Paper 7

Who comes to the Table? Stakeholder Interactions in Philanthropy

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FULL VERSION

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ABOUT THE PROJECT

The foundation sector grows at a considerable pace and is about to entail significant changes in the three-way relationship of private wealth, public policy and non profit action. To cope with the challenges arising from these transformations the International Network on Strategic Philanthropy (INSP) was established in spring 2001. With the underlying assumption that strategic philanthropy is more effective philanthropy, the network has striven to professionalize foundation management, convene the excellent minds of the sector, clarify the guiding values behind foundation activities, and contribute to capacity building in the field. The 68 members of the INSP are representatives of foundations and support organizations, consultants and researchers from the US, Europe and other countries of the world that operate along the lines of strategic philanthropy.

The network now presents a number of high-quality papers on a range of important subjects regarding strategic philanthropy. These include topics such as the role of philanthropy in globalization, new innovative instruments for philanthropy, promoting philanthropy, the role of evaluation in foundations and effective board management. The papers are available for free download at the INSP´s Web site at www.insp.efc.be.

INSP is an initiative of the Bertelsmann Stiftung in collaboration with Atlantic Philanthropies, the Charles Stewart Mott Foundation, the Compagnia di San Paolo, the Ford Foundation, the German Marshall Fund of the United States, and the King Baudouin Foundation. Along with the Bertelsmann Stiftung, three institutions – The Philanthropic Initiative, Inc., The Hauser Center for Nonprofit Organizations at Harvard University, and The Center for Civil Society at the University of California Los Angeles – help to coordinate the work of approximately 70 network members.

The INSP working groups are advised and coordinated by representatives of leading academic and consulting institutions:
Prof. Helmut K. Anheier, Director, Center for Civil Society, University of California
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ABOUT THE BERTELSMANN FOUNDATION

The Bertelsmann Foundation is Germany´s largest foundation established by a private donor. In keeping with the longstanding social commitment of its founder, Reinhard Mohn, the Bertelsmann Stiftung is dedicated to serving the common good by encouraging social change and contributing to society´s long-term viability. To achieve this, it maintains an ongoing dialog with all of society´s stakeholders. The belief that competition and civic involvement form an essential basis for social progress is central to the foundation's work. In order to apply its expertise as effectively as possible, the Bertelsmann Stiftung is structured according to subject areas. The foundation's 280 employees focus on Education, Health, Economics and Social Affairs, International Relations, Corporate Culture and Promoting Philanthropy.

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A large American foundation comes into a new community, to make a major philanthropic investment aimed at improving community services for poor people. The foundation has a well-developed theory of change guiding its $10 million investment, and has successfully implemented a similar initiative in its home town.

But the foundation relies only on its own staff and consultants to begin the implementation work, and thus doesn't know that the community in which it is a newcomer had a highly negative, hostile experience with another "outsider" foundation only months before. Grassroots leaders, especially in one of the community's large minority populations, felt they were ignored and dis-respected by the previous foundation. That funder's work in the community is widely regarded as a failure.

There's immediate resistance to the new funding initiative, including a negative story in the local media and complaints made in a public meeting, even though local nonprofits are eager to have access to desperately needed funds. The large foundation's leaders are stunned by this turn of events, and quickly move to get local leaders to the table for a planning discussion.

But some damage has already been done, and considerable effort has to be invested to turn this situation around, so that the new initiative will have a fair chance for success.

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A small foundation begins its move into a new neighborhood in its home town by bringing community leaders together for a brainstorming meeting, before even issuing an announcement that it will make funds available for a school readiness program in three local school districts. Parents, teachers, school administrators, and grassroots leaders from the diverse and sometimes contentious community all come to the table to talk about what might be done.

To the small foundation's pleasant surprise, several of the local leaders identify another foundation that also is planning a significant investment in strengthening local schools. The small foundation makes contact with their peer, and the two begin negotiating a collaboration that will significantly leverage the investment each is making. The people the small foundation brought together provide input on how that collaboration might best be structured, and about differences between the three school districts that might have important bearing on how funds will be used. This early dialogue helps to create a flexible plan of action that ends up serving the small foundation well.

INTRODUCTION

Philanthropy helps create change in communities. Especially in uncertain times, foundations can benefit from interacting openly with their key stakeholders - to identify community needs, and to shape the best strategies for foundation involvement in changes to address those needs (through grantmaking, convening, nonprofit capacity building, and so forth).

Stakeholder interactions improve the ability of foundations to achieve their missions in ways that help people and communities, as the two brief examples above indicate. They also can improve perceptions of the foundation's community responsiveness, and its progress in fulfilling the public trust. This in turn may limit efforts to increase regulation of foundations by government, and decrease the likelihood that their tax exempt status will be challenged (as happened in the U.S. recently) - thus maintaining foundations' strategic advantages of leverage and flexibility. All of these benefits emerge most powerfully when stakeholder interactions are part of an ongoing process, which stakeholders themselves help to shape.

Such benefits are especially needed now, for at least three reasons. One is continuing concern some people have about foundations as elitist institutions, too often uninformed and unresponsive to their communities (Schambra, 2003). The second is the sheer growth of institutional philanthropy, with some 62,000 foundations in the U.S. presently, and many more on the way given the ongoing intergenerational transfer of wealth.

The third reason, though hopefully more temporary in nature, is the loss of philanthropic assets by many foundations, due to the recent economic situation. When foundations cut their giving because their investment portfolios are diminished, emotional reactions among grantees and communities abound. Stakeholder interactions can help make the best possible "triage" decisions under these conditions. Similar decisions must be made even by foundations that are not cutting their giving, because reductions in other sources of funding make their resources for community investment all the more critical.

This paper presents current American perspectives on stakeholder interactions in philanthropy, organized under five key questions:

> *Who are the stakeholders?*
> *Why are stakeholder interactions important?*
> *What modes of interaction bring stakeholders together?*
> *What are the human dynamics of these interactions?*
> *How can these interactions be improved?*

Responses to these questions were enriched by input from colleagues in the International Network on Strategic Philanthropy (INSP), and from participants in two brainstorming sessions held in Baltimore in July 2002 and December 2002 (these contributors are listed in the Acknowledgments).

The paper also includes brief descriptions of stakeholder interaction patterns for foundations in eight other countries - Belgium, Brazil, Hong Kong, India, South Africa, Thailand and United Kingdom.

It concludes with two sets of suggested follow-up actions. The first is a plan of action for obtaining similar perspectives on stakeholder interactions from additional countries, and for weaving together these perspectives through international knowledge-sharing and cooperation. This plan, it is hoped, will be carried out through INSP, which also commissioned the paper. The second is a five-step plan by which a foundation whose staff or trustees are reading this paper could conduct a formal or informal "stakeholder assessment" - to determine where their foundation stands in dealing with the challenges and opportunities of stakeholder interaction set forth here.

There is considerable evidence that the interaction practices of philanthropy need to be improved. Surdna Foundation President Edward Skloot, in an October 2001 address to the Waldemar Nielsen lectures on philanthropy at Georgetown University, said: "Much of philanthropy, especially at the 100 largest foundations, with perhaps half the field's endowment, works in isolation, rarely sharing the task or the results." Skloot goes on to say that there are few incentives for interaction - and since all behavior change is built upon incentives, this is a particularly critical point for improving interaction patterns.

Moreover, making changes in philanthropy's current system for promoting stakeholder interactions is difficult, particularly in the current tough times (Backer, 2003c). The system is largely hidden, its incentive dimensions poorly understood, and its infrastructure minimally developed.

The laws and regulations underlying American foundations emphasize their independence, and their right to operate privately, without compulsory stakeholder involvement beyond the minimum required to maintain their tax-exempt status. U.S. foundations often don't interact with stakeholders because they don't have to. This paper asserts that it is nonetheless in their best interest to do so. Perspectives from some other countries on this issue are given in a later section of the paper.

