THE IMPACTASSETS HANDBOOK FOR INVESTORS

GENERATING SOCIAL AND ENVIRONMENTAL VALUE THROUGH CAPITAL INVESTING

Edited by
JED EMERSON

6

Transformational Giving: Philanthropy as an Investment in Change

Kris Putnam-Walkerly

Many investors think of philanthropy as altogether separate from their strategies to build wealth, generate return and make change. While market investments are seen as means to an end, philanthropy is often an afterthought—charitable donations made along the way to "give back" but not necessarily related to an individual's overall goals for business or life and certainly not viewed as part of one's overall capital management and deployment strategy.

But donors who fail to recognize the potential power of their philanthropy to amplify return on investment and contribute to an overall investment strategy are missing a key tool in the investor's tool kit. As described in terms of Total Portfolio Management, rather than an afterthought, philanthropy deserves consideration as another asset class that links to and strengthens other investments within a portfolio.

For example, an investor with a keen interest in the alternative energy industry might provide a philanthropic investment in a green-jobs training program that will ensure a competent workforce for that industry. An investor who believes medical technology is the key to the future might support research institutions that develop those technologies. And an investor who wants to build an empire of organic grocery stores may recognize

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

the importance of supporting nonprofits that help small farmers employ sustainable agriculture practices.

In addition to working hand in hand with market investments, philanthropic investments can provide early venture or seed money from which new innovations and ideas take root and flourish. In fact, many inventions and practices that society now takes for granted—such as public libraries, disease treatments or even white lines along the sides of roadways[1]—were sparked by the charitable investments of others.

The options for effective philanthropy are more varied today than ever. What used to involve simply making financial gifts to qualified nonprofits has now grown to include public-private partnerships, social impact investing, program related investing, crowdfunding and many more avenues for achieving a philanthropic mission. However, giving and grantmaking make up the bulk of philanthropic activity in the world, so it is through the lens of giving and grantmaking that this chapter explores philanthropy.

Taking advantage of these options does not require millions of dollars, nor does it require that an individual create a fully staffed charitable foundation. Individuals, foundations, donor advised funds (DAFs) and corporate giving programs are all considered funders, and they may adopt strategies that align philanthropic investments with a broader portfolio. Doing so, however, requires a funder be strategic and thoughtful about her giving or grantmaking. Regardless of the size of their philanthropic investments, investors must transform their practices and mindsets, shifting away from simple charitable goodwill to a focused, purposeful, well-planned approach. This careful focus and strategy is what shifts giving from purely transactional to transformational. *Transformational giving℠ requires funders to transform their own mechanics and mindsets in order to transform the communities and causes they care about.*

This chapter includes an overview of key avenues individual philanthropic investors or larger, institutional funders may use to make gifts to nonprofit organizations; ways in which funders may transform both the *mechanics* (the processes and practices) and the *mindsets* (attitudes and inclinations) of their giving; and a note of caution about delusional altruism℠, which can undermine even the most sophisticated philanthropic investor. Using this information, funders of all kinds can become more savvy philanthropic investors and apply their skills and knowledge in ways that lead to transformational giving.

Key Avenues for Giving and Grantmaking

There are many different avenues investors can use to leverage their philanthropic dollars in ways that support their overall desired return and strategy for creating impact in the world, from the local community to global levels. In general, the four most common of these are individual donations, corporate gifts, DAFs and private foundations.

- Individual charitable donations include gifts made by donating cash or other marketable assets directly to a charitable organization. Direct donations allow funders to be immediately responsive to needs and flexible in their giving. Examples of direct donations include regular annual gifts to favorite charities or one-time contributions in response to a natural disaster.
- Gifts through family businesses or corporate entities allow funders to use corporate assets to achieve philanthropic outcomes. These assets could be gifts of cash or products that are donated to a nonprofit organization but could also be shares of corporate stock.
- DAFs are established by donors at community foundations or through larger investment firms. They allow donors to set aside charitable assets to build a corpus for ongoing grantmaking.
- Private foundations can be created by donors with larger amounts of charitable capital. They can be family foundations, in which the donor's family members serve on the board and make grantmaking decisions, or independent foundations led by a board whose members are not related to the founder.

Philanthropic investors often work through more than one of the above avenues. For example, an investor who has a significant number of charitable assets may place the bulk of them into a private foundation and a smaller amount into a community foundation DAF, make corporate gifts from the ongoing profits of a business and make personal direct contributions. Individual

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

donors used to writing smaller checks to specific organizations may opt to become more strategic by establishing a DAF and linking their giving with their the overall impact themes they are most interested in. Each of these avenues comes with its own tax and regulatory features that can also play a role in a funder's overall strategy.

Transformational Mechanics: 11 Core Practices for Effective Philanthropy

No matter whether an investor has thousands of philanthropic dollars to work with or billions, there are some basic core practices of giving and grantmaking that should underpin every giving strategy to ensure the most effective return on charitable investments. The list below contains 11 core practices that every philanthropic investor should consider. While not every practice will be useful to every funder, each can add value to the philanthropic process. Therefore, each merits close consideration as a potential part of the scaffolding for an effective funding strategy.

1. Understanding Mission and Vision

It's hard to make effective charitable investments if an investor is unclear about what he or she is trying to accomplish. A mission and vision, whether espoused by an individual or a foundation, should leave no doubt about that. Mission is the core purpose: It identifies why a funding effort exists and targets the needs it is addressing. Vision is the future an investor desires: It paints a picture of how the neighborhood or the world will be different if the investor succeeds in achieving the mission.

For example, an investor interested in ending homelessness in one city may have a mission to provide the physical spaces and social support services necessary for those in need to find homes and achieve the stability necessary to stay in them. The vision might be a city in which everyone has a place to call home. Or an investor who envisions a community in which everyone is economically self-sufficient may have a mission to support job creation and preparation for all residents.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

How does a philanthropic investor develop a mission and vision? It can be driven by the passion, interest or value of the investor, of course, but it also should identify and prioritize the actual needs within the community the investor wishes to serve. For example, an investor may have a passion for women's health, but in the community the biggest needs for women's health may relate to domestic violence or unplanned pregnancies rather than clinical issues.

To identify and prioritize needs, investors can call on a number of resources, including their own past experiences with giving, the services of experts who can conduct an objective scan of needs and community input and engagement.

