



The New Philanthropists:
The World is Changing,
So Must Philanthropy

It is clear—the world is changing. What is less clear is how the philanthropic world will change alongside it.

At Russell Reynolds Associates, we work with the world's leading philanthropic and social impact organizations, advising them on their most pressing strategic leadership and organizational challenges. Our intersectional and global perspective provides a broad view into the ways in which philanthropic organizations are experimenting with new models of impact, and the ways in which a new cohort of philanthropists is innovating within the existing model. The scale at which these new funders are operating - sometimes several orders of magnitude larger than traditional, legacy foundations - has the potential to significantly amplify impact on many of society's most pressing needs. However, given the sector's systemic challenges, the rise of "new philanthropy" also has the potential to reinforce power imbalances, enable arrogance masked as innovation and, despite earnest intention, reaffirm systemic inequity.

How can these new organizations - whether foundations, donor collectives or venture funds - make the most of this unique moment to leverage their considerable resources for the greatest impact? What is clear is that there is no single way to "do" philanthropy, and every organization must choose the models, channels and instruments that are best suited to their theory of change. Often, this requires blending the best elements of traditional philanthropy with the best new ideas from emerging philanthropic models, while recognizing the unique role that "new philanthropists" can play as providers of catalytic financial and political capital.

From global instability to volatile markets, climate change to racial justice, gender equality to economic mobility, enormous flows of capital are being marshalled for ecosystem evolution in ways never before seen. In 2021, official development assistance (ODA) from donor governments rose to an all-time high of \$178.9 billion, up 4.4% from 2020.ⁱ At the same time, a handful of new philanthropic efforts have emerged with significant contributions. The contributions of new philanthropists Mackenzie Scott, Mark Zuckerberg, Jeff Bezos and Steve Ballmer alone total more than \$25 billion.ⁱⁱ

Amidst this flurry of new capital, significant forces are shaping how and why philanthropic organizations operate:



Compounding crises

The combined crises of COVID-19, the overdue reckoning with racial injustice, climate change and geo-political instability have created a fundamentally new landscape to which funders must respond. Philanthropists must be cognizant of how these crises have both changed the social needs that must be addressed, as well as the levers that can be pulled to address them.



Convergence of interests and actors

Public, private, and philanthropic interests are converging in increasingly new and innovative ways, highlighting the opportunity for shared leadership and greater impact when these forces align. The global experience of responding to the COVID-19 crisis illustrates what is possible when these forces align. Venture philanthropy, impact investing, and blended finance vehicles offer new ways to support social interventions that respond to these actors' varying risk tolerances, enabling greater collaboration in pursuit of shared goals.



Models of collaboration

The COVID-19 pandemic has changed how philanthropists collaborate - both literally, in the case of remote working and virtual convening, as well as conceptually, in the case of new collective impact initiatives. Both types of changes require philanthropists to reconsider operating norms to identify new modes of working that may increase overall impact.



Challenges to "Big Philanthropy"

The so-called "non-profit industrial complex" is under increasing scrutiny amidst accusations that most philanthropy is unaccountable, restricted, non-transparent, donor-directed, and tax-subsidized. As more philanthropists seek to leverage their wealth to effect lasting change, they must reckon with the increased need to prove the feasibility of their intended impact.

Harnessing catalytic capital – both political and financial

The emerging cohort of new philanthropists share some similarities (as well as critical differences) from their earlier counterparts. Industrialists such as Andrew Carnegie or John D. Rockefeller gave significant sums to social causes, such as the creation of free public libraries and development of life-saving vaccines. Both groups have sought to leverage their considerable wealth for the betterment of society, with some like Carnegie seeing it as a moral obligation to “give back” their fortunes to the society that helped enrich them.¹

However, the new cohort of philanthropists diverge from their predecessors in the scope and scale of their interventions. While the creation of a public library system or vaccine for yellow fever were no doubt massively impactful at the time, they represent targeted and incremental progress for social good. Today’s philanthropists increasingly seek to effect systems-level change, no longer content to “move the needle” for discrete populations or precise causes, instead seeking to propel transformative social change. Even the legacy organizations of the previous era of philanthropists – such as the Rockefeller and Ford Foundations – have shifted the scope of their work to systems-level impact.

Many of these new philanthropists have met frustrating roadblocks as they seek to harness revolutionary intent within a social landscape more accustomed to evolutionary change. Often current or former chief executives of tech firms and other disruptive industries, these philanthropists are habituated to developing a “big idea” and working with leaders who report directly to them in order to drive quick results. Entering the complicated and multi-faceted world of philanthropy often prompts frustration at the speed of progress and necessity for multi-stakeholder consultation.

