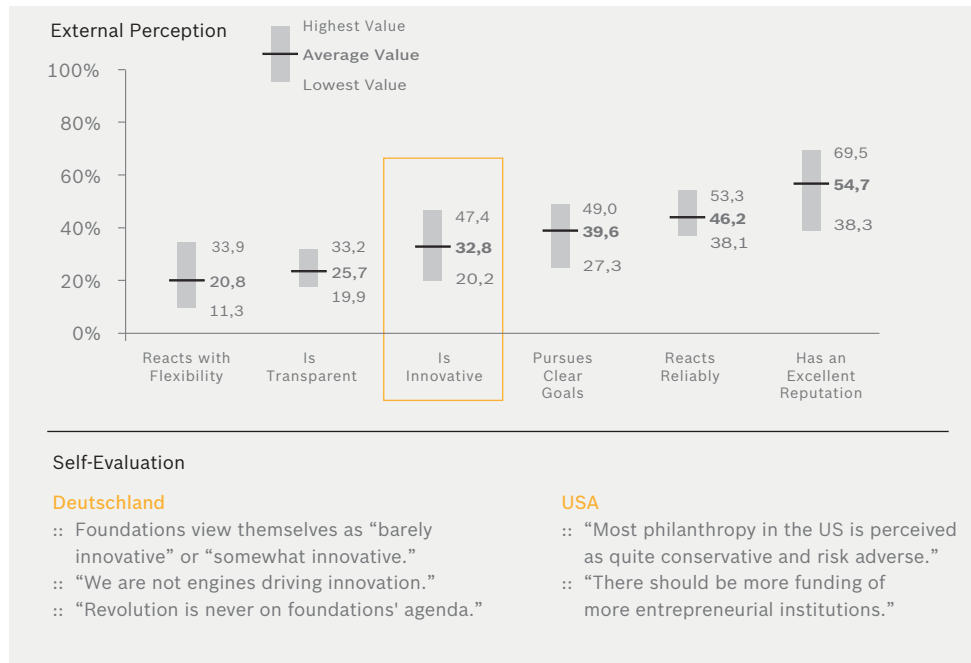


Figure 10: Self-Evaluation and External Perception of Foundations' Innovative Ability¹¹⁴

Foundations are generally viewed as not particularly innovative: “The sector is terribly conservative.”¹¹⁵ Even though foundations possess the basic requirements for innovation (such as financial autonomy and political independence), they are lacking in others that create a creative environment for innovation:

- :: Foundations are active in a stable environment: they do not experience structural instability or situations of scarcity or existence-threatening competition like other organizations which simply as a result of the market environment feel a constant pressure to innovate.
- :: Internally, foundations possess comparatively little innovative ability: as such, they can lack a sufficient knowledge base for certain topics. Staff retention periods are disproportionately long. Networking and learning are not a part of foundation's self-image. This results in a “culture of isolation”¹¹⁶ which impedes the stimulating exchange with others.

In short: foundations have the potential to be innovative, but barely scratch the surface of this potential.

Foundations' innovative ability is often articulated as a question of generations. In general, personnel changes at the executive level are viewed as an engine which

¹¹⁴ Source: Learning for Partners 2012, Workshop October 2013

¹¹⁵ Expert interview, November 2013

¹¹⁶ S. Leat, Diana: The Future of Philanthropy, 2003

Foundations are viewed as not particularly innovative

Lack of environment for innovation

Staffing changes as an engine driving innovation

drives innovation at foundations: “During one ‘reign,’ not much changes.”¹¹⁷

Particularly the “young” founders are bringing a breath of fresh air into the foundation world and apply their ideas about innovation from the business world to the foundation’s operations.

As the analyses conducted within the scope of the study have shown, foundations often see themselves confronted with the requirement to be highly innovative. We can also see that they place themselves under a certain pressure to meet this requirement: “All foundations want to be innovative.”¹¹⁸ Barely any foundations publicize their role as that of the “status quo preserver.” So how should this requirement be judged? Is it justified? The findings from the expert interviews and workshops result in two main standpoints:

Obligation to innovate?

Con: Foundations are created from private wealth and are autonomous, independent organizations. Significant levels of freedom to select issues and activities within the scope of the foundation mission based on the foundation’s own ideas are derived from this. And these can be either innovative, or instead traditional or conservative. Proponents of this position postulate, that beyond this there is also the necessity to support that which has been tested and proven. And doing so does is not exactly innovative. According to them, foundations are unjustly confronted with demands for innovation simply due to their nature.

Pro: Others believe that the key basic requirements for innovative activities lie precisely in foundations’ self-contained nature. In contrast to other active members of civil society, foundations can permanently innovate because they have the space and ability to experiment: “... endowed foundations ... have the potential to fill this gap in real creativity and innovation.”¹¹⁹ And have an obligation and a unique opportunity to better use this potential on behalf of the common good.

These contrasting viewpoints demonstrate two things: although the ubiquitous debate regarding innovation may suggest something different, innovation is not an end in itself, but a means to an end. It is, in and of itself, not a quality of success criterion. The question of the necessity of innovation is a function of a foundation’s goals. There are fields in which a foundation’s stated goal is the preservation and/or maintenance or replication of proven approaches. In other contexts, it is absolutely essential that foundations try out new approaches, since old solutions no longer work, i. e. no longer have an impact.

Innovation is not an end in itself

¹¹⁷ Expert interview, November 2013

¹¹⁸ Interview with foundation representative, October 2013

¹¹⁹ Leat, Diana: The Future of Philanthropy, 2003

And this is where foundations – on the basis of their specific characteristics and in contrast with other active organizations – can make a difference.

Systematically evaluate opportunities for innovation!

Looking at current practices, we see that the focus is less on a general demand of foundations to be innovative and more about a call to more systematically evaluate the possibilities for innovation within the terms of experimentation, to give them sufficient space to do so within their own operations, and carry out activities with more courage to take risks (or rather, calculated risks). Not doing so means throwing away opportunities that are only available to this extent to foundations as active civil society organizations.