2. Assessing Capacity to Accomplish the Mission

Achieving a philanthropic investor's mission means more than mustering finances to solve a social problem. It also means applying a range of intellectual assets and skills, which can come from the knowledge and experience of the investor, from paid staff in a family office, from community foundation program staff for donors who hold funds in community foundations, or from outside advisors. In general, investors can consider their capacity needs in three different "buckets": people, knowledge and expertise. Within each area, an investor will likely find existing assets to leverage and gaps that need to be closed in order to better accomplish the mission.

- *People:* Who are the people involved and what roles do they want to play? How engaged does an individual investor want to be and what capacity does he or she bring to the table? Are their board members or staff—and if so what are their roles? Who are the trusted advisors? How can the family office help?
- *Knowledge:* What does the individual investor or the investor's team collectively know about the issues the investor wishes to address? Is additional information readily available or does the investor need help?
- *Expertise:* Does anyone involved have experience in the issues? Do they have experience with individual giving or grantmaking to support those issues?

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

Answers to these questions will provide a roadmap as to where an investor might want to invest in building organizational capacity and developing a better understanding of where it already exists. He or she may need to spend time building personal knowledge and/or skills, work closely with community foundation staff or outside advisors, increase the board and/or staff in a family office or the investor's foundation, increase administrative capacity so that the board and staff can become more effective, or scale back on the mission.

3. Determining a Funding Focus

What will a philanthropic investor support and what will be set aside? Depending on mission and capacity, the giving focus could include broad program areas such as health or education and fund multiple approaches within them, or it might concentrate on specifics such as increasing global access to safe water and sanitation, or high-quality preschool in a particular neighborhood. For example, an investor who has a keen interest in women-owned businesses and a generous amount of philanthropic capital might invest in a variety of different nongovernmental organizations that provide everything from leadership training to microlending. A investor who shares that interest but has a smaller budget may invest in a single, proven women's entrepreneurship program in the global south.

In general, there are three potential levels of change an investor can affect, based on capacity: changes in people, changes in organizations or changes in fields. For example, if a philanthropic couple is interested in substance abuse treatment, they could fund programs that provide treatment (changes in people). Or they might recognize that the organizations that provide substance abuse treatment are operating on a shoestring budget and need help with staff training, strategic planning or board development, and so determine to provide funding to improve operations (changes in organizations). Or the couple might realize that the stigma of substance abuse prevents people from getting help, so they could decide to fund a national communications campaign to reduce that stigma (changes in the field). Investors of any size can address any of these three levels, using any of the funding avenues listed earlier in this chapter.

What an investor wants to support may also inform *where* they'll place their funding focus—locally, statewide, nationally or globally—and vice versa. For example, if the couple in the example above chooses to create change for individuals, they may decide to start in a single community in their hometown. If they're bound by geography but want to participate in a global effort, then they may need to support participation of local organizations in global networks. The key is to find the most appropriate (or creative) nexus of *what* and *where* to serve the mission within the limits of capacity.

4. Finding Organizations to Fund

Once a philanthropic investor knows the kind of work she wishes to support, how will she find the organizations in which she might invest? It is a natural inclination for individual investors to give to organizations they know, either through personal relationships or by reputation. Individual donors often begin finding organizations to fund by consulting their own networks of friends, fellow philanthropists and professional advisors. But individual investors can also broaden their horizons through personal research. In just a few hours on the Internet, an individual investor could determine which organizations are leading in an issue area, where the experts are who might be willing to speak with the investor to provide further education, and other funders that have invested in the issue. Questions such as "Who's doing the most exciting work on this issue?," "What are the biggest barriers to progress?," "What are the best practices?" or "What kind of returns have other funders seen on their investments with XYZ organization?" can reveal a great deal of information to inform an individual investor's choice of organizations to fund.

Typically, investors who work with community foundations or establish their own private foundations take the road of accepting solicited or unsolicited proposals from nonprofits seeking funding. Solicited proposals are those invited by the investor from organizations they've proactively identified as being effective, aligned with the investor's mission and potentially good partners.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

Unsolicited proposals are gathered through an open proposal submission process in which any organization is free to apply for funding, based on advertised criteria.

There are pros and cons to both unsolicited and solicited proposal strategies, and many investors incorporate both in their grantmaking. For example, investors who wish to focus on a specific, evidence-based intervention to address a community need may use a solicited strategy to reach out to a few select organizations that have demonstrated prowess in deploying that intervention. An investor who is interested in early childhood development may be a fan of Nurse-Family Partnership, an evidence-based approach to ensuring a strong start for children up to the age of two. As a result, the investor may wish to offer support only to organizations that have successfully deployed the Nurse-Family Partnership model. On the other hand, a foundation that wants to engage community at the grassroots level to strengthen early childhood development may invite any organization to apply for funding, in hopes of connecting with small but promising community-based organizations as new partners.

5. Creating Grant Strategies

Philanthropic investors have a wide range of strategies to use for giving and grantmaking. The options they choose will be influenced by the size of their giving budget, as well as by mission and capacity, but in general they include the following:

A. *Program support.* Most funders have traditionally offered financial support for a specific program operated by one or more organizations, such as a healthy eating outreach program operated by a community clinic or a grassroots HIV prevention program. Program support is often provided in the form of seed or start-up funds, with the understanding that other funding will eventually sustain ongoing operations.
B. *Core operating support.* Core operating support usually takes the form of unrestricted funding for a nonprofit organization to use as needed to underwrite basic operating expenses, such as rent, salaries, utilities, supplies and so on.

While core operating support does not appear as dynamic as other types of funding, it is a way in which investors often can make the most dramatic difference for a growing nonprofit organization.

C. *Organizational capacity building*. Because nonprofits often dedicate their entire budgets to basic operations and programmatic costs, they are rarely able to provide their staff with the tools and training that could improve knowledge and impact. Investors who support capacity-building activities such as staff training, leadership development, executive coaching, skill building or investments in new technology can provide a much-needed boost to an organization's capabilities.
D. *Capital gifts*. A long-time practice of philanthropists, capital gifts support brick-and-mortar investments for nonprofits, such as new buildings or endowments to support ongoing infrastructure needs. Capital gifts often come with naming rights, which are appealing to many investors.
E. *Research grants*. As the name implies, this involves supplying financial support for research. The types of research can vary widely, from a large clinical study at a university to a family-needs survey conducted by a nonprofit in a small city. Investors can also support researching and evaluating the effectiveness of programs or organizations. Such evaluations can help quantify an investor's return on philanthropic investments or show areas where improvements can be made.
F. *Multiyear grants*. While most investors realize that market investing requires a long-term horizon, many tend to see their charitable activity through a very short-term lens. They expect to see results from a single grant or within a one- to two-year time frame, when the time needed to effect lasting social change can be a decade or more.