Foundations need to devote increased resources to understanding interactions with their stakeholders, and to sharing that understanding. Some of this is happening already - through research and academic centers on philanthropy, through national conferences and the philanthropic literature, and through lively dialogues an increasing number of foundations are having within the communities where they do their giving.

But a more strategic approach is needed. both by individual foundations and by the field of philanthropy as a whole. Stakeholder interactions should be aimed in part at building social capital,

as defined by Robert Putnam in his landmark book, *Bowling Alone:* "social networks and the norms of reciprocity and trustworthiness that arise from them." This is more important than ever in improving the practice of philanthropy, given recent world events.

And stakeholder interaction strategies can benefit from synergy with other great changes occurring within philanthropy today. These include the enormous growth in the number of foundations and their philanthropic assets, the rise of business-oriented strategies for investing those assets (like venture philanthropy), the increasing infrastructure to support foundation activities in key areas such as nonprofit capacity building, and the emergence of more professional management for many foundations (Backer, 2001b).

Particularly in its community initiatives, the Annie E. Casey Foundation has invested considerable effort in identifying stakeholders and engaging them in the long-term development of funding initiatives and parallel philanthropic activities (discussed further below under Case Examples). The Human Interaction Research Institute has looked at stakeholder roles in its research on various strategies for change in philanthropy - dissemination of innovations from grant making, funder collaborations, evaluation strategies, best practice systems, nonprofit capacity-building, and use of planning grants (Backer, in press - a,b, 2001b, 1995; Backer & Bare, 2002, 1999).

The emergence of new philanthropic activity in other countries, and INSP's ongoing work, make possible a cross-cultural comparison of stakeholders that can help the U.S. (and other countries) refine stakeholder interaction strategies. As mentioned, a brief analysis of stakeholder interaction patterns in eight other countries is presented at the end of this paper.

Debate about "who comes to the table" is part of examining changing perceptions about the role of philanthropy in the 21st century. Stakeholder interactions reflect primary themes about how philanthropy serves the public interest, about the value of philanthropic institutions having a certain independence to pursue those interests, and about the balance for philanthropy between risk-taking and conserving assets held in the public trust. This paper focuses on *foundations* rather than other types of philanthropy (such as individual donors), and on the *process* of stakeholder interactions, but obviously this emphasis is occurring in a larger context of re-thinking all the various roles philanthropy plays in civil society.

WHO ARE THE STAKEHOLDERS?

In the business and political worlds, a stakeholder is someone who belongs at the table to debate how decisions are made about allocation of resources and actions taken in some system either because they have some socially legitimated right to be there, or because they influence or are influenced by the outcome of these decisions, or both. The dictionary definition of a stakeholder as "someone who is entrusted with the stakes of bettors" puts us into the world of gambling (not an

entirely foreign place to be, given that most philanthropic investments involve calculating risks about uncertain outcomes!), and also surfaces the key notion of *representation*.

Stakeholder representatives come to the table in philanthropy to speak for a class of other people or organizations in the community with a vested interest in the outcomes of philanthropic strategy and decision-making. These stakeholders often hold multiple roles; sometimes these roles are in conflict, while at other times they complement each other in useful ways.

All members of a community benefit at least indirectly from the work of nonprofit organizations and thus from the foundations that support them - including those serving in an advocacy or grassroots leadership role. In that sense, the entire population are stakeholders of foundations, which after all are created through tax exemptions and in the public trust.

In American society, foundations have a unique role - "they can choose any bottom line they want." As a result, their degrees of freedom in selecting stakeholders are very large, so long as the foundation's resources are used in the public interest, as defined in its mission statement. At least ten major types of stakeholders may come to the table of philanthropy in the United States:

1 - Philanthropic Institutions   This category includes other foundations (private, corporate, family, community) and their donors, staff and trustees; private donor advised funds (Fidelity, Vanguard, etc.) and their donors and staff; and associations supporting philanthropy, such as the Council on Foundations, Regional Associations of Grantmakers, and so forth. It also includes the foundation's own "internal stakeholders," which may present some special challenges, such as how to honor the intent of a donor no longer alive.

Sometimes choices need to be made regarding internal stakeholders that reflect attention to classes of community stakeholders as well. For instance, who serves on a foundation's board of trustees also can be an important element of stakeholder inclusion.

2 - Business   Corporations and their staff and board members may come to the table as fellow funders (e.g., direct corporate philanthropy through community relations, not a corporate foundation), or in other roles - community involvement through employees working as volunteers, leadership role of a business in the larger community as employer or landowner, etc.

3 - Government   A third class of funders are the federal, state and local government agencies that fund the nonprofit sector, and their staff and advisors.

4 - Individual Philanthropists   Individual donors also may have a place at the table. There are presently 700,000 high net worth individuals in the United States (those with $10,000,000 net worth or more), and these people do a great deal of giving annually - but only 3% of them have

foundations (Williams & Cantor, 2001; Hackett, 2002). Bringing them to the table can increase their awareness of, and willingness to partner with, institutional philanthropy.

5 - Nonprofit Organizations   Staff and boards of nonprofit organizations that receive support from philanthropy (and also those that either have not applied for support, or have been turned down for it) are important stakeholders who need to be represented.

6 - Nonprofit Support and Intermediary Organizations   This category includes staff and boards of both nonprofit and for-profit organizations serving and coordinating the nonprofit sector, including capacity building providers and local/state/national nonprofit associations. In particular, provider organizations that address many aspects of the local nonprofit and grassroots communities can bring that larger perspective to the table for input to local philanthropy, as seen in the work of such groups as Community Partners (which offers both "incubator" services to young nonprofits and systems change oriented interventions in Los Angeles), and the Human Services Coalition of Miami-Dade County (which coordinates and supports a wide range of agencies serving poor people).

7 - Policymakers   Federal, state and local elected or appointed officials (including those with responsibility for regulating philanthropy through tax laws, such as Attorneys General) are an important and often neglected category of stakeholders, whose interests and ability to contribute may be different than the government agencies they oversee.

8 - Media   Journalists and administrators of print and electronic media organizations need to have a place at the table, especially those covering community affairs, the nonprofit sector, or (more rarely) philanthropy.

9 - Foundation staff   Employees of foundations at all levels also are stakeholders, just as is true in the corporate environment. Their careers and livelihoods depend upon the vision, values and successful operation of the foundation that employs them.

10 - Service Recipients   Those in the community who receive services from the nonprofit organizations that foundations support have a particular interest in being at the table, because their lives are perhaps the most directly affected by the outcomes of philanthropic strategy and decisions. Sometimes these stakeholders are more challenging to get on board - they may be disenfranchised members of the community with little positive experience in providing input to decision-making; or they may have access or communication challenges arising directly out of their status of need (such as people with severe disabilities).

Each of these categories is complex. For instance, perceptions about who are legitimate stakeholders may be very different for a family foundation in which the donor is alive and active in running the philanthropy, versus a community foundation or a national private foundation. There are also likely to be significant differences in values, strategies and viewpoints between categories.

Different types of funders, for example - foundations, business, government and individual donors - may have widely differing points of view. Bringing them to the table for stakeholder interactions around a particular foundation's philanthropic strategy can help to make some of these differences more understandable.

There are some significant changes on the horizon recently, such as increased activity of individual donors in strategic philanthropy - and some people in the foundation world (like Peter Hero at the Silicon Valley Community Foundation) have been very smart in blending institutional and individual philanthropy. But much more strategic interaction between individuals and institutions could have significant value.

At present, there is little interaction between foundations and private donor-advised funds, private banks, investment advisors and trust attorneys, even though the latter are heavily involved in philanthropic activities. These also are some areas for exploration by foundations in bringing new types of stakeholders to the table.