The Bottom Line

The bottom line

- :: Innovation is not an end in itself. Innovating is either a necessity or is unnecessary as a result of foundations' strategic consideration of their goals.
- :: If foundations want to operate more strategically (with a significant focus on goals), more effectively (quality-driven), and with the aspiration to effect social change, they should examine whether they have fully tapped their ability to experiment and try out new approaches.
- :: A high level of openness and communication is a key precondition for overcoming obstacles inherent to foundations and breaking new, experimental ground. New perspectives and approaches will only become visible when the internal circle of debate is dismantled.

6.3 The Promise of Transparency

Trend toward an "audit society"

Transparency is closely tied to the issue of the legitimacy and impact of foundation activities. Foundations currently face increasing pressure to operate in a more transparent manner.¹²⁰ As a result of the general trend toward an "audit society"¹²¹ – a society that shows a tendency toward receiving an increasing amount of information in order to assess, evaluate, judge, and compare – the demand for more communication and information is increasing overall.

The culture of transparency is more pronounced in the United States due to a different view of government, and even led to the Foundation Center being founded back in the 1950s. The goal of the Center was to create more acceptance for foundations among the population. It made comprehensive data about foundation activities publicly available.¹²²

¹²⁰ Bundesverband Deutscher Stiftungen: Stiftungsstudie: Führung, Steuerung und Kontrolle in der Stiftungspraxis, 2010

¹²¹ Power, Michael: The Audit Society: Rituals of Verification, 1997

¹²² See <http://foundationcenter.org/>

In Germany foundations are subject to the reporting obligations of the state regulatory bodies which oversee foundations¹²³ as well as the fiscal authorities. Pursuant to Germany's state laws governing foundations, they are obligated to prepare an annual report (which includes annual financial statements, a balance sheet, and a report on activities in pursuit of the foundation mission). In the case of charitable foundations, the fiscal authorities oversee the tax breaks they are granted.¹²⁴

Applicable reporting obligations

Overall, the German foundation sector is perceived as lacking transparency, or “opaque.”¹²⁵ This can also be seen when examining the latest surveys:



Figure 11: Selected Results of a Survey on Foundation Transparency¹²⁶

If we examine actual foundation operations, we see that this impression is well-founded. The majority does view transparency as a value, but:

Little active engagement with the public

- :: There is a severe lack of proactive openness within the public sphere: although foundations so fulfill their obligation to provide information to the fiscal authorities and oversight agencies, only 15 % of them publish their annual report, and only 9 % use the internet to do so.¹²⁷ Initiatives like “Learning from Partners” represent the exception.
- :: Often times, executives and experts invoke foundations’ independent nature and high level of freedom. The mentality is shaped by the idea that as the funding body, one should be able to determine the level of openness themselves.

123 State-based or church-based foundation oversight

124 For an extensive overview, see for example Ritter, Gabriele: Berichtspflichten: Diese Anforderungen muss der Stiftungsvorstand erfüllen, in: StiftungsBrief Ausgabe 01/2010, p. 10

125 Interview with the foundation representative, November 2013

126 Bundesverband Deutscher Stiftungen, Institut für Demoskopie Allensbach, BDO AG Wirtschaftsprüfungsgesellschaft: Stiftungen im Spiegel öffentlicher Meinungen, 2013; Learning from Partners, Gesamtreport 2012, 2012; The Center for Effective Philanthropy: How Far Have We Come? Foundations CEOs on Progress and Impact, 2013

127 Bundesverband Deutscher Stiftungen: Stiftungsstudie. Führung, Steuerung und Kontrolle in der Stiftungspraxis, 2010

Transparency as a risk
for bureaucratization
and to foundations'
reputation?

Often the call for more transparency is countered with the argument that doing so would add unnecessary bureaucracy.¹²⁸

- :: This mentality is also reflected in the internal communication between founders, the board of trustees, the executives, and employees. There is rarely a transparent exchange of information and ideas, since foundations lack a culture of learning and accepting failure. Tolerance for failure is a necessary requirement for transparency and credibility, however.
- :: More transparency is viewed much more as a risk for the foundation's reputation, which in the absence of a market, is the organization's most valuable currency in a competitive environment. As such, negative reporting, although only comprising a small percentage of overall reporting on foundations, is quickly made into a large issue.¹²⁹

The lack of transparency can primarily be attributed to a lack of accountability and responsibility, which is typical of foundations: "The truth is few institutions are as complacent and potentially unaccountable to the real world as private foundations."¹³⁰ It is inherent to the system. Foundations' financial autonomy, political independence, and the fact that they operate outside a market mean that they are detached from the influence of external stakeholders as well as competitive and feedback mechanisms.¹³¹

Transparency and
legitimacy

We can expect to see the demand for more transparency increase in the future. Foundations are organizations focused on the common good. They partially spend "public funds thanks to tax breaks," "... money which is not collected as tax revenue and for which the decision regarding its use no longer falls under the jurisdiction of the legitimate, democratically elected bodies."¹³² Particularly in times of shrinking public budgets, individual interview partners predicted a critical debate that the German foundation sector is not prepared for.¹³³

Transparency as a
prerequisite for
interaction

At the same time, the need for transparency will increase in the future of foundations. Transparency is namely elemental to the extent that foundations want to and do take on a more prominent role in the future as engines accepted across a variety of sectors actively driving societal change in the prepolitical space.