To focus their revolutionary ambitions within the frame of what’s possible, these new philanthropists would be best served by recognizing the unique role they can play in providing catalytic capital to “de-risk” the revolution. Importantly, the capital they can provide is not just financial, but also political. As the third major stakeholder group responsible for driving progress – alongside the public and private sectors – these philanthropists can often assume risk that the other two groups cannot.

The myriad social challenges the world will face in the next century – racial injustice, gender inequality and global instability writ large – requires that we innovate, test and scale solutions at a pace never before seen. Borrowing from the parlance of the tech world, we have to fail fast in order to find solutions that will last.

Both governments and private companies struggle with this approach in the context of social change – governments that fail fast are rarely rewarded for their attempts at the voting booth, and companies that continually to fail fast won’t stay in business for long. Philanthropy, meanwhile, is in the perfect position to experiment with new ideas to discover what works without the same specter of immediate consequences.

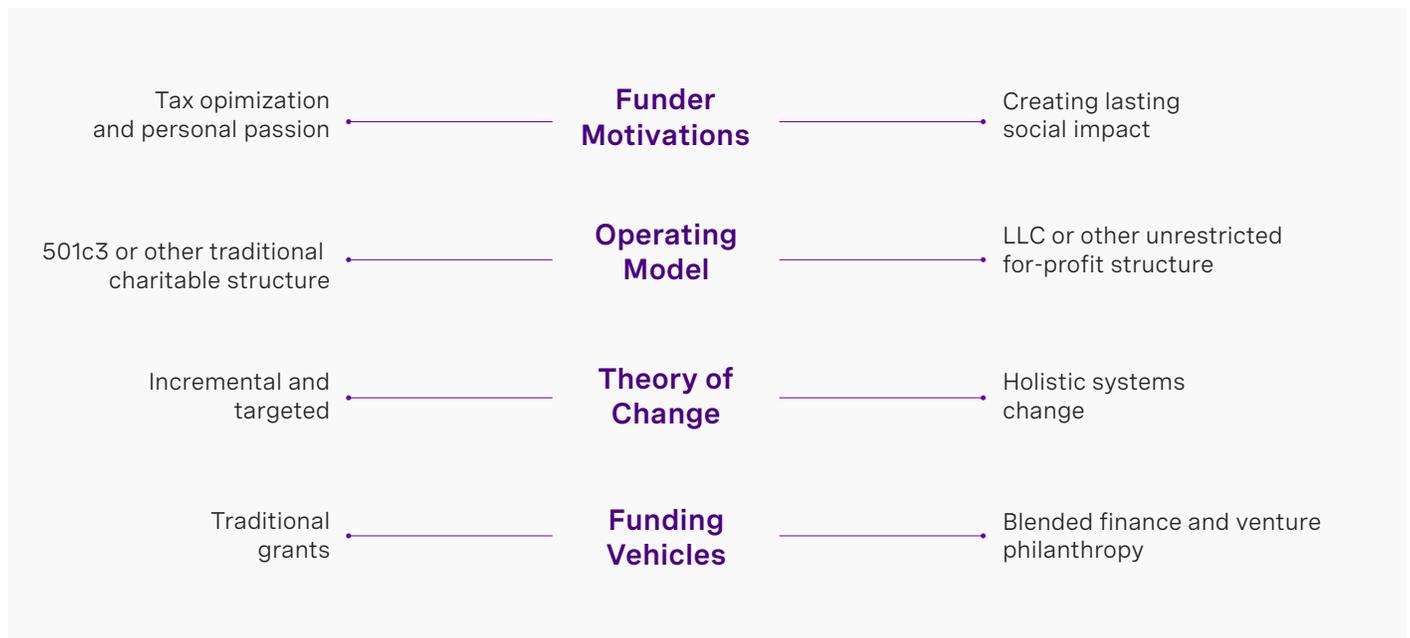
For their part, most governments and private companies appear ready and willing to let philanthropy assume this catalytic role. Whether structured as a formal product development partnership (PDP), public-private partnership (PPP) or more loosely affiliated coalition, there is a role for engaged philanthropies as the guarantor of sectoral initiatives. They are able to incentivize collaboration between competitors and reach policymakers with positive advocacy, as opposed to lobbying.