Other possible stakeholders may include scholars or consultants working in philanthropy. Most academic philanthropy programs are of relatively recently origin, so this set of stakeholders is likely to remain small for the immediate future. Similarly, consultants to philanthropy constitute an emerging set of potential stakeholders (a recent *Foundation News and Commentary* article on philanthropic advisors identifies some areas in which outside consultants have considerable influence on philanthropic activity). At least one networking group, the Northern California Foundation Consultants Group in San Francisco, now exists, with over 100 members.

Sometimes stakeholders can be identified easily. In other cases, as with national foundations coming into communities to do grant making where they have little direct contact, there may be difficulty determining who the appropriate stakeholder groups are and who should represent them. This is a particularly important challenge for foundation-supported community initiatives that attempt to promote systems change at the whole-community level.

For example, foundations coming into the local arena may be able to readily identify a community's formal leaders, but will have greater challenges in reaching the informal leaders, who help to set the local social agenda and to connect people in the community, as set forth in Malcolm Gladwell's book *The Tipping Point*. In some cases, there may be disagreements within the community about whether a given individual legitimately speaks for them, which will need to be resolved through what may be a fairly delicate community dialogue.

WHY ARE STAKEHOLDER INTERACTIONS IMPORTANT?

Bringing stakeholders to the table and promoting their interactions with decision makers in philanthropy (foundation staffs or boards) is important to the success of philanthropy for a number of reasons. Eight of them will be discussed here.

1 - Improving grantmaking and other aspects of the basic philanthropic process   The rationale behind this is that foundations can do better grantmaking if they have regular, direct input from stakeholders about (a) how well the "mechanics" of grantmaking work - processing of applicant inquiries and proposals, communication and sharing of information about philanthropic process with the community, etc, (b) the environment in which the grantmaking is done, and (c) the results of grantmaking (outputs and outcomes in terms of improved performance of nonprofit organizations to which funds are given). The broader the range of stakeholders, the more comprehensive the input - differing "world views" are likely to result in a wider diversity of "problem analyses" and suggestions for possible solutions.

This rationale also applies to a foundation's convening function in the community, direct services some grantmaking foundations now provide to community organizations (e.g., for nonprofit capacity building), and programs run by operating foundations that may not do any grantmaking at all.

Regular stakeholder input to grantmaking strategy has different implications depending upon whether the strategy in question is about responsive, initiative or operating support grantmaking, about nonprofit capacity building, etc. Place-based philanthropy, with its emphasis on geography and defined communities, especially seems to require a strong stakeholder interactions approach. The interaction process may vary from meetings with stakeholders, to stakeholder participation in foundation staff or board meetings, to meetings facilitated by third parties where foundation representatives are deliberately not present.

The philanthropic community may find it useful to create "standards of practice" for stakeholder interactions related to improving the quality of grantmaking (and other purposes discussed below). For instance, Regional Associations of Grantmakers in Minnesota and Michigan now both have "guiding principles" foundations must adopt in order to join; promoting stakeholder interactions is one of the principles. Other ways to do this are discussed later in this paper, under "How can these interactions be improved?"

2 - Increasing leverage   Involved stakeholders can increase the impact of philanthropy by coordinating philanthropic activity with volunteer action, by helping finding additional sources of funding, and keeping projects going long after a particular foundation's support has ended.

3 - Increasing accountability   Facilitating stakeholder interactions can help foundations deal better with issues of basic accountability (integrity of the grantmaking process, responsiveness to community input, etc.), as well as the complex issues around what the mutual obligations of community stakeholders and foundations are, and how these can be monitored and improved over time.

4 - Improving transparency   Hand in hand with increasing accountability is improving the degree of clear, open or "transparent" communication of philanthropic activities. These days, creative and open strategies for disclosure can help philanthropy avoid the aforementioned crisis of confidence in the corporate sector, and in the nonprofit arena as well. Even when some in the community disagree with the philanthropic strategy or specific decisions made by a foundation, their attitude is likely to be more positive if they know that relevant stakeholders were significantly involved in the decision-making. Of course, foundations can choose to be quite transparent and yet not very interactive, by clearly communicating activities for which they have not sought or used any stakeholder input!

5 - Facilitating decision involvement   Stakeholders can help foundations make good decisions about where to invest their philanthropic resources, in part because they may have more accurate, up-to-date perceptions of community needs. In addition, because philanthropy uses resources held in the public trust, some people believe that decision involvement in disposition of these resources belongs to the public - as represented by key stakeholders. Most foundations, however, reserve the right to set limits on how much input they request and use.

Some philanthropies, such as the Haymarket Fund and Liberty Hill Foundation, have developed philanthropic strategies which emphasize full involvement in decision-making. At Liberty Hill, for instance, all grantmaking decisions are made jointly by trustees and community advisors as equals in the decision-making process.

As another example, in the Washington, DC area, stakeholders representing local nonprofits came together to advocate more foundation involvement in nonprofit capacity building, making compelling arguments based on their collective experiences. Partly as a result of this input, a number of individual foundations have increased their support for this type of grantmaking, and the local regional association of grantmakers started a funders' roundtable to coordinate a community-wide response. Such input can be especially helpful for the many small foundations that do not have the resources to engage in extensive stakeholder involvement activities on their own.

6 - Improving access to information   Stakeholder interactions can increase the information on topics of interest available to a foundation, and thus its ability to share that information with communities. This is in keeping with the perspective of foundation observers like Lucy Bernholz

(2000), who sees foundations as "information organizations" that serve communities by facilitating information dissemination.

7 - Increasing access to partnerships   Increasingly, success in philanthropic activity may require partnering with other community organizations, including other foundations (as discussed in Backer, 2002, 1999; Backer & Norman, 2000). Effective stakeholder interaction mechanisms can increase the ability to identify and develop these partnerships, and to sustain them over time.

8 - Empowering communities   Some foundations have an explicit commitment to increasing the power of community leaders to make and implement decisions affecting their communities. Increasing stakeholder interactions in philanthropy can be a way of doing that - getting stakeholders more involved in the life of the community, as they come to the table to provide input or help make decisions for a foundation.

WHAT MODES OF INTERACTION BRINGS STAKEHOLDERS TOGETHER?

At least five different types of interaction bring philanthropic stakeholders together. In each of them, stakeholders may come to the table to help a foundation with activities ranging from basic mission definition, to creation of a new program, to allocation of grantmaking resources.

1 - Individual interactions   There are many ways in which foundations can encourage stakeholders to interact with each other individually. For instance, opportunities can be created for trustees to talk with grantees directly, although some foundation staff have been reluctant to encourage this. Some of this reluctance is based on the reality that staff often have more contact with grantees and communities, so that they can better interpret whatever input is provided. But sometimes there are control issues as well, with staff reluctance rooted in their preference to keep channels of information and influence to themselves.

2 - Partnerships (including funder collaboratives)   Increasingly, the complexities of change and the opportunity for large-scale intervention make necessary the development of partnerships at different levels. Funder collaboratives, in which grantmaking resources are pooled to meet some mutually-decided goals, exist in many communities today, for various purposes.

   While these are organized to achieve specific goals in the community, they often have the desirable side-benefit of increasing interaction among stakeholders. Ideally, these partnerships can

be structured using the growing base of science and practice wisdom about how to make community collaborations work well (Backer, 2003; Backer & Norman, 2000).

3 - Conferences Especially helpful are meetings that bring different types of stakeholders together, such as the Independent Sector and Alliance for Nonprofit Management conferences in the United States. These events have specific learning and information-sharing objectives, but they also offer both structured and unstructured opportunities for stakeholder interactions.