128 Rupert Graf Strachwitz, Ebermann, Thomas, Neue, Henrik: Stiftungen und bürgerschaftliches Engagement, Opusculum Nr. 36, September 2009

129 Source: Expert workshop

130 Douglas W. Nelson, Annie E. Casey Foundation in: Joel Fleishman: The Foundation – A Great American Secret, p. 215

131 See Section 4

132 Lorentz, Bernhard: Geben ohne Gegengabe? In: Geschichte und Wissenschaft und Unterricht, Jahrgang 63, Heft 1/2, Januar/Februar 2012, p. 83

133 Interview with foundation representative, October 2013

An active willingness to divulge information creates legitimacy and trust and creates the potential to receive support, which is a key requirement for entering into partnerships with others. Foundations will only be able to successfully fulfill their role if they operate openly and perceptibly.¹³⁴

The Bottom Line

- :: Transparency is the foundation of a new openness and a new quality of communication – both internal and external.
- :: A more prominent role played by foundations in civil society (engine driving social advancements, activities in the prepolitical space, cooperating with partners) requires a higher level of legitimacy. Foundations will only be successful in this role if they operate with more transparency.
- :: The future of foundations requires:
 - .. More internal transparency and auditability through the systematic establishment of a culture of learning and failure
 - .. More external transparency through reporting and discussion on the origin and use of foundation funds, the structure of foundation bodies, and the impact of projects

The Bottom Line

6.4 Strategy

A variety of strategic schools of thought exist, for example in industrial economics as well as resource, learning, and game theory, which describe the definition and reason of strategy in different terms. The common core of these concepts is that good strategy is viewed as a compass for a company (or organization) which, when lacking, rapidly leads to confusion.¹³⁵

Strategy	The fundamental, long-term behavioral patterns of an enterprise and relevant sub-units vis-à-vis its environment for the purpose of achieving long-term goals. ¹³⁶
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Definition: Strategy

The foundation's mission and charter form the immovable fundament of a foundation. Strategic considerations are built on this fundament and encompass the determination of goals, the fact-based analysis and evaluation of various different options available to achieve these goals, and the implementation of the best-possible option based on predetermined, documented criteria. It applies to the foundation's overall operations as well as the individual program areas and projects.

¹³⁴ Rhomberg, Markus, Wilkens, Andre: An der Schnittstelle von Policy und Politics. Stiftungen als Akteure politischer Kommunikation in Stiftung und Sponsoring, Ausgabe 4/13, 2013

¹³⁵ Mintzberg, Henry, Ahlstrand, Bruce, Lampel, Joseph: Strategy Safari: Der Wegweiser durch den Dschungel des strategischen Managements, 2012

¹³⁶ Gabler's Encyclopedia of Business

The main benefit of this kind of strategic approach is that it leads to an improvement in the achievement of goals as well as more focus¹³⁷:

Strategy ...	
... provides a clear focus on goals:	Taking an analytical approach and specifying a mutual goal creates clarity and motivation within the organization
... secures a long-term approach:	Foundation activities are focused on the greater overall context over the medium and long term
... identifies perceived roles and issues:	Thinking through different possible paths of development and their systematic analysis forms the basis for the conscious, comprehensible selection of the foundation's own role and issues
... promotes effectiveness and efficiency:	A clear focus on goals is what gives the foundation the ability to systematically develop and compare projects and approaches for the purpose of achieving these goals in a data-based manner as well as employ resources in a focused manner
... means learning:	During the repetitive process of monitoring goals, influencing factors and options for action are regularly analyzed, which trains analytic skills and flexibility
... builds communication:	The systematic and planned focus on goals produces a communicable image of the future and a portrait of the foundation externally

Figure 12: Strategies of Foundations

As the previous considerations have shown, countless foundations do not implement a systematic, structured approach, such as for the purpose of identifying and analyzing role perception, content, and the impact of foundation activities. According to experts, they are lacking in a strategic foundation:

- :: Only a few foundations have developed a strategy or strategic guidelines for the work and/or have implemented a regular process of discussing strategy. It is much more common for foundations to have general principles of operation, usually referred to as a “self-image.” Usually the presentation of the foundation’s mission varies, is not particularly concrete, and does not convey any information about the foundation’s strategy: “Foundations does not think in big ideas enough.”¹³⁸
- :: A sure sign of the presence of a clear strategy is a foundation’s level of focus. But many of them are lacking exactly that: “Foundations continue to be pretty undisciplined in this.”¹³⁹ The challenge primarily lies in the fact that foundation missions are usually broadly worded. The “allure”¹⁴⁰ of becoming active in a

Lack of strategic foundation

Lack of focus

137 Fleishman, Joel: The Foundation – A Great American Secret, 2009
138 Interview with foundation expert, November 2013
139 Interview with foundation expert, November 2013
140 See Section 4

large number of issues is great: “We had become spread too thinly, and needed some refocusing.”¹⁴¹

- :: The lack of strategy and focus on goals leads foundations to remain below their abilities, because they lack the basis for their positioning and work: “Any attempt to measure impact must begin by defining the object of change.”¹⁴² As long as a strategy is lacking and the goal is not clear, a foundation cannot even begin to talk about impact. Strategy is absolutely necessary to achieve impact.

Foundations remain
below their abilities

The Bottom Line

- :: Developing a strategy and embedding strategic thinking into the minds of the organization are a must for all foundations that wish to use new freedom to take action and make a maximum contribution to the general good. These are the basis requirements for a clear, explicit focus on goals.
- :: A clear strategy is what allows the foundation to focus all of its activities on a common goal in the first place: project and program work to carry out the actual activities on the selected issues and to network with other active organizations, human resource management to select and employ the right employees, PR activities to raise awareness of the foundation and its projects, and the investment strategy to finance the measures that are required.
- :: The strategy must be made a fixed part of the entire organization in the form of a continuous, regular process. It demands long-windedness, since thinking through paths of development does not end at any certain point in time, and requires the willingness to establish a culture of discussion in the organization.

The Bottom Line

¹⁴¹ Interview with foundation expert, November 2013

¹⁴² Fleishman, Joel: The Foundation – A Great American Secret, 2009

7

Future Agenda III – Enhancing the organization’s strengths: on the role of founders, executives, and employees, and the importance of strategic partnerships in foundation activities

Developing options and guidelines for foundation activities as part of an agenda for the future closes with a look at foundations’ resources: internally, it is focused on the founder, the executives, and the foundation’s employees; viewed externally, the foundation’s joint projects with other active organizations.

7.1 On Founders, Executives, and Employees

The Founder

Founders are a source of ideas and inspiration for lasting change: “Making changes and moving people has always been one of the intentions of founders and donors.”¹⁴³ As the founder of a foundation, they institutionalize their civic commitment and usually combine it visually with their own name.