Philanthropic investors of any size and structure can use any of the strategies listed above. Of course, some may be more suitable than others, depending on an investor's areas of focus and the needs of their potential gift or grant recipients when selecting the types of strategies they use. For example, if an investor wishes to

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

address a relatively rare medical condition or wants to prove that a specific kind of classroom intervention works best for children with dyslexia, he may use research funding as a primary strategy. If an investor knows that domestic violence shelters throughout her state are struggling with daily operations and are unable to collaborate or think strategically, her best bet may be to fund organizational capacity or core support. And if an investor is passionate about feeding the hungry, then support for the programs that deliver services in the community may be the right choice.

6. Developing Grant Guidelines

Investors with community foundation DAFs or private foundations of their own will want to develop funding guidelines. One advantage to community foundations, as well as other organizations that provide DAFs, is that they provide a set of ready-made general grant guidelines, as well as the staff to manage the grantmaking process.

Being able to clearly define how, to whom and for what purpose an investor will award grants does more than just provide applicants with a clear set of expectations; it also helps the investor and any staff stay focused and on point with the mission. A good set of grant guidelines puts into writing all of the key decisions made to date: about the mission, the funding focus, program areas, solicited versus unsolicited outreach and chosen grant strategies.

Clarity is absolutely key for funding guidelines. This means that nonprofit organizations can read an investor's guidelines and know immediately whether they are a good fit, which saves them time and frustration. It also means that everyone involved in the funding decisions—from inside staff to outside consultants or advisors—is in agreement about what the investor will or won't support. Length is the enemy of clarity. The more concise and direct an investor's grant guidelines, the clearer they will be for everyone (including the investor).

7. Getting the Word Out

For individual investors, sharing the word about potential giving or grantmaking could be as discreet as hand-picking organizations and mailing checks, or as public as launching a social media campaign to seek bold new ideas. Community foundation donor advised fund-holders often rely on the foundation's program staff to suggest organizations that are doing work that best aligns with the donor's interest.

For foundation funders that have established focus, targets, strategy and guidelines, finding potential grantees can be a challenge, especially when using an unsolicited grant strategy. Foundation trustees may have helpful connections, but most foundations will likely need to cast their nets more broadly.

Basic forms of communication, such as a website, blog posts, or social media are helpful. However, as with other forms of investing, some of the best leads for promising investments come from existing relationships. This is a great time for investors of any size to leverage the connections of grantmaking colleagues, such as other individuals or foundations working in the same geographic area or on the same issue. Many individual investors use their networks of advisors, friends or fellow donors to make connections with likely gift recipients. A investor should take time to explain his or her interests to these philanthropic colleagues and describe the kind(s) of grantees desired. The colleagues can then help point the way to likely candidates for solicited proposals or to networks and communities in which to promote an unsolicited application opportunity.

8. Designing a Process for Proposal Review

Once the requests and proposals start pouring in, who will review them and how? Even individual donors should take the time to develop a manageable process that ensures grant decisions are made thoughtfully and effectively. Again, those who give through community foundation-DAFs will have the resources of the community foundation to guide or assist in this process.

Proposal review processes can be as simple as a thorough read-through and vetting by an individual investor, her program staff or the family office. Or an investor might include a prescreening process with staff or community advisors, site visits to potential grantee locations and/or a group vetting process to discuss the merits of each.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

Whether simple or complex, every proposal review process must include basic due diligence. This can mean simply verifying that the applying organization is indeed a 501(c)(3) nonprofit, or it can mean reviewing audit information, confirming staff qualifications or asking for copies of operating agreements between coapplicant partners.

When designing a proposal review process, investors should remember that every step will add to the burden of both reviewer(s) and applicants. Site visits in particular require a deeper level of planning to ensure that both investor and grantseeker make the most of their time together. Before adding a step to the process, every investor should carefully consider its value and purpose against the time and effort involved.

9. Creating a Process for Board Review and Decision Making

Investors who create foundations must consider the information the board will need to make responsible grant recommendations, as well as how the investor or foundation staff will supply that information.

Many foundation staff have horror stories about the extensive time and reams of paper that go into preparing for board meetings. Of course, those thick board dockets don't get read, and all the time spent assembling them could have been better spent on other tasks. Foundation funders or their staff should work with the board to determine how much information they want and need to do their duty, and resolve to give them not one scrap of paper or one extra email more. Allowing board members to decide whether they want to receive their board meeting materials in paper form or electronically further increases their chances of authentic engagement in the decision making.

When a board convenes to make its grants decisions, foundation staff must make sure their discussion is efficient and effective. They should plan in advance the kinds of information they will share with the board during the board meeting—whether a complete set of information or a brief summary. It is best to identify a facilitator for board grant discussions, as is determining ahead of time whether grant decisions will be made by a majority vote or by full board consensus. The approaches to each of these issues can vary, as long as they are based on clear decision criteria that reflect the foundation's grant guidelines.

Individual investors, of course, can streamline this process, but it should still be deliberate and thorough. Just as with market investments, there is no substitute for due diligence. A clearly defined process for selection can help ensure that individual philanthropic investments are more likely to achieve their intended results.

One note of caution: Decision processes can become cumbersome and time consuming, thereby limiting an investor's ability to respond to the capital needs of nonprofits in a timely manner. Investors should always strive to find the right balance between due diligence and making investments when they are most needed or most likely to deliver maximum returns.

10. Awarding Grants and Gifts

Once grant decisions are made, investors will need to notify grantees. Will that be done via email or a phone call, or is a formal letter more in keeping with the investor's style? For individual investors, this is often the last step in the giving process.