4 - Convenings One of the historic functions of foundations has been to gather together stakeholders for semi-structured interactions on community problems and needs, priority-setting, and planning for philanthropic or other responses. Experience shows that a foundation's name on the invitation for such an informal gathering will increase attendance and participation, but there is also increasing evidence that the best convenings are those which "bubble up" from the community level, while still bearing the foundation's "stamp of credibility" as the official convener.

5 - Internet Increasingly, stakeholders interact on the Internet, through listservs, interactive websites, and information resources which identify the issues and potential interventions that might address them. Foundations, as well as regional and national philanthropic support organizations, are beginning to explore ways that stakeholders can be engaged online, with electronic publications and opportunities for feedback to current or planned initiatives.

To get busy stakeholders to come to the table it may be helpful to offer an incentive, such as a gathering which provides them with information or technical assistance on topics of interest as well as a chance to give input to the philanthropic strategy of the foundation. Stakeholder interaction is not a one-time action; ideally, there should be a natural "flow" of information and dialogue between foundation personnel and community stakeholders.

If the time investment is significant in providing input, some compensation may also be needed for stakeholders whose job roles do not already provide salary support for these activities. This may be particularly true for volunteer community leaders who are asked to provide input "at a number of tables."

WHAT ARE THE HUMAN DYNAMICS OF THESE INTERACTIONS?

Stakeholder interactions, however they are facilitated, are *human* interactions in which all of the complex elements of communication and motivation apply. Individual aspects are interwoven not only with group dynamics (e.g., of the group of stakeholders which the individual person at the table

at a convening represents) but also with larger legal, regulatory, professional, financial and cultural elements. Some important aspects of these complex human dynamics for stakeholder interactions in philanthropy are:

1 - Responses to change   If effective philanthropy is about helping make change happen in communities, then stakeholder interactions also are about change. This raises for all concerned the fears and resistances inherent in change or the prospect of it (fearing failure, fearing loss of something of personal or group significance - perhaps despite the overall success of a philanthropic initiative, etc.).

It has been well-documented elsewhere (see, for instance, Backer, 2003a,b; 1995) that these human elements are often the key to success or failure in any change effort. For instance, nothing more than the "subtle sabotage of withheld enthusiasm" is necessary to derail a change effort, if key people resist it because they don't understand the change or fear that it will have negative impact on them. Communities with negative prior experiences with philanthropy may be particularly given to such fears and resistances.

Moreover, change is likely to fail unless there are appropriate rewards for making the change (a basic principle of psychology), and unless strategies have been followed for involving people in the community in designing and implementing the change effort (another significant reason for effective stakeholder reactions, in fact). The single best validated principle in the vast research literature about organizational and community change is that "the people who will have to live with the results of change must be involved in designing the change effort."

Despite such strategies, of course, resistance to certain types of change may remain among stakeholder groups. In such situations, regular patterns of stakeholder interactions can give foundations some "breathing space." That is, if stakeholders feel their points of view have been heard and they have been respected, they often will accede to actions being taken (or at least adopt more of a "wait and see" attitude), even if they disagree with them.

2 - Power differentials   There is an inherent power imbalance in the relationship of philanthropy to the rest of the community. Foundations not only have resources others want, they also have wide discretion in deciding how to give them out. The power imbalance between funder and recipient can never be truly eliminated, and the results can range from exploitation, to silencing any opposition, to insincere relationships (as Harvard scholar Carol Weiss once put it, "speaking truth to power" is difficult!), to at the very least an uncomfortable relationship famously characterized by Woody Allen: "And the lion and the lamb shall lie down together, but the lamb won't get much sleep."

Power differentials are accentuated for many foundations because their donors are wealthy business people and entrepreneurs who do not necessarily believe in participatory democracy - their self-confidence in their ability to shape the world doesn't require it. And perhaps even more influentially, nonprofit and community leaders have lived so long in a world of power imbalances (with foundations and other funders) that they may tend to internalize the power differential and to act on this internalized perception.

3 - Stakeholder conflicts   While in a perfect world the interests of all stakeholders would mesh perfectly, in the real world they do not. Different stakeholders come to the table with sometimes vastly different and inherently conflicting needs. The recent travails of the Barnes Foundation and its art museum in Pennsylvania is just one example - focusing on the difficulty of honoring donor intent while also responsibly using the resources of the foundation in the public interest.

As already mentioned, foundations sometimes find it difficult to determine who in fact truly represents one or more components of the community they wish to bring to the table. The people who push their way to the table may not truly represent the community elements they claim to be speaking for. Some authentication may be needed, a delicate and time-consuming process.

One approach might be to use an objective process like community asset mapping, such as the method developed by the Urban Institute and implemented by the John S. & James L. Knight Foundation in their 26 communities of interest. This procedure helps determine at least broadly who belongs at the table, after which a kind of "town hall" meeting brings together those who assert they represent these elements - plus others who may challenge them.

4 - Difficulty of disclosing problems   Stakeholder interactions, to be valid, often require discussing challenges or shortcomings of the foundation and its philanthropic strategies. This can be difficult given the acculturation of foundation staff and trustees to keep their affairs private (some foundations still do not publish annual reports), and the understandable reluctance to "air dirty laundry" in an environment where public or media attention may be unwelcome.

5 - Language differences   There are likely to be many language differences between foundations and their various stakeholders, representing different perspectives and traditions. Cross-translation and clear communication are the keys to dealing with these differences. Stakeholder interactions can include attention to resolving language differences.

In fact, one of the first issue foundations need to wrestle with in this domain is the use of the word "stakeholder" itself! Partner, adviser, interested party, or constituent are some of the alternatives that may fit better for some foundations and the communities in which they work.

6 - Cultural differences   Different racial and ethnic cultures may have different styles and values about interaction. Interactions with "authority figures," for instance, have different implications in Asian versus Hispanic communities, and both in turn are different than the interaction patterns for European white traditions that tend to dominate philanthropic institutions. Foundation staff and board members inevitably are authority figures because they hold the pursestrings, so these cultural differences need to be taken into account.

These differences in culture also may affect the types of stakeholder interaction strategies appropriate for use by a foundation. The New Mexico Community Foundation, for instance, has found that convenings are not the best way to obtain input from Native American communities, as discussed later in this paper.

7 - Distinctive culture of philanthropy   In addition to the "privacy" mode of philanthropic culture just mentioned, there are a variety of other elements of the guiding tradition of foundations, springing from the beginning of the 20th century, that affect stakeholder interactions. Foundations typically express their missions in very general, difficult to quantify ways and look internally for validation that they have achieved them (the current imperatives for accountability and transparency, discussed above, of course, are challenging this). Also, foundations have a long history of desiring to be innovative, while at the same time being risk-averse.

Some of these traditions are changing, e.g., with the arrival of "venture philanthropy" concepts to the foundation world - with a greater valuing for performance metrics, high levels of interaction with grantees and communities, etc. (Morino Institute, 2000). A number of other foundations, such as Edna McConnell Clark and John S. & James L. Knight Foundations, have recently transformed their entire philanthropic strategies in ways that depart from this distinctive culture.

Donors just starting up a foundation - or any foundation being led by a living donor, as most family foundations are - may have special concerns about stakeholder inclusion. Talk about very active stakeholder involvement may "scare them off" or run counter to their belief that "it's my money and I'll give it away as I wish." This may particularly be the case for entrepreneurial donors who are used to being in control. A multi-step donor education process may be needed to help them understand the benefits of stakeholder interaction (for more about these psychological dimensions of philanthropy, see Backer, 2003b).

HOW CAN THESE INTERACTIONS BE IMPROVED?

Given the complexities and ambiguities that arise from answering the first four questions about stakeholder interactions in philanthropy, it is clear that some interventions may be helpful both for

individual foundations as they wrestle with these challenges, and for the field of philanthropy as a whole. Among the interventions that might be of value are:

1 - Review stakeholder categories   A systematic review can determine whether any significant stakeholders have been left out, however inadvertently. For instance, in community initiatives created by foundations, local government has sometimes been left out of the stakeholder interaction, despite the fundamental importance of the resources local government brings to the table.