80 % of founders create their foundation¹⁴⁴ during their lifetime and are increasingly doing so at a younger and younger age. They increasingly are actively involved in the foundation’s work, they take on a key role in the foundation’s development, and guide its activities. They make their network and contacts available and are passionate about what they are doing: “The motivation of giving comes from the heart.”¹⁴⁵

Founders increasingly take on an active role

If one examines the founders and the financial potential for the future, the following developments can be observed:

Founders have a new mentality

:: “New” founders which earned their fortunes in the IT, internet, or financial sectors and foundation executives with a background in the private sector tend to focus on the “major” issues. In addition to the background in business, they also bring along an “absolute will to succeed,”¹⁴⁶ the pronounced ability to think in terms of networks, and a significant focus on action.

143 Münkler, Herfried: Anstifter, Unruhestifter – wie Stiftungen Veränderungen bewegen, in: ZEIT-Stiftung Ebelin und Gerd Bucerius: Gerd Bucerius. Facetten seines Wirkens, 2006, p. 42

144 Timmer, Karsten: Stiften in Deutschland, Bertelsmann Stiftung 2005

145 Forbes Insights: Next-Generation Philanthropy: Changing the World, 2010

146 Interview with the foundation representative, September 2013

Foundations' financial
potential increasing

Although their “can do attitude”¹⁴⁷ can also be associated with a lack of political sensibility as well as a lack of understanding for other active organizations’ decision-making processes¹⁴⁸, their entrepreneurial approach brings a breath of fresh air into the foundation sector – both in the US as in Europe: “This is a very healthy process, since it is challenging for the established foundations. It compels them to re-examine their own practices.”¹⁴⁹

- :: The potential financial basis for foundations is growing: more than one million millionaires now live in Germany.¹⁵⁰ A successful generation of businesspeople has earned a fortune that increasingly often will not be passed on to the next generation due to a lack of own offspring. The annual value of inheritances continues to reach new record heights: in 2013, the total value was 254 billion euros. By 2020, experts expect this figure to increase to between 330 and 360 billion euros.¹⁵¹

More foundations in the
future?

As is clear, the potential for making donations continues to grow. Whether philanthropy in the future also always leads to the creation of a foundation is another question entirely. For example, there are an increasing number of foundations with a low capital endowment: “The ‘foundation boom’ in recent years primarily led to the founding of ‘undercapitalized’ foundations, whose investment income alone is regularly insufficient to finance long-term, sustained activities.”¹⁵² The attractiveness of large numbers of newly formed foundations for the oversight agencies and the advice of potential founders, which is often in their own self-interest, feeds this development: “While the investment of funds in other fields is overregulated, the same is not true for the foundation sector.”¹⁵³ The low-interest rate situation does the rest, and particularly affects smaller foundations, which have less ability to diversify their portfolios.

Individual experts believe that foundations will remain the leading form of charitable giving.¹⁵⁴ Nevertheless, one must ask whether the intention to donate must always lead to the creation of a foundation, virtually automatically – and not only against the background of sufficient financial means. One’s own foundation may be alluring, but may not always fulfill the founder’s goal: for example, Pierre Omidyar¹⁵⁵ initially

147 Interview with foundation representative, October 2013

148 Interview with foundation representative, February 2014

149 Expert interview, October 2013

150 Forbes Magazine: The World’s Billionaires, 2013

151 Postbank, Institut für Demoskopie Allensbach: Erbschaften in Deutschland 2013, 2013 and Marita Haibach, Eckhard Priller: Chancen und Möglichkeiten für mehr Großspenden, BBE-Newsletter 25/2013, 2013

152 Hüttemann, Rainer, Rawert, Peter: Die notleidende Stiftung, ZIP 2013, 2136

153 Expert interview, January 2014

154 Expert interview, January 2014

155 Pierre Omidyar was one of the founders of eBay.

established his own foundation, and then converted it into the Omidyar Network. This better meets his goal of promoting entrepreneurship and allows him to invest in profit-oriented and charitable projects.¹⁵⁶

A variety of different options are available to use private wealth for philanthropic purposes – these include donations, endowments, creating a foundation trust or a foundation fund, establishing one’s own permanent or limited term foundation, as well as investing in social enterprises.

Philanthropic
alternatives

Donation	A voluntary contribution given free of charge as a monetary or non-cash benefit, or in the form of time <i>Criteria: Provides selective assistance, including support in certain emergency situations, independent of the amount of wealth available</i>
Endowment	A contribution to the capital reserves of an existing foundation <i>Criteria: Strives for long-term pursuit of the mission, suitable for those with less available wealth, i.e. when the expense of establishing one's own foundation is too high</i>
Foundation Fund	A particular form of endowment <i>Criteria: Strives for long-term pursuit of the mission, suitable for those with less available wealth, i.e. when the expense of establishing one's own foundation is too high, can be named in honor of the donor or another person</i>
Foundation Trust	Also: dependent, unincorporated fiduciary foundation Transfer of foundation assets to a custodian responsible for their management <i>Criteria: Strives for long-term pursuit of the mission, reduces administrative costs, can be named in honor of the donor or another person</i>
Limited Term Foundation	Foundation whose assets should be used either in whole or in part in pursuit of the foundation mission within a specific period of time <i>Criteria: Temporary pursuit of the mission with a razor-sharp focus on the goal, can be named in honor of the donor or another person</i>

Figure 13: Alternative Forms of Philanthropy (Selection)¹⁵⁷

Creating one’s own foundation is a good choice when the founder has the necessary financial basis, strives for a permanent commitment and high level of continuity, wants to have an influence on the foundation’s activities, and has a significant desire to shape the foundation as they see fit. Every potential founder should consider whether the aforementioned applies and as such, whether establishing a foundation is the right choice.

Executives and Employees

The lion’s share of foundations have, due to their size, a limited number of salaried employees and/or whose activities are carried out by dedicated volunteers.

The following considerations regarding executives and employees apply to larger foundations and full-time employees.