Foundation funders and corporate giving programs, however, should follow their grant announcements quickly with a grant agreement letter or contract that both funder and the grantee sign before money is disbursed. This agreement should specify the amount awarded, the purpose, the payment terms, reporting requirements and any other nonnegotiable aspects of the work together as funder and grantee. The grant agreement is a legally binding document that bears careful attorney review before use. Nonprofit and commercial providers of DAFs will have existing grant agreements.

11. Creating Grant Reporting Requirements

Once investors have gone through the process of choosing grantees and investing in their success, they will want to learn what the grantees have accomplished. Simple grant reports can help an investor assess grantee progress; understand the reality of the

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

work; and generate lessons learned that can help the investor, grantees and others in the field hone expectations and improve impact.

Individual investors have relatively little sway in “requiring” progress reports or updates. Smart nonprofits may realize the benefit of keeping the investor in the loop, but will have no legal obligation to do so. Foundation grant agreements, on the other hand, may require some sort of reporting as part of the contract with the grantee.

Writing and reviewing grant reports constitutes an extra burden for both investor and grantee, so keeping them as simple as possible benefits everyone involved. Grant reports should focus only on what is actually useful, leaving sidebars and extraneous details behind. Reports can be as simple as a single page or a series of short answers to specific questions. If an investor’s requirements are too long, it may be a sign that the investor is not sure what to ask and should revisit the mission and focus to clarify and streamline.

Grant reports don’t have to be written. Investors—particularly individuals—might prefer to conduct a formal post-grant interview, record a video debrief or simply take notes during an informal conversation over coffee. The important thing is to document what counts, in whatever way makes the most sense for both investor and grantee.

Customize the Core Practices for Effectiveness

Obviously, not all of these core practices will apply in the same way to every investor. Individual investors would most certainly find some of the foundation-oriented processes to be cumbersome. Instead, these core practices should be used as a guide to create a process that is meaningful to each investor and meets his or her particular needs.

Learning along the way is to be expected—in fact, it’s a sign that an investor is actively working to increase effectiveness. For example, an investor might think site visits are a great idea at first, but then learn that they are too time consuming and the investor (or staff or board members) can’t commit to them. Then

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

it's time to change the approach. If the information from grant applicants isn't satisfactory, an investor can and should change funding guidelines. For any of the 11 core practices, the key for any investor, large or small, is to consider how they help achieve philanthropic goals and adapt accordingly.

Transformational Mindsets: 10 Ways Investors Increase Philanthropic Effectiveness

Once an investor has mastered the basics of giving and grantmaking, how can they take their charitable investments to the next level of effectiveness? The following list shares practices that effective philanthropic investors use to go beyond the basics to hone their craft and increase their impact.

Practice #1: Organize Work Around Values

The term *organizational values* can, understandably, lead to eye-rolling. It seems like a phrase on a plaque that is so universal that it means nothing. But when investors are very clear about their values and work to operationalize them, organizational values can have a huge impact.

For example, one foundation conducted a survey of its grantees and was surprised to find they rated their relationship with the foundation much lower than anticipated. The foundation spoke with other foundations whose grantees said their relationships were overwhelmingly positive, and the reason became obvious: All of those other funders had a core value of building strong relationships with grantees. They made this part of everything they did, including how staff allocated their time, application and reporting processes that were not burdensome, and more. When making decisions they asked themselves, "Are we doing this because it would be easier on grantees or easier on us?" If the latter, they wouldn't do it. The foundation in question decided to adopt this same core value.

Another example involves an individual donor who believes strongly in a core value of respecting and accepting everyone, regardless of race, religion, gender or other personal attributes.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

This investor makes a practice of specifically seeking advisors and partners who are very different from himself, in order to provide a 360-degree view of his community and his work within it. This core value of respect and acceptance also extends to the gifts the investor makes, because he intentionally looks for nonprofit organizations that demonstrate their shared belief in the core value.

What sets some investors apart is that they live and breathe the values they claim, even imbuing them into their systems and processes so that they are apparent to everyone. Their values have become part of how they do business.

Practice #2: Recognize That Grantmaking Is About Relationships

Investors can have a transactional relationship with their the organizations they support, sending out funding announcements, reviewing solicitations and proposals, emailing them that they've been awarded a grant and sending a check. It's true that by making grants, investors may be making a difference, but a purely transactional process is not very meaningful to either investor or grantee. Relying on transactions alone makes it hard for investors to learn what works and makes it virtually impossible to identify new needs, opportunities or ways to leverage funding for greater impact.

To change that dynamic and get a better understanding of the needs, assets and opportunities in the community, savvy investors work to build stronger and deeper relationships with their grantees. These investors want grantees to feel enough trust to be completely honest about what's working and isn't, so that the investor can help them and they can accomplish more. In the best-case scenario, grantees feel comfortable coming to their investors with a problem—they need to increase their capacity, an executive transition is rocky, a grant is not going as expected but they have a plan to make course corrections. In this situation, a trusted investor has the ability to help grantees by identifying other sources of support or connecting them to people who can help. This in turn continues to build the bonds of trust.

However, investors should always be conscious of the fact that a clear power dynamic exists between those providing funds and those receiving them. Savvy investors seek to mitigate that power differential by listening, learning and recognizing the impact of their requirements and demands and being realistic in their expectations.

Effective investors also build relationships with other funders—both individuals and foundations—to learn more about who is funding what work and what their experiences have been. Funders can help each other perform due diligence with grantees, identify new partners who might want to cofund an initiative and share their collective wisdom.

Likewise, other partners, such as researchers or evaluators, experts in a shared interest area or local city or county officials, will also become valuable allies if the investor invests in building relationships with them.

Of course, building relationships requires time and intentional effort. Participating in membership or professional organizations can provide opportunities for this. National and global funding networks, regional associations of grantmakers, local associations of nonprofits or convenings of corporate social responsibility programs are also good places for investors to find others who share their areas of interest. Once an investor has identified people with whom they want to cultivate a relationship, the next step can be as simple as a coffee or lunch invitation to get to know potential partners and allies on a more personal level.

Investors should always act with integrity, regardless of the relationship they're trying to build. The most effective investors listen carefully to the needs of others, demonstrate humility, ask for advice and follow up on commitments. Ultimately, it is these little things that allow effective investors to build trust more quickly and reap the mutual rewards of the relationships they build.