New models for old challenges

Beyond their role within the broader ecosystem for change, philanthropic organizations have also begun to rethink many of the norms and operating models for what happens within their walls. In doing so, organizations must consider the range of tools, structures and levers available to them when determining how to achieve outcomes. These elements are the backbone of an organization's theory of change, as critical to define as the mission and intended impact.

Whether starting an organization from scratch or reorienting an existing one, leaders should consider the spectrum of options available to them, and the implications for the type of leadership required.



Funder motivations

The circumstances motivating a funder to invest their capital in philanthropic pursuits has implications for the type of leadership needed to steward those investments. Donors who are motivated primarily by personal passions or desire for tax optimization may benefit from appointing an existing colleague or executive from their family office to lead philanthropic efforts, knowing that their understanding of the funder's priorities, preferred channels of impact and investment philosophy will ensure that funds are deployed in line with the funder's wishes. Conversely, funders who are first and foremost motivated by a desire to create lasting social change should consider appointing leaders with deeper technical expertise in their desired area of impact. These might be visionary leaders who can translate donor intent into scalable and actual impact. They are likely to play a more external role than the former model, galvanizing other funders and have a capacity-building (vs. traditional grantmaking) mindset.

Operating model

Historically, foundations have been structured as non-profit entities, either as a 501c3 or 501c4 in the US, or other type of designated charity. New models are emerging - including Limited Liability Corporations (LLCs) and other unrestricted for-profit tax structures - that forego some of the tax incentives of these charitable designations in favor of greater flexibility in terms of disbursements and governance. Funders employing newer models may benefit from appointing leaders with experience in startup environments.

Theory of change

Some funders may orient their strategy and theory of change around incremental, targeted investments that result in more immediate change but for a narrower set of stakeholders; for example, teacher training programs to improve literacy rates in underserved communities. In these cases, organizations will benefit from leadership with deeper technical understanding of the issue at hand. Others may focus their efforts around holistic systems change that may take longer to yield results but are much broader in their scope and ultimate impact - for example, advocacy campaigns to secure free primary education for all children. In these cases, organizations would benefit from leadership with experience working in partnership with other organizations and stakeholders, including fellow social impact organizations, governments, academia and the private sector.



Funding vehicles

In contrast to traditional philanthropic funding structures that involve the distribution of grants, new forms of “blended finance” vehicles have emerged that are more akin to venture capital investments, where some return (even if lower than a market rate) is expected. In reviewing job specifications and our proprietary psychometric data for CEOs from both types of funding structures, we found interesting commonalities and differences:

- Traditional grant-makers are effective at connecting dots, tend to focus on the big picture, and typically bring a strong understanding of systemic reform and experience working in complex organizations. They are risk-takers with a bias towards action, capable of operating amidst significant ambiguity. They are highly effective team-builders, capable of building personal connections while maintaining a humble leadership style. They may prefer to build deep meaningful connections with others over broad network-building, a trait that is particularly well suited to working with sole or family donors.

- Leaders of blended finance organizations share many qualities with their grant-making peers, - and to be sure, are more akin to each other than they are to corporate counterparts - but the groups are differentiated in a few key ways. While also capable of taking risks, blended finance leaders place higher focus on feasibility and the need to convert strategies into workable tactics, and are typically more skilled at filtering innovation and simplifying complex ideas. They tend to be more entrepreneurial and possess a structured approach to strategy development. They combine their broad perspectives on geopolitics and business, with a strong focus on details and results measurement, resulting in effective campaigns and partnerships.

Both types of funding structures require leaders who demonstrate a personal and professional commitment to diversity, equity and inclusion, and an ability to work across multiple cultures around the world.





An evolving landscape with evolving solutions

While these perspectives are based on our experience advising funders who are currently experimenting with these new philanthropy models, this field is evolving so rapidly that best practices and innovations are changing at a pace that challenges even the most expert practitioners.

As such, Russell Reynolds is embarking on a collective research effort to better understand the organizational structures, leadership profiles and governance practices that will define this next era of philanthropy. Future publications in this series seek to answer questions such as:

- What are the various chief executive archetypes that are best suited to each model?
- What are the questions a board must ask itself when embarking on a search for its inaugural leader, and what will the funder's role be?
- How should organizations think about building a senior leadership team, and what is the correct order of appointment for functional roles such as Chief Financial Officer, Chief People Officer and others?