¹⁵⁶ The Economist: The Omidyar way of giving, October 26, 2013

¹⁵⁷ Source: Bundesverband Deutscher Stiftungen

The demands made of **executives** have steadily increased in all sectors in recent years. In addition to a high level of expertise in the field, they must also possess extensive personal management skills in order to properly guide institutions and companies in an increasingly complex, globalized, and volatile environment. Managing well means developing a good sense of stakeholder needs as well as fundamental economic and social trends. It means using this information to develop an image of one's own enterprise's future, which offers employees guidance and creates confidence.¹⁵⁸

Trend toward increased professionalism

With the emergence of young founders, we see a trend to strategic approaches and a higher level of professionalism in foundation management.¹⁵⁹ It is expressed in entrepreneurial management that is focused on achieving goals and impact, and forms the basis for the skills and expertise profile of the foundation management of the future:

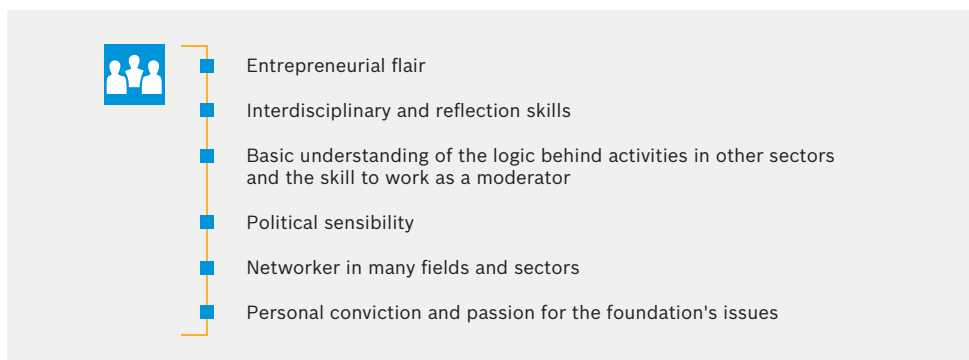


Figure 14: Skills and Expertise Foundation Executives of the Future Must Possess

Executives at foundations see themselves facing an additional challenge inherent to the foundation sector: managing while largely lacking market mechanisms. While market competition acts as a stimulus and gives corporate executives the ability to compare performance, the foundations sector lacks a corresponding incentive system and corrective mechanism due to its very nature. If foundations want to make use of the new areas of activity in civil society and the resulting new opportunities, then foundation management is responsible for leading using suitable mechanisms so that foundations and their employees can fully tap the available potential in terms of maximizing the general good.

Managing while largely lacking market mechanisms

158 Schwenker, Burkhard, Müller-Dofel, Mario: Gute Führung – Über den Lebenszyklus von Unternehmen, 2012

159 Fleischman believes that for the American foundation sector, after the generation of “early” founders (such as Carnegie and Rockefeller) and foundation managers that primarily came for the business world, countless generalists have taken their place in the ranks of foundation executives (primarily from the world of academia). This world was unfamiliar with the strategic approach of their predecessors, which led to inefficient foundation initiatives, see Fleischman, Joel: The Foundation – A Great American Secret, p. 118 ff.

Employees are the key resource in foundation activities. Foundations are attractive employers. As such, they stand out thanks to a high percentage of highly motivated and well-trained employees. Job satisfaction is extremely high¹⁶⁰. This is reflected in foundation employees' length of employment – one out of two foundation employees spends 5 to 10 years at one foundation.¹⁶¹ Numerous board members remain in their position for longer than ten years.¹⁶²

Employees are the key resource in foundation activities

Strategic human resource management can barely be observed, however¹⁶³ – employees are usually recruited internally; three of four vacant positions are filled through personal contacts. Trust is more highly valued than professional expertise. And human resource development, i.e. the question of which skills – derived from the foundation's goals – are required at which position, is usually neglected.¹⁶⁴ Professional expertise is sometimes limited to comparatively small teams.

Long length of employment

The long lengths of employment and high level of internal recruiting reinforce the foundation's already inherent tendency toward egocentrism. They impede the necessary openness to exchanging ideas and information with others and the ability to see beyond one's own nose: "If a 23-year-old ends up still being in a foundation 30 years later, that person would have lost touch with reality."¹⁶⁵

Lack of strategic human resource management

Those that can contribute experience gained at other institutions or in the private sector are familiar with other ways of looking at specific problematic situations as well as sector-specific reasoning and decision-making logic: "You can learn grant making. But you can't learn the experience you have from having worked on topics."¹⁶⁶ Add to this the fact that – if one was once a part of this world – credibility and acceptance as a dialog partner increases. The Hewlett Foundation goes so far in this consideration that it limits the length of employment. As such, program managers and employees do not remain in one position for longer than eight years.¹⁶⁷

The Bottom Line

:: Establishing one's own foundation is not always the best choice. Founders and potential founders should consciously incorporate alternative forms of

The bottom line

160 Sandberg, Berit: Stiftungen und Personal, Interview von Dr. K. Jan Schiffer, Stiftungsrecht-Plus.de, 2010

161 Sandberg, Berit: Stiftungen und Personal, Interview von Dr. K. Jan Schiffer, Stiftungsrecht-Plus.de, 2010

162 Sandberg, Berit: Stiftungsmanagement als Selbstmanagement – Ein Plädoyer für eine Bewusstseins-erweiterung, BBE-Newsletter 24/2013

163 Fleisch, Hans: Humanes Vermögen – Mitarbeiterpotenziale optimal fördern und nutzen, Stiftungswelt 2/2011

164 Sandberg, Berit: Stiftungsmanagement als Selbstmanagement – Ein Plädoyer für eine Bewusstseins-erweiterung, BBE-Newsletter 24/2013

165 Interview with foundation representative, November 2013

166 Interview with foundation representative, November 2013

167 Hewlett Foundation: President's Essay: State of the Hewlett Foundation 2012

charitable giving (such as donations, endowments, and investments in social enterprises) into their considerations and weigh the options under consideration of the resources available and their goals.

- :: The foundation executives of the future are first and foremost professional managers. They should be selected based on key skills of leadership and management ability as well as multidisciplinary networking ability, political sensibility, and of course their passion for the issue. “Less starry-eyed idealism and more professionalism” is the key.
- :: Human resource management of the future is strategic, i.e.
 - .. Systematic – Which skills does the foundation need to fulfill its goals?
 - .. Open and permeable – Which different perspectives and previous experience will enrich the foundation’s work? What is the maximum length of time one person should be able to remain in a position for?
 - .. Flexible in terms of active resource management – What skills can be contributed through institutional or temporary mechanisms of collaboration?