Practice #3: Identify and Leverage Every Asset

Investors of any size have much more to offer than money. Those who take time to catalog their full array of assets and consider how to employ them are better positioned to fulfill their missions. There are many different roles that investors can play, such as

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

catalyst, broker, convenor or ambassador. For example, investors can offer:

A. *Connections.* Investors often know people who might be valuable referrals or resources for their grantees. These could be expert advisors who can provide professional services, talent within the donor's corporation, organizations with similar interests or goals that could be valuable partners, individuals who might make great nonprofit board members or even other investors who might be interested in providing support.
B. *Knowledge and intellectual capital.* Investors often gain valuable knowledge about an issue, the community, local politics or other funders. How and when to share that information merits consideration and discretion, but keeping it a secret may do more to hinder an investor's own agenda than to help it.
C. *Experience.* Chances are individual investors or the staff they employ for giving and grantmaking have specific experience that can translate to guidance for grantees. For example, perhaps an investor has led the scale-up of a business to reach new markets and can apply that skill to a nonprofit. Or an investor who's a self-described "policy wonk" can help inform a grantee's advocacy strategy. Effective investors know to offer their experience with humility when nonprofits are ready for it, never forcing it on grantees.
D. *Reputation.* Whether an investor realizes it or not, their reputation—personal and professional, individual and organizational—can help open doors for grantees. Investors who are well regarded can convey that same respect to grantees by introducing or recommending them to others.
E. *Physical space.* An investor's board room, country club or house can provide valuable meeting space with just the right feel to bring together a grantee's staff retreat, host an event or set the scene for a quiet conversation among diverse community stakeholders to solve shared challenges.

F. *Investments.* The choices philanthropic investors make about their market investments can have a huge impact on grantees. Practices like mission investing and impact investing can boost the capacity and confidence of individual organizations or even entire fields.
G. *Convening power.* The role of convenor is often overlooked by investors, but they have an unmatched ability to bring together disagreeing factions or would-be partners in a safe, neutral and controlled environment. Investors also can provide facilitators or mediators to help move conversations forward and enhance outcomes.
H. *Ability to take risks.* Both individual investors and foundations often are hesitant to try new ideas and learn from them, because they seem to operate under the assumption that failure will somehow discredit them. But as one foundation CEO says, "If this doesn't work, are people going to stop coming to us for money?" Investors have much broader latitude in which to take risks than do government agencies or many businesses. They should use it to greatest advantage.

Practice #4:
Adopt an Abundance Mentality Rather Than a Poverty Mentality

Contrary to what one might assume from the phrase, having an abundance mentality has nothing to do with money. Instead, it has everything to do with an investor's beliefs, organizational culture and approach to its work. At its core, an abundance mentality is based in a belief that almost anything is possible. David conquered Goliath, and a single investor can help conquer just about anything if they are willing to step forward and make an effort and an investment. Both individuals and organizations can embrace an abundance mentality or allow themselves to become trapped in a mentality of poverty. This is true for philanthropic investments as well: The abundance mentality includes the belief that the answers are out there, if only we are willing to invest in searching and experimenting.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

Unfortunately, a majority of foundations—and, to a lesser extent, individual investors—have typically operated with a poverty mentality. This is a belief that money should not be spent on internal investment; opportunities are limited by capacity; improvement is always incremental; we should do more with less; and we don't deserve the best, fastest or most efficient path to success. It is based on fear of failure and a misguided belief that maintaining a spartan operation means delivering value for grantees and communities. Investors with a poverty mentality say things like:

- That problem is too big and we are small—we can't make an impact.
- The money we invest in research takes away from our grantees.
- What is the cheapest way we can do this?

Investors often embrace a poverty mentality in the name of stewardship or wise expenditures, like those who refuse to ever include staff salaries in any of their grants. They may fund an evaluation, but not the evaluator's compensation. They may fund an advocacy campaign, but not the advocacy staff. Their fear is based on not wanting to create a dependence on funding for salaries, since their investment will be short term, and they believe that salaries are a basic expense that the nonprofits "should be funding anyway." Instead, investors should ask, "What might the nonprofit discover or develop if we make an investment in their people?"

An abundance mentality, on the other hand, is a belief that internal investment is important, opportunities are a reason to grow capacity, advances can be made in leaps and bounds, success can be replicated and improved, most challenges can be handled (or bounced back from) and the organization deserves investments in order to realize the greatest outcomes. This mentality is based on the belief that the more one puts into life, the more one gets out of it. Investors who embrace an abundance mindset ask:

- Who are the top experts who can advise us?
- What information do we need to take this to the next level?
- What piece of this can we contribute to?
- If our program were to become a national model, what might that look like?

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

Embracing an abundance mentality doesn't have to be expensive. For example, in creating a new, strategic approach to substance abuse treatment, one investor engaged one of the world's leading experts on the topic for an hour-long phone conversation to tap into his wisdom and guidance. The expert charged nothing, and it was time well spent to attain best-in-class insight. Why not assume every program deserves that investment, rather than assuming one must always find the perceived cheapest or closest available resources? Only by embracing an abundance mentality can an investor attain the freedom to think about ways that a grant of $5,000 (or $50,000 or $500,000) can contribute to dramatically improving how people live, cure a disease, transform preschool education in a community or transform a neighborhood from an area of blight to one of prosperity.

Practice #5: Streamline Philanthropy

Without too much effort, investors can find ways to streamline decision making, application and reporting processes, board meetings, accounting practices, planning and other practices to reduce the burden on nonprofits and the investor himself. It always pays to think about what is the easiest, most simple, most streamlined way of going about everything—especially if an investor has been doing things the same way for years.

For example, one foundation in the California Bay Area realized it had 14 pages of grant guidelines to explain how to submit proposals that only needed to be eight pages—and all that for a $50,000 grant. Another foundation realized it wasn't doing anything with final reports from grantees, so it decided to curb its reporting requirements rather than waste its grantees' time.

To streamline your processes, smart investors ask: What do we really need, and what is the most efficient and useful way to get it? Further, these investors check in on their own processes every few years and ask grantees for feedback as well.

Practice #6: Learn Intentionally

Effective philanthropy requires that an investor create and support a culture of ongoing learning—for himself as an individual and for staff, board or advisors. After all, learning is at the core of all advances.