As another example, a number of foundations have been working recently to get American youth more directly involved in philanthropic activities. They have created a new field of "youth philanthropy" - young people are not only stakeholders, but also have independent grantmaking authority so that they are truly empowered, while also learning practical skills for citizen involvement in the future.

   The W.K. Kellogg Foundation, the Nike Foundation, The California Endowment, and the J. Paul Getty Trust are among the foundations that have been experimenting with these youth philanthropy programs. The Getty, for instance, had a Summer 2002 program that trained a group of young people in the principles of philanthropy, then gave them $250,000 to award to local arts organizations through a grantmaking program they designed and implemented. And Nike developed a youth philanthropy program that brought stakeholders to the table early on, by inviting youth to be the lead designers of the program's evaluation system (Backer, 2001a).

2 - Focus on the human dynamics of interaction   Acknowledging that these forces are powerful, and building strategies for responding to them, can help to improve interaction strategies for philanthropic stakeholders. In fact, some of the platforms for interaction suggested above might be designed to contain training and discussion elements that clearly address some of these complex problems. For instance, an honest discussion about power differentials and how to live with them creatively (as opposed to denying they are there or trying to erase them, which usually isn't possible) may increase the effectiveness of stakeholder interactions significantly.

3 - Focus on change   Besides a clear acknowledgment that philanthropy (and thus the interests of the stakeholders at the table) is about helping make change happen, it may also be useful to create an environment in which the participating stakeholders are encouraged to jointly develop a theory of change underlying whatever strategy the foundation expresses, and to put philanthropic strategy into its larger community context (as explored further in Backer & Bare, 1999).

4 - Focus on communication   Getting stakeholders to talk to each other, using both traditional approaches such as convenings, and new methods such as with Town Hall-style electronic voting

technology or Internet-based strategies, can help build healthy interaction patterns for stakeholders, particularly if they are consulted about how these communication strategies will be set up and how they will be used.

5 - *Focus on limitations of stakeholder interaction approaches and on risks/side effects*

It is important for foundations and all of the stakeholders they interact with to recognize that these approaches will not solve all problems or work in all situations. Sometimes, direct observation by "standing on the streetcorner" and getting involved in community life can provide input that more organized stakeholder dialogues cannot.

It is for this reason that place-based philanthropy so often involves foundations putting staff out into the community. For instance, The California Endowment, a large health foundation, has regional offices throughout the state whose staff spend a great deal of time meeting on-site with community leaders and organizations. And the John S. & James L. Knight Foundation has field-based staff to focus its interactions on the 26 communities in which its local grantmaking occurs.

Some in the community also see inherent limits on the stakeholder process when the *foundation* is the focus - "we think of foundations as stakeholders in our organization and in the community, not the reverse," as one participant in the brainstorming process used to shape this paper put it. It may be easier to enroll community members as stakeholders for the foundation if there already is a reciprocal effort clearly in place (in terms of active foundation involvement in providing input to community organizations and issues).

There are also costs associated with seeking and using stakeholder input to shape the philanthropic process - the direct costs of obtaining the input, the staff and board time required to understand and respond to it, and in some cases delays in setting up or refining processes due to this extra step of stakeholder interactions. These strategies can generate significant costs for holding convenings, training foundation staff to undertake these activities, etc. (and these are operating costs and thus funds that do not go directly to grantmaking).

There is also an "expectation cost" - once communities have been approached for this kind of input, they will expect to be involved in a similar way in the future. And once decisions are made to invite stakeholder input, these decisions cannot be easily reversed. Foundation boards or staff may be concerned about the possibility of damaging publicity, or simply being overwhelmed by more input than can be absorbed.

In its *Voices From the Field II* publication (Kubisch, 2002) the Aspen Roundtable on Evaluation of Community Initiatives asserts that some important voices get left out of such initiatives because the very effort to get "inside the neighborhood" involvement has partially squelched "outside the neighborhood" voices. Yet if the resources these "outsiders" bring are essential to the initiative's

success, this can be an important side effect. As has been demonstrated repeatedly in medicine, every intervention powerful enough to have a strong main effect also has strong side effects.

Moreover, foundations that bring stakeholders to the table need to plan in advance for how their input will be recognized and used ... and communicate that commitment to those who provide input. Many philanthropic reputations have been compromised by a real or apparent lack of follow through: "they asked for our input and then we never heard from them again" is the common complaint. Making clear what the limits are also is important (e.g., a foundation may decide that the direction of philanthropic strategy can be shaped by stakeholders, but not specific funding decisions, which are the province of trustees), so that people can make informed choices about whether to participate.

Finally, it may be difficult to get certain kinds of marginalized stakeholders to the table. Representatives of unincorporated volunteer organizations; stigmatized stakeholders such as mentally ill people, ex-offenders, or drug abusers; and others who may have valuable input may not be as easy to reach, and in some cases even other community leaders can be resistant to their inclusion if they are seen as disruptive.

In some instances, stakeholder involvement may actually be counter-productive. Some crisis situations requiring very fast response may simply not permit a lot of stakeholder input, or paralysis will result. And in some cases, a funder is intent on implementing a philanthropic strategy that is at odds with the vested interests of some stakeholders.

For instance, a few years ago the Gilman Foundation made a major investment in improving cultural policymaking. This initiative was implemented over the objections of some cultural groups in the U.S., that protested what they saw as the draining of resources from artists, performing arts institutions, etc. But the funder was determined to increase the capacity of American arts to wrestle with complex policy issues, and had the long-term aim of increasing resources available to artists and arts groups.

6 - Focus on the long term   The work of stakeholder involvement, and of real systems change in nonprofit organizations or community, is long term work, and requires ongoing commitment to change and support for the commitment to do so. For instance, the previously-mentioned Aspen Institute Roundtable on Evaluation of Community Initiatives has been working for nearly ten years on promoting systems change in community building. The leaders of the Roundtable describe their role in promoting wider use of evaluation strategies by these community initiatives as promoting "collective learning, disseminating, and testing."

The Roundtable is an ongoing body of foundation staff, which has commissioned a number of papers, held conferences, and disseminated its results widely to the field. The cumulative impact of the Initiative is more significant as a result, because there is an infrastructure for coordination, cumulative impact, and re-tooling as the work proceeds. The Aspen Institute is conducting a similar long-term effort on strategies for dealing with racism.

There also needs to be constant surveillance to see that commitments to stakeholders are maintained over time. For these efforts as for any human endeavor, it is very easy to "regress to the mean" of prior patterns of behavior, without both internal and internal vigilance.

7 - Focus on direct intervention   Sometimes the most effective way to promote stakeholder interaction in philanthropy is for a foundation to bring stakeholders together for some substantive purpose (to address a particular issue, to respond to a community crisis, to create a technical assistance program or some other capacity building effort, etc.). Input about foundation mission, strategy and so forth then comes as a by-product of working together on this direct intervention.

8 - Focus on structural changes   In the end, some types of change about stakeholder interaction patterns will only occur if there are significant structural changes that encourage or even require different types of interaction. A public health analogy is seat belt compliance - no health education strategy works as powerfully as changing the laws so that people are actually given tickets and pay fines if they don't use their seat belts (and that police can stop and cite them for this violation alone, rather than just if they are committing some other infraction).

9 - Focus on use of available guidelines   Both individual foundations and philanthropic organizations at the state and national levels have issued guidelines which, among other things, set forth basic standards for stakeholder interaction. Guidelines from the Council on Foundations nationally, and "Principles for Minnesota Grantmakers" at the state level, are examples.