7.2 Partnerships – When foundations cooperate with others

Strategic partnerships are absolutely key to a foundation’s success. The topic of “cooperation” also took on a prominent position during the interviews and workshops conducted within the scope of this study.

Definition: Partnership

Partnership Project-based or longer-term, voluntary collaboration between a foundation and another foundation or another organization (company, non-profit organization, government agency) in a certain field¹⁶⁸

Partnerships can take on many different forms. They range from a loose association or selective collaboration on one issue (Learning from Partners being a good example in this regard), to a long-term collaboration with a clearly structured division of duties.

Partnerships are the way of the future

All of the interviewed experts and foundation representatives believe partnerships to be important. In fact, a similar level of importance was not attached to any other topic. And a total of 70 % of those interviewed said that partnerships will only become more important in the future: “More and improved partnerships between foundations is the way of the future.”¹⁶⁹ There are two main reasons for this:

¹⁶⁸ Bundesverband Deutscher Stiftungen: Kurzstudie Stiftungskooperation in Deutschland, 2009

¹⁶⁹ Interview with foundation representative, October 2013

- :: Societal challenges of the future have reached a new dimension. They are characterized by a high level of complexity – the interdependency of certain issues is increasing, and the number of active organizations and stakeholders involved as well. The demand for and requirements of participation for the purpose of developing approaches to solving problems are growing: “Philanthropists cannot catalyze change by acting alone or imposing a solution, convinced that they have the answer before they begin. Instead, they must listen and work with others, enabling stakeholders to develop their own solutions.”¹⁷⁰
- :: Foundations lack the critical size: compared to the problems they are tackling, they often do not have the resources required to achieve a greater impact and higher quality. Hammack und Anheier speak of “incomplete institutions.”¹⁷¹ It is only possible to comprehensively work on an issue after pooling financial resources, skills, access, and networks.

Complexity of the challenges

Pooling of resources

At the present time, however: “Partnerships are created far too rarely.”¹⁷² The analyses conducted within the scope of this study show the extent to which and how they occur:

Not enough partnerships!

- :: Only 28 % of foundations rate partnerships as important to very important; 34 % consider them “rather unimportant.”¹⁷³
- :: At the same time, 90 % of foundations indicated that they were satisfied with past partnerships. This practical satisfaction does not seem to be compelling enough to overcome foundations’ general reluctance to enter into partnerships, however.
- :: Foundations most often enter into partnerships with other foundations (58 %). Only 30 % collaborate with the government and 24 % with the private sector.¹⁷⁴
- :: Partnerships enter considerations at a relatively late stage, namely when the idea and concept has largely been developed – only one of four foundations indicated “idea development” as a goal of partnership:¹⁷⁵ “Collaboration often means that an organization wants others to support them or their project, but this is not real collaboration.”¹⁷⁶
- :: There are numerous motivations for entering into partnerships: in addition to increased impact and improved quality, foundations hope to increase legitimacy (through increased acceptance of a specific group or the public at large) as well as expanded reach (i.e. access to certain target audiences).¹⁷⁷

Motives for partnerships

170 Kramer, Mark R.: Catalytic Philanthropy, Stanford Social Innovation Review, Fall 2009, p. 33

171 Helmut K. Anheier in "Stiftungen: Fokus auf Wirkung" in Mercator 51 Grad 2/2012

172 Expert interview, November 2013

173 Bundesverband Deutscher Stiftungen: Kurzstudie Stiftungskooperation in Deutschland, 2009

174 Bundesverband Deutscher Stiftungen: Kurzstudie Stiftungskooperation in Deutschland, 2009

175 Bundesverband Deutscher Stiftungen: Kurzstudie Stiftungskooperation in Deutschland, 2009

176 Expert interview, September 2013

177 Source: Expert workshop

Skepticism toward
partnerships

Although barely anyone speaks openly against partnerships, they are still viewed with skepticism. Why?

:: Partnerships are laborious, and not only because they are often shaped by strong interests that are independent of one another. They require time and human resources. They can considerably slow down processes: “Collaboration takes time ... so the collaboration level stays at a communication level and they don’t really get into it. There is no strategic outcome.”¹⁷⁸

Time, patience, and
trust necessary

:: Every partnership requires the partners to develop at least a basic level of understanding for the other, since every sector and every organization has their own reasoning and decision-making logic: “You have to create a circle of trust.”¹⁷⁹ This requires time and patience.

:: Partnerships lead to a loss of control: duties are no longer all one’s own responsibility, and instead, the two partners must compromise: “You have to be prepared to compromise and give up something.”¹⁸⁰ In the foundation environment, PR activities are a particularly sensitive subject.

Partnerships simply for
the purpose of being in
a partnership?

:: Sometimes partnerships are entered into simply for “the purpose of entering into a partnership.” In this case, collaboration does not result from strategic, logical considerations (made based on the foundation’s goals), but instead is driven by other motivations, such as the fact that “we finally need to do something together.”¹⁸¹

:: And finally, foundations are established on the basic condition of autonomy. Their activities are usually not geared toward continuous negotiating and coordinating processes with other organizations. Their autonomy is their *raison d’être*. “They value their independence, their uniqueness, the ‘you are special attitude.’ Foundations are *prima donnas*.”¹⁸²

In order to make partnerships at all possible in the first place, foundations must initially overcome their own stubbornness. Afterwards, how can they ensure that partnerships will work? What makes them successful?