A culture of learning is one that encourages ongoing inquiry and questioning. It is comfortable with the fact that there is always more to learn and explore, and therefore the work of learning is never-ending. This can be a challenge for investors who are geared toward finding the "one" solution to a challenge, checking it off the list and moving on. But the culture of learning and ongoing inquiry is why cell phones now fit in the palm of the hand, and why more cancers are now curable with less stress for patients.

Learning is less helpful if it's only happening inside the heads of an investor and his or her internal team. Learning should be intentional, documented and shared. Effective investors create systems, processes, plans or timelines that allow for reflection—preferably with board members, staff or trusted advisors. They document that learning and use it to make decisions. For example, an investor who develops new funding guidelines and a process for board proposal review might also commit to a conference call after the first few rounds to find out how the process went and what can be improved. A investor who wants to replicate a new best practice in providing mental health services for returning veterans might convene grantees after the first year to find out what's working, what's not and what can be improved.

Learning cultures can reflect the personalities of their organizations. For example, a leading tech company gives employees one day each week to suspend normal work and focus on inquiry and innovation. A software-development community crowdsources its employee learning, allowing staff to post information they'd like to learn and information they'd like to share. When interests align, those who wish to share join those who wish to learn during a brown-bag lunch. The company also hosts a series of two-hour "deep dive" trainings when staff want to learn more. Many foundations host regular brown-bag lunches for staff to learn about or discuss issues related to their work. Some even maintain a specific reserve fund for "just-in-time" learning. If an initiative or grantmaking program appears to be struggling, or a new opportunity arises, these investors can immediately call in an expert, conduct a quick survey, convene key advisors or stakeholders or do any number of things to learn and apply that learning in real time.

Introspection and learning take an investment of time—but it's time well spent. Remember that intentional learning can feel as though an investor is purposefully hunting for failures, so it's important to keep an eye out for things done well in addition to areas for improvement. In either case, the key is to find opportunities that the investor can embrace in real time as his or her work progresses, rather than waiting for a postmortem evaluation, when it's too late to increase impact.

Practice #7: Become Knowledgeable About Target Issues

It's a pretty safe bet that, whatever an investor's focus or issue, someone has already been playing in that sandbox. Before making grants, smart investors scan the landscape of their chosen issue or community to find out who else is focusing on it, what's been successful so far, what hasn't worked, and what the gaps and opportunities for impact are.

Nothing alienates a community or potential partners like an investor who comes into the room with all the answers. Leading with questions and a genuine desire to learn makes for far greater strides and aligns more valuable allies.

Investors also become valuable allies when they bring further knowledge into the mix. For example, an investor might access or underwrite national or regional research that can help inform everyone, or foot the bill for speakers or consultants who can add to everyone's knowledge.

Practice #8: Embrace a Spirit of Collaboration

Investors often expect nonprofits to collaborate, but they less frequently turn that expectation on themselves. Yet there is tremendous opportunity to exponentially expand the impact of research and development investments through funder collaboration. In fact, it is rare for an individual or institutional funder to produce meaningful research or develop an idea all alone. Collaboration allows for greater leverage of ideas, investments and reach to better ensure that research is thorough and conclusive and that new products or approaches work and are relevant to those they're intended to serve.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

What does it mean to collaborate? Funder collaborations happen in many different ways, all of which leverage the strengths of each collaborative partner to achieve a common goal. Collaborations can be formal and complex, with written agreements and well-defined roles and structures, or they can be a series of ongoing conversations or even simple handshake agreements. They can be long-term efforts that require a significant commitment of time and funds, or short-term tactical approaches to addressing a common need. They can require a pooling of funds for investment, or simply aligning investments toward a common goal at the discretion of each collaborator.

Collaborations can also take funders beyond the usual allies to build connections with partners who have technical know-how or business knowledge that are not typically part of the philanthropic sphere. For example, one foundation funder who aimed to help California domestic violence shelters better coordinate their ability to serve victims underwrote the services of an app development company. Together, the shelters and app developers created a new smart-phone app that instantly crowdfunds hotel rooms when shelter space is not available.

Collaborations can be messy, but that shouldn't be a deterrent for investors. The key is to plan them well, understand who is leading the collaborative effort and how, communicate openly and often with all involved and recognize that unexpected twists and turns will likely be part of the process.

Practice #9: Remain Open to Prudent Risk

As with market investing, investing in philanthropy means a foundation must be willing to take risks. But not every opportunity is a good one, and not every innovative idea should be pursued. In considering any philanthropic investment, investors should assess each opportunity wisely and take risks that are prudent, calculated and thoroughly explored. Likewise, it's not a good idea to bet the farm on any single idea, product or service. Instead, investors should think of each investment as just one part of a diversified philanthropic portfolio.

There are four criteria that can help foundations assess risk in any philanthropic investment:[2]

1. *Cost.* What investment will this require in terms of grants, staff, outside expertise, new technology, and time?
2. *Benefit.* What are the potential benefits to the investor, community, field? Do the potential benefits outweigh the costs? How long until the effort achieves results?
3. *Strategic fit.* Does this opportunity fit with and advance the investor's mission and strategy? There are many great ideas out there, but no investor should invest in great ideas that take it off course or off mission.
4. *Risk types.* Risk can come in many forms, from potential financial losses to a damaged reputation or strained relationships with partners or community. What kinds of risk are most likely for this particular investment? How severe could they be?

Brainstorming and listing risks with advisors, staff, board and partners can help clarify the realities (and dispel misconceptions) about the risk an investor faces in each philanthropic investment. Once a "risk list" is created, investors should revisit it regularly to consider what's been done—or could be done—to continue to keep risk at a minimum.

Practice #10: Trust and Follow Instincts

Intuition can be a valuable tool for philanthropic investors. If an investor feels doubt about the skills or integrity of the executive director of a nonprofit, or admires the positive culture of a particular group even though it may seem less sophisticated than others, those hunches merit close attention. This is because, at its most basic level, grantmaking is about human relationships. Gut reactions to people and situations can be a valuable tool for determining what feels "right" for achieving an investor's mission.

Avoiding Delusional Altruism: A Note of Caution

Delusional altruism™ is a term coined by the Putnam Consulting Group to describe situations in which philanthropic investors are genuinely trying to make a difference on the issues and communities they care about—while paying absolutely no attention to how they may be getting in their own way by creating operational inefficiency

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

and waste that drains both the investor and grantees of the human and financial capital necessary to accomplish their goals. In terms of market investments, delusional altruism would be the equivalent of any practice or policy that diminishes the ultimate return.