Further guidelines, and more direct attention to issues of defining stakeholders, "good practice" strategies for involving them, and ways to review and evaluate that involvement could improve the field of philanthropy generally. Such guidelines are not without controversy, however - some years ago, the Roundtable on Philanthropy split from the Council on Foundations because of differences in opinion about guidelines for philanthropic practice.

This paper might also be used to create guidelines for stakeholder interactions in philanthropy, presented in a very brief, tightly-written format so that they could be used to guide staff and board meetings, and actual interactions with stakeholders in a foundation's community (or communities) of interest. Especially if pilot-tested to be sure they are useful and accessible, such guidelines could prove useful for the stakeholder interaction process, and provide worthwhile dissemination of the

content of this paper to a wider audience. Organizations such as the Council on Foundations, Independent Sector, etc. could assist with this task in the U.S. At the international level, the International Network on Strategic Philanthropy could serve in such a role.

10 - Contribute to further study in this area   Finally, stakeholder interaction strategies in philanthropy clearly need further exploration and study. In his previously-mentioned paper, Ed Skloot calls for "mapping the system" to determine the state of philanthropic practice and areas of needed improvement. A number of research organizations are engaging in such studies, such as the Urban Institute's Center on Nonprofits and Philanthropy, academically-based philanthropy study centers, the Human Interaction Research Institute, and others.

Some of these research studies directly address elements of stakeholder interaction, such as a current Urban Institute project on good practices in philanthropy. For other research studies an examination of their findings could help in interpreting what we know and what we still need to learn on this topic.

A particularly important project in this regard is the "Practice Matters" project led by Patti Patrizi and supported by Robert Wood Johnson, Ewing M. Kauffman, John S. & James L. Knight, and David & Lucile Packard Foundations. The project, which will result in an edited book, explores what good philanthropy looks like from a number of perspectives - funding of intermediary organizations, foundation communications strategies, involvement in nonprofit capacity-building, methods for more transparent and useful financial reporting, foundation involvement in strategic field-building, and so forth.

A number of specific issues remain to be explored. For example, a number of American foundations now offer direct capacity-building services to their grantees or to the nonprofit community at large, through their own hired staff and in-house programs at the foundation (Philanthropic Capacity Building Resources Database, 2003). This places them in a very different role than when their activities are limited to the more traditional philanthropic strategies of grantmaking, convening, etc. Stakeholder involvement is needed to address issues such as creating adequate "firewalls" between the grantmaking and capacity building service sides of the foundation, and possibly unfair competition with other capacity building providers in the community.

All of these research efforts can be set into an even larger context, in terms of trends in the nonprofit community, and in society at large. Increasingly, futurists (such as Katherine Fulton at the Global Business Network) are beginning to include philanthropy in their scenario building for the unfolding of events in the world community. Finally, research studies on this topic will need to include an evaluation component ... since all this attention to stakeholder interactions in philanthropy is only worthwhile if it can be shown to improve philanthropic performance!

CASE EXAMPLES

To help clarify how some foundations currently approach the challenges and opportunities of facilitating stakeholder interactions, three case examples follow:

John S. & James L. Knight Foundation   Knight Foundation has recently transformed its entire philanthropic strategy. Most of its grantmaking resources now are concentrated on the 26 communities throughout the U.S. where the Knight brothers published newspapers.

To enable this place-based philanthropy, the Foundation has set up Community Advisory Committees in each of these communities. Stakeholder interactions are focused through the members of these committees, who are carefully selected to represent key stakeholder groups. The committees each create a philanthropic plan, set the priorities on which grant making will be concentrated, and provide input on which local grant proposals in these priority areas should be approved.

Field-based regional representatives work directly with these Committees, with support provided by staff expert in relevant content areas based at the Foundation's headquarters. Stakeholder interaction has been increased further for Knight through a more concerted effort to work collaboratively with business leaders and elected officials in each of these communities, in a coalition in which all three are equal partners.

New Mexico Community Foundation   The New Mexico Community Foundation's philanthropic strategy starts with the assumption that community foundations live with the consequences of grantmaking in a way private foundations do not, because building their asset bases requires attracting new donors from the community (this is also true of many European foundations). Thus stakeholder interaction takes on a special importance, and NMCF has developed a strategic set of such activities that are combined with their grantmaking: (1) regular convenings of stakeholders throughout the state (which is large geographically but sparsely-populated), (2) peer-learning opportunities through ongoing networks, and (3) collaborative technical assistance to grantees and communities which also affords opportunities to the Foundation to learn about stakeholder interests and values.

These approaches have been successful in obtaining a wide, ongoing range of input from the diverse communities this statewide community foundation serves. An important byproduct is that NMCF has developed partnerships with larger foundations which use it as a delivery system for their philanthropic resources in the state of New Mexico, in part because of the regular input received through the above system.

NMCF also looks periodically at the impact of its stakeholder interaction system, and at its costs. These are high because of the geographic areas involved, and because the diversity of stakeholders has required periodic training of Foundation staff to engage in these activities (for instance, as mentioned, the Foundation's Native American communities often prefer site visits as opposed to convenings, which means that staff must travel to the pueblos to gather input).

Annie E. Casey Foundation   Casey Foundation uses an approach to stakeholder interaction it calls the "consultative process," first developed for its Neighborhood Transformation/Family Development Initiative in the mid-1990's. It involves a series of focused conversations with diverse audiences. For the Initiative, more than 600 practitioners, family members (including youth), community organizers, business leaders, Casey grantees, researchers and others participated in 24 such sessions between late 1996 and the end of 1998. The process was especially designed to obtain input from people who are knowledgeable but ordinarily don't have opportunities to provide input to philanthropy.

These sessions typically started with a dinner after which the Initiative's premises and plans were presented. The following day, they were discussed, focusing on three fundamental questions:

   * Are we headed in the right direction? (goals)

   * Are we on the right track? (strategies and outcomes they're directed to)

   * What's missing? (issues, challenges and opportunities)

Stakeholder input was obtained that the Foundation used to shape its new 13-community Initiative, launched in 1999, called "Making Connections." For instance, stakeholders emphasized that Casey's grantmaking practices for this Initiative would need to be more accessible to neighborhood groups, more likely to leverage co-investment, and more accountable to families than past approaches. A "place-based" approach to philanthropy has emerged as a result, in which Casey works behind the scenes to encourage local planning and action, including involvement from all elements of individual and institutional philanthropy.

STAKEHOLDER INTERACTIONS IN THE BUSINESS WORLD

In the business world, the stakeholder concept can be traced back to 1963, when it was first mentioned by name in a Stanford Research Institute memorandum, as discussed in Freeman's (1984) groundbreaking work on the subject. Since then, stakeholder approaches to corporate strategy have been widely researched, discussed and implemented in corporate environments (Clarkson, 1998). Typically these approaches start by defining stakeholders as including "any group or individual who can affect or is affected by the achievement of the organization's objectives."

In for-profit corporations, one class of stakeholder has a legal right to come to the table: the shareholder. But increasingly, business leaders are setting up programs to get input from employees, customers, and residents in communities where their businesses operate. They recognize the value of bringing these stakeholders to the table, to broaden their access to strategy-relevant information and to improve their reputation as responsible corporate citizens.

Thus stakeholder interactions are a frequent component of corporate strategy development. Recently there have been some shifts in the underlying principles by which these interactions are structured. For instance, earlier approaches focused on "controlling" stakeholders, e.g., minimizing opposition to corporate actions. Now there is more of an emphasis on interactive processes in which a mutual exchange is the desired outcome - both for stakeholder input and for effective corporate-community relations (Payne & Calton, 2002).