178 Interview with foundation representative, November 2013

179 Expert interview, October 2013

180 Grantcraft: Foundations in Europe Working Together, 2012, P. 6

181 Interview with foundation representatives, January 2013

182 Expert interview, October 2013

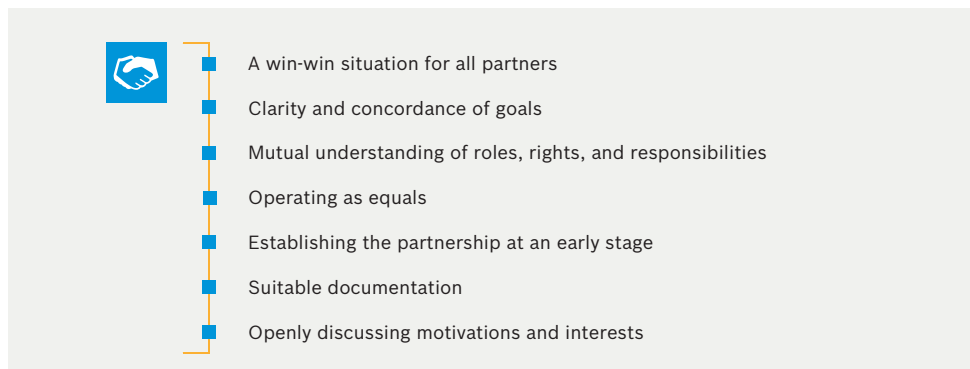


Figure 15: Factors of Successful Partnerships¹⁸³

The basic requirement is a willingness to invest in an open-ended process. And good examples are out there (such as the foundation association “Lernen vor Ort” or the Expert Council of German Foundations on Integration and Migration). These “can give courage to those that currently view partnerships more as obstacles than opportunities¹⁸⁴.”

Open-ended process

The Bottom Line

- :: The increasing complexity of societal issues and the growing interdependencies in conjunction with the limited capacities of individual organizations require all active members of civil society to collaborate more strongly than before. For the future of foundations, this means more partnerships – both with other foundations as well as with other active organizations.
- :: Collaboration is not an end in itself. The question of whether and how to collaborate should be answered based on the goals of the foundation. If foundations are going to take on the role of an engine driving change in civil society in the future, they need to cooperate better in terms of quality and impact and more systematically examine options for collaboration.
- :: Partnerships will only be successful if they follow from a conscious decision, invest in an open-ended process, and fulfill certain rules (creating a win-win situation, clarity and concordance of goals, mutual understanding, operating as equals, establishing the partnership early on, suitable documentation, and openly discussing motivations and self-interests).

The Bottom Line

¹⁸³ Source: Expert workshop

¹⁸⁴ German President Joachim Gauck Speech to open the German Foundation Day on May 21, 2014

A Vision – Foundations in Germany in 2030

The previous sections developed a future agenda for German foundations. Under the headings “Determining the Position,” “Honing the Focus of Foundation Activities,” and “Enhancing the Organization’s Strengths,” we discussed foundations’ role perception and issues, the quality of their work, and finally their resources and partnerships, and defined options for action.

1. Determining the Position 	2. Honing the Focus 	3. Enhancing the Organization's Strengths 
<ul style="list-style-type: none"> :: Conscious selection and articulation of the role for a clear focus on goals, both internally and externally :: Incorporation of cross-sector acceptance :: More courageous operation in the pre-political space :: Systematic identification of future issues :: Selection of issues in a strategic and data-based manner 	<ul style="list-style-type: none"> :: Thinking and operating in a strategic manner :: Focusing foundation activities on impact :: Establishing openness and a culture of a learning organization :: Fully tapping the ability to experiment :: Operating in a transparent manner as the basis for new openness and a new quality of communication 	<ul style="list-style-type: none"> :: Considering alternatives to a foundation :: Viewing foundation executives as professional managers :: Conducting active human resource management :: Partnering with other active groups in a better and more powerful manner :: Consciously shaping partnerships as an investment in an openended process and establishing rules

Figure 16: Future Agenda

These considerations are based on the fact that:

- :: Societal issues are taking on a new dimension and modern living conditions are developing to which established systems and structures can only offer insufficient answers. New needs and “white spots” are emerging, and as a result, new areas of activity and new opportunities for civil society.
- :: Thanks to their specific characteristics, foundations are ideally suited to assume a particular role as active civil society organizations. Accepting this role means more responsibility and a systematic focus on impact, and involves a corresponding increase in professionalism as well as more openness and dialog.
- :: Foundations will accept this responsibility and strive to achieve the maximum that is possible in the spirit of the common social good. To achieve this goal, they make full use of their abilities.

Modern living conditions create new space to take action

Increased focus on impact, more dialog

The willingness to achieve the maximum possible

Finally, the options available to foundations with regard to specific actions will be summarized into an overview, and the major lines will be identified. What follows is the vision for the future of foundations: the year 2030 in eight highlights.



Highlight #1

Society will accept foundations and donating as a matter of course.

Everyone will volunteer and get involved.

New values will dominate the social interactions of the future, and citizens' self-image will be shaped by the idea of taking responsibility for fellow citizens and playing a key role in shaping civil society. Foundations and individual donations are understood as a matter of course. Everyone plays an active role and gets involved in a variety of different ways, gives money, invests their time, or contributes their skills and experience. Owning property comes with duties as well as rights – wealthy citizens and companies donate a growing portion of their assets. Together with other active organizations, foundations support Germany's shifting values and play a key role in increasing citizens' responsibility for society at large.

Foundations accept the new opportunities to shape civil society that are presented to them. They reposition themselves by opening up externally, increasing transparency, and systematically focus on their goals. They are perceived as active organizations which shape society and incite a new enthusiasm for creating foundations and donating. Foundations have established themselves as the primary form of wealth for philanthropic purposes, and the lion's share of wealth left behind by the "generation without children" is bequeathed to foundations. Total foundation assets in Germany have doubled by 2030 to over 200 billion euros.



Highlight #2

Long-term foundation activities are the reality.

The idea of one's own foundation is put into practice less often.

Foundations of the future are created and organized for sustained operations. All structures are focused on fully tapping existing potential and maximum use of skills and expertise in the spirit of the common good – in 2030, all foundations have the ability to permanently fulfill their mission. Foundation capital that is "idle" is reactivated by previously undercapitalized foundations pursuing their mission in another form – made permanent through merger, endowing their assets to other foundations, or by changing their mission. Or by dissolving the foundation or transitioning into a limited term foundation.