Delusional altruism occurs when a philanthropic investor's beliefs, permissions or practices hamper greater productivity and impact. How many professional development or learning opportunities are deemed too time consuming? How many strategic planning processes take longer than the time to implement the plans themselves? How many hours do investors hide behind administrative tasks instead of interacting with the community?

Philanthropic investors are even more delusional when they create hurdles not just for themselves but for their grantees. One of the most heinous forms of delusional altruism arises when investors simply don't pay attention to the impact that their policies and practices can have on those they most want to help. How many grant application processes end up being more cumbersome than helpful? How often do investors force applicants to deliver far more information than what is needed to make a grant decision? How many people do investors think should do more with less, when indeed they will never hit the mark unless given the chance to do more with *more*?

Manifestations of Delusional Altruism

Delusional altruism is rarely intentional, but it can be pervasive. This is partly because the manifestations of delusional altruism can be difficult to recognize. However, there are eight common examples, many of which are antithetical to the positive practices and mindsets listed previously. Investors who are interested in learning more can take the "Delusional Altruism™ Diagnostic" to rate their performance on each of these manifestations and identify action steps for improvement. It is available at http://putnam-consulting.com.

1. Expecting Others to Do What the Investor Won't

Philanthropic investors are often guilty of looking to grantees to implement big ideas that they refuse to implement themselves.

Examples such as collaboration, innovation and equity come readily to mind. Investors encourage grantees to collaborate on solutions, but are known for sticking to their own agendas. Investors want grantees to pursue so-called innovative solutions but do nothing to innovate within their own walls or practice and often haven't even defined what they mean by the term. And of course, while investors are concerned more and more about equity within the nonprofit organizations and programs they support, few have assessed their own operations and culture with an eye toward equity.

There is a huge difference between talking about or encouraging an idea and actually engaging in the work of developing it. By not thinking about the capacity required to become collaborative, innovative or equitable, investors become delusional about their potential impact.

2. Making Self-Serving Decisions

Throughout the philanthropic field, individual investors and foundations have created a culture of making decisions that are deeply rooted in their own internal perspectives. As a result, they create policies and practices that benefit themselves but not the grantees and the communities they serve.

For example, consider the philanthropic investor who chose to spend most of his time in the office. He expected that potential grantees and partners would come to him, despite the fact that his office was somewhat removed from the communities he served and not easy to get to.

In contrast, another well-meaning foundation conducted a survey of its grantees and grantseekers to assess what they thought of the foundation and their experiences with it. They were surprised to learn that their communication efforts received low marks and immediately set about improving their practices. This foundation dedicated time and resources to listen to its grantees and fix the problems. It was focused on what grantees needed as opposed to what foundation staff thought should be needed or was easiest to provide.

This chapter has been published in 'The ImpactAssets Handbook for Investors' edited by Jed Emerson (Anthem Press, 2017)

3. Ignoring Customer Service

The words "customer service" are rarely uttered by most philanthropists, foundation staff or foundation trustees. Thinking about customer service isn't part of the culture of most investors, but it has true and lasting implications. In the philanthropic investment context, this doesn't mean treating grantees like paying customers in a business, but rather as people without whom an investor's work would fall flat.

As mentioned above, philanthropy is ultimately about relationships, and poor interactions between investors and grantees can lead to missed connections or opportunities that could have been powerful. Communication is a key to good customer service. The more complex a funding initiative or the more partners it involves, the more communication should play a powerful role. But even in smaller-scale grantmaking, investors should never underestimate the value of a friendly voice at their end of the phone line, one that can provide clear and kind advice or gently explain why a proposal is not likely to be funded. When this is the case, grantseekers are less likely to be surprised or disappointed—even if the ultimate answer to a request is "no."

4. Giving in to Bureaucracy and Sloth

Bureaucracy can creep up on an investor like black mold. It's not something anyone sets out to create ("Hmm, how can I make life more complicated today?"); yet it's everywhere. It often masquerades as productivity, which in turn feeds the delusional-altruism fire.

Layers of bureaucracy can appear with each new set of eyes that develops grant guidelines or reviews a grant proposal, with every additional piece of information received from grant applicants, with every new partner or collaborator that comes on board. In many cases, bureaucracy can grow organically as a philanthropic investor's operation grows from individual giving, to donor advised grantmaking, to having his or her own foundation with a full complement of staff. As this growth occurs, bureaucratic practices can emerge quietly and without question.

Here is an extreme example: one foundation used to send its board members board dockets that were three inches thick. Who had time to read all that information, much less make sense of it? Realizing how bureaucratic and overloaded their process had become, the staff took a systematic approach, looking not just at the board docket but at their entire grantmaking process—from the time an initial letter of intent came in the door to the time a grant check went out. In doing so, they learned that the average grant required hundreds of individual "touches" by foundation staff or board members from start to finish. Hundreds! They have now greatly streamlined their entire grantmaking process, including reducing the board docket to 30 pages.

New grantmakers can sidestep bureaucracy from the get-go, assuming they can avoid a few major pitfalls. One such pitfall is simply adopting practices from other funders without thinking through whether they truly are a best fit for the new venture's mission, goals and culture. Another is not paying attention to how many little decisions can add up to one big mess.

For example, suppose a philanthropic investor who operates a large company wants to create a small start-up foundation with two staff. This investor can hardly expect to maintain the time-intensive practices she relies on in the workplace, such as making personal site visits to every customer (or in this case, grant applicant). Instead, this investor should create a new process more in keeping with the foundation's purpose and capacity. Then, as the foundation grows, she and staff should always be on the lookout for "bureaucratic creep" within internal processes and nip it in the bud.

5. Lacking Urgency and Speed

Foundations and individual investors have virtually no incentive to move quickly. There are few regulations, no shareholders and few vocal grantees to roust funders into fast action. In some cases, a deliberate approach is warranted, but often speed can make a huge difference in terms of impact.

For example, investors frequently delude themselves into thinking that the longer a strategic planning exercise takes, the more relevant the plan will be and the greater impact it will deliver. However, the reverse is more often true. It's almost impossible to plan for anything more than a year or two in advance. When a philanthropic investor spends half or all of that time creating a strategic plan, he's already behind the times. In reality, strategic planning should be an annual process that is completed within in a week. This way investors can get on with the work of helping communities.