Beaulieu & Pasquero (2002) argue that managing stakeholder interactions effectively is not just meeting stakeholder demands, but also taking into account the dynamics of stakeholder interactions. Only within these interactions does a common vision develop, and solutions emerge that are reasonably satisfactory to all the parties involved. Thus, in these current approaches to stakeholder interactions, both organizational leaders and stakeholders have a role in strategy building.

These approaches are seen especially vividly in the interactions between multinational corporations such as Royal Dutch/Shell and advocacy groups such as the human rights organizations Amnesty International and Pax Christi International (which aim to speak for a whole class of stakeholders). Recent stakeholder interactions Royal Dutch/Shell has undertaken with these groups are intended to recognize each side's legitimacy, dedicate time to building trust, and a willingness to accept incremental gains (Lawrence, 2002).

Management science and corporate practice both have results in a body of theory and practice on business stakeholder interactions which has considerable potential for application to stakeholder processes in philanthropy; the above is just a brief introduction to this rich body of work. And there are several emerging stakeholder interactions technologies directed to the business community that may have potential for application in philanthropy:

stakeholderalliance.org   A project of the Center for Advancement of Public Policy, the intent of this group, which has more than five million members, is to make corporations responsible to all stakeholders, not just shareholders. Its first objective is a comprehensive public disclosure of corporation's social actions worldwide.

stakeholderpower.com   A joint project of Walker Information and the Council on Foundations, this system for measuring stakeholder interactions in business has been used by a number of corporations interested in involving the community more fully in their corporate philanthropy. The

system enables companies to demonstrate a link between perceptions of company giving, and the intentions of their own stakeholders (customers, employees and opinion leaders) to behave in ways that directly affect business success. A "do-it-yourself toolkit" is now available, and results from its use with a number of companies show that businesses with stakeholders who give company philanthropic efforts high ratings are more generally positive in their attitudes towards the company.

wbcsd.org   The World Business Council for Sustainable Development coordinates stakeholder dialogues aimed at creating a common understanding between stakeholders in the sustainable development debate. It provides a neutral arena for business and non-business representatives to sit together and discuss pressing and potentially volatile sustainable development issues. More than 50 such dialogues have been conducted to date. The Council is a coalition of 125 international companies, each of which have a shared commitment to the environment, and the principles of economic growth through sustainable development.

INTERNATIONAL ANALYSIS

International knowledge sharing and cooperation is the major goal of the International Network on Strategic Philanthropy, which commissioned this paper, as mentioned earlier. International attention to stakeholder interaction strategies may help to promote more serious efforts on this topic in the U.S., and the content of this paper may be helpful as INSP moves towards developing an "interaction policy" it can disseminate to its members and others in the international philanthropic community. At least at first, this is likely to be a rather deliberately informal set of standards, what Ed Skloot calls a "Code of Pretty Good Behavior," which can be both immediately helpful in guiding action and can be "target practice" for further debate and refinement.

Other countries present somewhat different scenarios for stakeholder interaction than does the U.S. although there are also many similarities. The observers consulted for this paper - from Belgium, Brazil, Hong Kong, India, South Africa, Thailand, United Kingdom and Uruguay - all concurred that the underlying issues of getting various stakeholders "to the table" are important to philanthropy in their countries, as they are here. Their assessments of stakeholder interactions for their country's foundations are summarized briefly below.

Belgium   The Network of Belgian Foundations, a work group with 10 funders, helps to promote stakeholder interactions among major philanthropic organizations in the country. Funders like the King Baudouin Foundation choose their Board to represent key stakeholder groups, and Baudouin also interacts with the corporate community as part of the portfolio of corporate giving funds it manages.

Service recipients are queried through evaluations conducted by foundation program officers, while interactions with policymakers occur regularly, to share information about what the foundation is doing to contribute to Belgium and to Europe as a whole. Interactions with government often happen in the context of a government agency seeking a foundation partner for a particular initiative.

Awards ceremonies bring together foundation trustees, staff, donors and grantees for informal interactions, as do "Round Tables" organized by foundations like King Baudouin - the latter are informal meetings in the foundation's offices at all stages of an initiative (the Foundation also has Advisory Committees which provide ongoing input in its major areas of grantmaking). Communication occurs through websites and annual reports, providing information on a funder's activities to various stakeholders.

Stakeholder interactions in Belgium are complicated by the fact that the country has three official languages, and now operates in the larger context of the European Union. Belgian society also has been much influenced by waves of migration from other parts of the world, which have changed the pattern of stakeholders as well as the values and attitudes they present.

Brazil   As a developing country, Brazil is particularly likely to use public-private partnerships as a vehicle for organizing change - and this makes stakeholder interactions all the more important for the foundations involved, especially when the problem on which the partnership focuses has controversial aspects, like citizenship and human rights, violence prevention, etc. Foundations in the country tend to draw from a very wide range of stakeholders for input, and use informal means such as local forums, debates in local newspapers or radio/television programs, and the Internet. Service clubs and civic organizations also can play a role in increasing participation for stakeholders.

The biggest challenge Brazil currently faces is the gap between rich and poor. Those whose energies are taken up with the basics of shelter, food, education and employment are more difficult to involve as stakeholders because they are pre-occupied with these survival needs. Also, many of them do not have any experience with being included as stakeholders, so they don't necessarily embrace this role.

Moreover, those who are included from the upper economic reaches often exclude the poor population from participating in decisions affecting their lives - sometime without even realizing they are doing so. Foundations that wish to take stakeholder interaction seriously need to deal with such larger social phenomena.

Hong Kong   In Hong Kong, umbrella organizations for both philanthropy and nonprofits could help promote stakeholder interactions, but this infrastructure does not yet exist. However, a series of workshops for nonprofits and grantmakers have been held recently in Hong Kong, which have helped to shape improved stakeholder interactions.

As more infrastructure organizations are created, they can build upon these initial communications through additional workshops and other activities. This will help to create an experience base and specific structures for increasing stakeholder interactions.

India   Similar infrastructure challenges exist in India, which does yet have a national coordinating body either for philanthropy or nonprofits. But there is widespread concern that foundations and related philanthropic organizations are not as transparent or accountable as they expect their grantees to be.

In particular, while most philanthropic institutions in India address the vast needs of the poor, there is very little representation of poor people in such stakeholder activities as do exist. As the infrastructure grows, such challenges of stakeholder involvement will need to be met.

South Africa   For South Africa, issues of stakeholder interaction are driven by the fact that most of its foundations (other than philanthropic programs transplanted from the U.S., such as those of the Ford and Mott Foundations) do not have endowments, so they raise funds in the manner of a nonprofit organization - and often for a particular cause. As previously mentioned, this raises specific issues about stakeholder interactions, since people are being asked to contribute financially to the foundation.

There also is sensitivity to the use of terms like "stakeholder" (this word does not appear directly in the language of South Africa, where the nearest equivalent probably is "partner"). Does the institution using language like this really mean by it a relationship of some parity and equity?

In general, there is relatively little information on philanthropy in South Africa. The recently-established Social Giving Project at the Center for Civil Society, University of Natal, may help in this regard. Results from this project may soon offer a fuller perspective on stakeholder interactions. Also, unlike Hong Kong and India, there are infrastructure organizations in place - such as the South African National NGO Coalition and Southern African Grantmakers Association.

Thailand   There is a long tradition of individual philanthropy ("Make merit, give alms") for the 95% of the Thai population which is Buddhist, and there are centuries-old philanthropy organizations and development-oriented foundations which operate under the patronage and stewardship of the Thai Monarchy. This underpinning of long-standing tradition for philanthropy has many consequences for how philanthropic decisions are shaped, including those dealing with stakeholder input.

Corporate foundations also are beginning to emerge. However, many corporate philanthropic budgets were cut severely during the recent Asian economic crisis.