New foundations can, by law, only be established if they possess financial resources in excess of three million euros. This and a central foundation oversight agency ensure that newly formed foundations are financially sustainable. Growth is no longer defined by the number of foundations formed, but by total assets: the new minimum amount of capital. The central foundation oversight agency monitors the establishment of foundations and assesses whether foundation's can fulfill their mission over the long term.

The ability to transition into a limited term foundation is enshrined in law.

A growing number of founders select other forms of philanthropic activity as the formatting of a classic foundation. Consulting services pertaining to the use of financial means for philanthropic purposes is certified within the scope of the “Philanthropy Seal of Quality.” Consulting services focus on the founder’s goals and provide advice regarding alternative forms of donating.



Highlight #3

Limited term foundations become widely accepted.

Entrepreneurial thinking dominates philanthropic operations in the year 2030. Countless founders get involved after their successful careers as businesspeople, and search for solutions to social challenges. They shape their foundations with their entrepreneurial thinking and a strong focus on action, goals, and impact. They strive to achieve visible results in a reasonable amount of time. The goal is no longer the stability and institutionalization of the organizations they found, but rapid action and tangible changes to social conditions. Their foundation is a means to an end and becomes their own second company.

With its limited life and the associated need for focus, limited term foundations offer the best framework for these founders’ philanthropic activities. Their temporary nature increases the pressure to achieve results; their operations demand strategic planning. As a result, they are highly appealing to new founders as a form of philanthropic giving.



Highlight #4

Foundations are engines of social cohesion – locally and globally.

Foundations take on a long-term outlook – they are the social conscience of the government, business world, and civil society. Their agenda is systemic change and the elimination of the structural causes of issues. Thanks to their financial and political independence and the necessary distance from current events, they systematically and foresightedly pick up on relevant issues (including future issues) and put them on the agenda of public and political discussion. They create space to reflect for fact-based examination, moderate the dialog, and play a key role in maintaining social cohesion.

Community foundations are the hub of local activities. As one of the central and most dynamic of local active organizations, they work with other local groups to identify problematic situations and develop approaches to solving them. They mobilize social commitment in the form of time and capital and play a key role in enhancing self-responsibility.

The improve access to private funds for philanthropic purposes.

In 2030, they will possess four to five times the value of their current assets.

Major foundations operate on a global scale and maintain a high profile on the international stage – an increasing number of foundations advocate for democracy, the rule of law, and a social market economy. The growing influence of totalitarian structures (or partially totalitarian structures) and the government’s repression of civil society organizations in many parts of the world move foundations to become increasingly active in this regard (and become increasingly active together).



Highlight #5

Entrepreneurial approaches become dominant in foundation operations.

The philanthropic sector adopts sensible and sound entrepreneurial approaches that lead to more impact and higher quality. It is no longer enough for foundations to simply “do good.” They aspire to achieving the maximum that is possible and making full use of their skills and expertise – they use their financial and political independence, their freedom to select the issues to work on, their long-windedness, and their acceptance in society to make the maximum contribution to the common good.

Foundations operate in a thoroughly strategic manner – they employ fact-based and strict identification and analysis of issues combined with a clear, ambitious focus and definition of their goals and they determine their own role, their activities, and their relationship with other active organizations. A focus on impact is no longer characterized by a discussion of methods and tools, but instead manifests itself as a continuous, concomitant evaluation and learning process shaped by pragmatism and an all-encompassing nature. Impact has replaced reputation as the new benchmark for successful foundation activities. Foundations demonstrate the courage to experiment. If it serves their goals, they try out new approaches without subjecting themselves to a decree to be innovative.



Highlight #6

Foundations open up. They place emphasis on a new understanding of partnership and enter into new areas of interaction. They assume responsibility together increasingly often.

Internal debate circles are a thing of the past. Foundations systematically turn their focus outward. They work in constant collaboration with target audiences, experts, academics, the business world, and the public sector. In an honest, substantial dialog and using modern communication and participation formats, they incorporate a broad base of knowledge and experience into their activities and identify the most relevant societal issues. Working together, they analyze the causes of existing problems and develop and implement viable, realistic, and consistent approaches to

working on them. Foundations' new understanding of partnership and interaction leads to the mobilization of all relevant active organizations and prior knowledge as well as to the development of joint, long-term prospects.

Foundation operations of the future are shaped by joint responsibility. Foundations' increasingly strategic focus strengthens collaboration and coordination, and by 2030, has become widely accepted by the major foundations. Foundations view themselves as jointly responsible for social change processes. They coordinate with one another in an increasingly strategic approach as to which foundation will work on which issues over the short and medium term. They create a lively exchange regarding successes and failures, and pool their resources in order to more efficiently employ the resources available.



Highlight #7

Governance and organization reflect the aspiration to operate in a new manner.

Foundation bodies stand out thanks to a strong focus on stakeholders. This is also reflected in the diversity of the people in their ranks – based on their purpose and mission, foundations incorporate all relevant social perspectives into their activities. Foundation bodies strengthen the entire organization in the awareness of their new freedom and their strategic focus.

Professional foundation management operates based on the principles of “strategic focus,” “maximum impact,” and “highest quality.” It creates the freedom and provides the cover needed to systematically experiment with new approaches and ideas. Dealing with mistakes in an open manner – both internally as well as together with partners – molds foundations in learning organizations.

Personnel and organizational structures are flexible and created with a focus on projects and networks. Resource management is focused on strategic requirements. A key recruiting criterion is whether the candidate will bring relevant experience and other perspectives to the organization. An exchange of personnel with the public and private sector and other civil society organizations is standard practice.

**Highlight #8**

Foundations create a national organization to increase public awareness and promote a data-based discussion and examination of the sector.

In 2030, foundations have positioned themselves as civil society's most transparent organizations. They regularly report on the impact of their operations. As such, foundations take on a pioneering role and follow new standards. These standards go beyond the nationally standardized reporting obligations and increase the legitimacy and recognition of foundation activities.

In addition to a central foundation oversight agency, a national institution is responsible for collecting, analyzing, and processing all the information relevant to foundation activities and makes this information available to the public. More than 80 % of the population are aware of foundations and are familiar with their particular characteristics. At the same time, a database is created to improve the exchange of information within the scope of academic research.

Interviewees

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