Whether you are a funder yourself, a practitioner with experience working in new philanthropic entities, or part of a social impact organization that has received funding from these new philanthropies, we welcome your thoughts on the questions above. Designing the new paradigm of philanthropy requires a concerted and collective effort to identify the best practices that will propel impact and create lasting change.

Authors

Jamie Hechinger co-leads Russell Reynolds Associates' Social Impact & Education sector. She is based in Washington DC.

Simon Kingston co-leads Russell Reynolds Associates' Social Impact & Education sector. He is based in London.

Tory Clark leads Russell Reynolds Associates' Social Justice practice. She is based in Atlanta.

Katie Nivard is a member of Russell Reynolds Associates' Social Impact & Education sector. She is based in San Francisco.

Nick Ricketts is a member of Russell Reynolds Associates' Social Impact & Education sector. He is based in London.

Emily Meneer leads Russell Reynolds Associates' Social Impact & Education and Sustainability Knowledge teams. She is based in Portland.

Vanessa Di Matteo is a member of Russell Reynolds Associates' Social Impact & Education and Sustainability Knowledge teams. She is based in London.

Ruben Hillar is a member of Russell Reynolds Associates' Pure Consulting Knowledge team. He is based in Chicago.

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ⁱ[Official Development Assistance \(ODA\) - OECD](#)

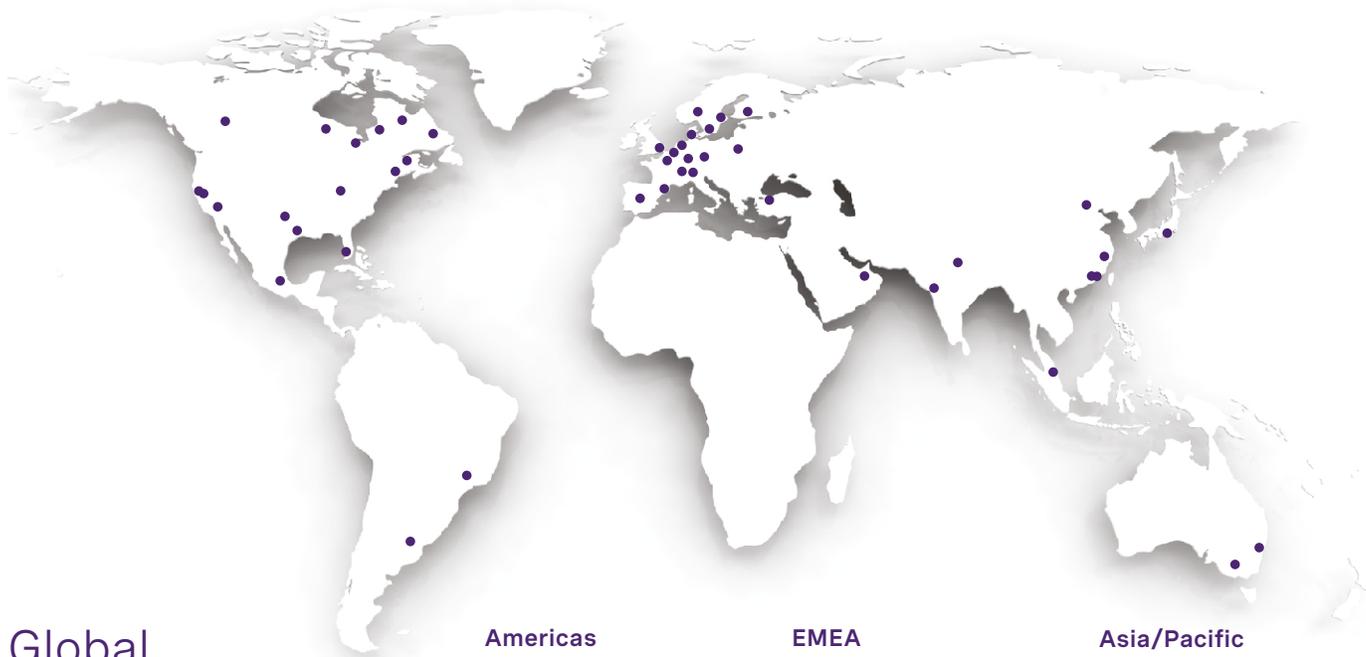
ⁱⁱ[America's Top Givers 2022: The 25 Most Philanthropic Billionaires \(forbes.com\)](#)

ⁱⁱⁱ[Philanthropy of Andrew Carnegie | Columbia University Libraries](#)

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 520+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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