Some foundations in Thailand do request direct input from various types of stakeholders to guide their activities. While this includes grantmaking activities, the majority of Thai foundations are

operating foundations in the American sense - they fund their own projects rather than providing grants to nonprofit organizations or communities. These philanthropic institutions are oriented towards the marginalized in society, for whom public service delivery either is non-existent, or is unable to reach the target population.

The general public, nonprofit organizations and government agencies are among those called to the table with Thai foundations to provide stakeholder input. To increase the range and quality of this input, innovative communication strategies are needed, as well as "win-win" approaches that provide direct rewards for such stakeholder involvement.

United Kingdom   A number of funders, such as the Joseph Rowntree Foundation (JRF) and the lottery-funded Community Fund emphasize the inclusion of stakeholders with "lived experience" in the geographical or problem areas of a particular initiative. These interactions are seen as giving the philanthropic process more validity, especially if experts as well as those with lived experience are included so that a wider consensus can be built. The aim is to combine philanthropy with life experience and knowledge to develop better and better solutions to intractable social problems.

In order to ask more appropriate questions as well as formulate better solutions, JRF (a funder of research and development) has prepared an internal thought paper, "Involving People in JRF's Work," to guide further discussion and action on this subject. The paper makes it clear that while the Foundation is not a "user-led" organization, and will ultimately make its own philanthropic decisions, active involvement of stakeholders is of critical value in identifying issues, in steering and monitoring the work, and in dissemination and feedback.

Convenings, or more formalized governance structures such as topic defined or geographically delimited funding committees, are a common method for bringing stakeholders together, to shape funding programs, to oversee them as they progress, and to guide specific projects. Informal networking through meetings and lunches also is fairly common, but the internet and conferences are less frequently used to bring stakeholders together in the UK.

Representatives from business, government (except for the very largest foundations), individual donors and policymakers are not heavily involved in the stakeholder interaction patterns of most foundations in the UK. Nonprofit organizations and service recipients, however, are frequently included, even for small foundations. Inclusion of the views of the general public is critical for semi-public funders, such as those funded by the national lottery.

JRF, as a funder focused on change, also recognizes the general public as a stakeholder, and has had a range of projects focused in informing and engaging the public in wider debates on important issues through the media. A new foundation, the Friends Provident Charities Foundation, is attempting to start a national debate through the media and on-line about "the right use of money," which provides stakeholder interaction potential of quite a different sort.

Uruguay   In Uruguay, philanthropy is relatively undeveloped. Some infrastructure is beginning to emerge for nonprofit organizations, which are in this country called Civil Society Organizations (CSOs). About 70% of these now receive government funding, increasing the ties between state and civil society.

A few businesses provide philanthropic support to these CSOs, and an organization of business people that encourages philanthropic programs and social responsibility has recently been formed. It now serves some 20 enterprises in Uruguay. Out of these developments also may emerge more attention to stakeholder interactions in philanthropy.

Overview and Next Steps   These eight brief sketches are indicative of the wide range of circumstances in community, government, nonprofit organizations and philanthropy from one country to another, all of which have an impact on stakeholder interactions in philanthropy. While the five fundamental questions asked in this paper probably apply in almost any part of the world, the answers to them may be quite different from one country to another. Certainly the pattern of responses just presented for the U.S. does not apply to other countries, as the examples just cited make clear.

Thus, it would be helpful for INSP to create a series of value-added products that build on the exploration of stakeholder interactions and their American perspectives presented here:

1 - *A paper reviewing in more detail the world philanthropic knowledge base on stakeholders and their interaction patterns,* patterned after review publications of the U.S. Council on Foundations, and a recent paper by Diana Leat (2002), which addresses stakeholder interactions as part of a larger discussion of foundation governance in Australia. There is few literature on this topic which was cited only incidentally here. Key informants provided only a very brief overview of the practice wisdom on this subject in the eight countries described above - there clearly is more to be said about how stakeholder interactions are addressed in each of these countries, as well as in other parts of the world. Practice examples for consideration in the U.S. that might emerge are the focus on "lived experience" of stakeholders at the Joseph Rowntree Foundation in the UK, and the special interests of foundations that annually raise their own funds to give away in both South Africa and the UK.

2 - *A series of portraits of stakeholder interaction patterns in the countries currently represented by INSP's membership,* based on the five questions outlined above and the portrait for the U.S. (the impact of globalization obviously would be part of the larger context for these portraits). The brief profiles of eight countries presented above could be a starting place. These portraits might well be developed by a team of authors similar to the authors of the present paper, and refined by a convening similar to the two Baltimore brainstorming sessions mentioned here.

It is inevitable that significant differences in interaction patterns for stakeholders of philanthropy will occur between countries, as will differences in the identity of these stakeholders. For instance, as already mentioned for South Africa, European foundations are typically more reliant on individual donations than are their American counterparts. Many foundations in Europe have some sort of annual fundraising campaign to generate funds for their grants to nonprofits.

As a result, general public opinion about them is much more important than it currently is in the U.S., and by necessity their public profile is higher because they need to generate the funds from the public. A synthesis of these portraits would highlight both the differences and similarities, providing input for the final two products listed below.

The human dynamics of stakeholder interactions across countries and cultures will be a particularly important aspect of these portraits. How do these psychological and cultural variables shape decisions about whether to get stakeholders involved and how to do so? The similarities and differences will very likely form a useful platform on which to build more effective approaches to stakeholder interactions across a range of countries.

3 - Guidelines for individual foundations wishing to undertake an analysis of their stakeholder interaction patterns, based on American and international experiences as outlined above. A first step in that direction is at the end of this paper.

4 - Guidelines for foundations wishing to join with their stakeholders to expand interaction patterns as an element of strategic philanthropy.

These products and the overall strategy for addressing stakeholder interaction at the international level can be addressed in future meetings of INSP and other international philanthropic associations, helping to bring to fruition some of the future directions laid out in this paper. Better solutions to the challenges of stakeholder interactions in philanthropy are likely to emerge from such dialogue.

AN APPROACH TO STAKEHOLDER ASSESSMENT BY FOUNDATIONS

Foundations whose staff or trustees read this paper may wish to assess what they do now and what they have the potential to do in increasing stakeholder involvement. As suggested earlier, formal guidelines for stakeholder involvement have yet to be developed, though there is now more discussion on this subject, and a few philanthropic associations have begun to focus on basic principles foundations can adopt in this area.

Until some of the actions suggested above have been taken, both by American foundations and their counterparts in other countries, the following five-step approach might be considered for a relatively informal, but systematic, *Stakeholder Assessment* by foundations:

1 - Review foundation mission to determine whether it includes specific language about who are the foundation's legitimate stakeholders, and about any processes that are to be used to involve them in philanthropic planning and action.

2 - Review current stakeholder involvements such as annual community convenings, advisory committees, or other methods by which various categories of stakeholders have been brought to the table, with an eye towards what kinds of input they've provided and at what level they're aimed (e.g., on a continuum from purely advisory to full decision-involvement in grantmaking).

3 - Evaluate accomplishments and shortcomings of current stakeholder involvement activities.

4 - Appraise pressures for improvement in stakeholder involvement coming from the community or any other sources (e.g., in the case of health conversion foundations, from regulatory agencies overseeing them).

5 - Prepare report on stakeholder assessment: drawing together what is learned from the first four steps, for further discussion with stakeholders, trustees and staff (this might be done in a couple of paragraphs for a small, unstaffed or minimally staffed foundation; or in a more detailed written report for a large foundation with many types of stakeholders).

If a significant number of foundations began to conduct such assessments, the result could be a relatively fast improvement in the amount and quality of stakeholder involvement in philanthropy. Philanthropic associations could help by providing platforms for sharing and discussing such assessments. When the kinds of more detailed guidelines for stakeholder involvement proposed in this paper are available, they could be integrated into these assessments - as part of the overall process by which those who come to the table help foundations improve their ability to create change in communities.

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