One of the most delusional philanthropic investment practices occurs when a funder—usually a foundation—ceases grantmaking for a year or even longer in order to "take stock" of its investments, learn more deeply about needs and create a plan for the next decade (or some other far-reaching period). If an investor has engaged in ongoing, intentional learning, then there should be no need to halt all progress in order to reassess footing and vision. A series of staff and board retreats should be sufficient to delve into what an investor has learned and where he or she wants to go. Then it's time to get back to work.

Another example: How long can and should it take for an investor to make a grant? What should be a matter of weeks can evolve into multiple months, as new steps and procedures creep in, adding up to greater complexity and a longer process. Unfortunately, few investors notice or question these developments. But when they do, they can usually reduce their process to a much shorter period of time.

6. Jumping on Bandwagons

We live in a world of trends. Each year, there seems to be another wonderful new thing that every philanthropic investor must adopt. Often these trends are relegated to buzzwords that everyone uses but no one really understands (like "empower," "collective impact," "ideation," "intersectionality"). Sometimes they are actions du jour that make a big splash (like the Ice Bucket Challenge or crowdfunding) but don't deliver impact that's commensurate with the hype.

It's not that any of these practices aren't important, interesting or useful. But as with other investment vehicles, investors delude themselves when they jump on the bandwagon without thinking about how the next big craze aligns with their own strategy. Will the trend advance the investor's work—not just in the moment but in the coming months and years? Is the new trend is in keeping with an investor's culture and practice? The key is to know thyself, and be completely clear about mission and strategy; as a result trends are easier to identify as promising practices or passing fads.

7. Rarely Engaging Diverse Perspectives or Not Engaging Them at All

One of the most common ways philanthropic investors fall prey to delusional altruism is by leaving the people who are affected by the investor's actions out of the decision-making process. Remedying this means more than simply consulting an advisor of color, adding a member of color to an all-white foundation board, attending a community meeting in a specific neighborhood, or signing onto a statement in support of LGBT rights. Increasing connections in these ways is perhaps a start, but making sure voices are continually heard and included is the more critical component for informing an investor's work.

There are many ways to engage diverse perspectives. Philanthropic investors might begin by creating an advisory committee of community members or conducting focus groups and surveys of grantees and community members. For example, an investor who wants to invest in a new pre-K initiative might make a point of talking to parents of preschoolers about what they need and what's stopping them from accessing high-quality pre-K.

But engaging diverse perspectives goes even deeper.

In doing research on equity in philanthropy for the Robert Wood Johnson Foundation, Putnam Consulting Group learned that family, corporate, private and community foundations often delude themselves by genuinely wanting to focus on equity but not turning that equity lens on their own operations. They ask the organizations they fund to prove they have a diverse staff and board, while their own are not. They claim to want to support grassroots organizations, but they make their grant application processes so cumbersome that only a large and sophisticated organization can navigate it. They want to fund economic justice but have never considered whom they hire for their own vendor contracts. While this research only looked at institutional funders, the lesson from this research was clear for foundations and individual philanthropic investors: Engaging diverse perspective starts from within.

8. Creating a Culture of Disrespect

Sometimes the actions of individual investors or the organizational culture of a foundation fuels disrespect. In fact, many of the practices discussed above contribute to that culture of disrespect: not returning phone calls or replying to emails, expecting grantees to assume the burden of traveling to meetings, subjecting nonprofits to overly cumbersome grantmaking processes, moving too slowly or overlooking the values and opinions of those an investor purports to serve and the like.

Most philanthropic investors don't intentionally set out to be disrespectful. It's what happens unintentionally that investors must watch. Cultures of respect grow when investors are willing to communicate openly and honestly with grantees. Through these conversations, both investors and grantees will gain a deeper respect for and understanding of one another, and become better positioned to move forward as allies.

Transformational Giving as a Critical Investment Strategy

Transformational giving can be incredibly powerful. It can result in grantmaking processes that are deeply meaningful and relevant to both the giver and the recipient. It can shape experiences and outcomes for those who supply philanthropic capital just as much as it does for those whose lives are changed because of gifts or grants. And it can effectively leverage other kinds of for-profit investments in ways that bring everyone closer to a desired outcome.

When philanthropic investments are made in a transformational way, they can provide both intrinsic value and amplify returns in the rest of an investor's portfolio. The key is to find the connections between the market outcomes an investor seeks and the social conditions that support those outcomes—then make charitable investments in the organizations that help to create or sustain those social conditions in ways that truly enhance, rather than hinder, the effectiveness of those organizations.

Consider the example of an investor who owns a great deal of timberland. He wants to build the market for his timber, and so he invests in wood processing and paper manufacturing businesses through standard market investment vehicles. But he also wants to ensure that the timber industry continues to be a viable one so that his children and grandchildren can derive benefits from it. This means that the industry must have a skilled and knowledgeable workforce; hence the investor makes philanthropic investments in workforce training programs in his area. It also means that timberlands must be stewarded in a way that preserves the environment for future generations, so he invests in nonprofit organizations that are creating carbon preserves within timberlands and in a university program that is researching new options for eco-friendly timberland management. The investor makes the connections between these programs and his market investments by clearly understanding his mission, developing an giving strategy, and communicating it well.

Further, the investor uses more than just financial gifts to support his philanthropic investments. He leverages his connections in the industry to help find job placements for trainees, business partners for the research university and even scholarships for industry workers who want to further their education. He continues to learn alongside the organizations he supports and is a ready and willing collaborator when strategic opportunities present themselves. Over time, his investment in traditional markets and philanthropic endeavors become so intertwined that it is hard to say where one ends and the other begins. As an result, his entire investment portfolio is helping to transform the future of the timber industry—and the future of his offspring.

When done in this way, transformational philanthropic investments can play a key role in an investor's overall portfolio, as well as in achieving greater vision, increased impact, and deeper meaning as part of an investor's total return.

Notes

1 Through the Dorr Foundation, philanthropist and engineer John V. N. Dorr supported the testing and adoption of white lines on the shoulders of roadways in Connecticut and New York in the mid-1950s. The practice has since been adopted nationwide.

2 Michael Robert and Alan Weiss, *The Innovation Formula* (New York: Harper Row, 1988), pp. 63–64.