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INSIGHTS

Using Lessons From Public Affairs to Inform Strategic Philanthropy

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Although private, institutional philanthropy can be an engine of significant social change, often this possibility is not realized. This article creates a new framework to inform philanthropic strategy built from lessons gleaned from decades of public affairs research. Drawing on what is known about social change movements, government relationships with nonprofits, and nonprofit management, key questions help foundation staff develop and hone their strategy. A flexible framework for private investment in human services fields is developed and implications for practice and future research are considered.

Keywords: *philanthropy; government and nonprofit relationships; policy field development; investment tools*

One of the hallmarks of American democracy is a deep-seeded ambivalence about the role of government (Kettl, 2002). This reality shapes the very contours of public affairs and is reflected in the separation of powers and the U.S. federalist system. It is found in the origins of the philanthropic field that, arguably, can be understood as a response by the very wealthy to both alleviate the unmet needs of the poor and support causes they personally deem worthy. Although there are some exceptions, most notably the Carnegie Corporation and Rockefeller Foundations, the history of American

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philanthropy does not point to clear lessons of how it can be practiced in the public interest (Gross, 2003; Lagemann, 1989; Sealander, 1997). Instead, many approaches have been tried and discarded in pursuit of more strategic approaches to using valuable, philanthropic resources to improve society (Fleishman, 2007; Frumkin, 2006).

During the 1970s and 1980s, some foundations felt their role was to support research and development of innovations. Foundations invested in good ideas and stringent evaluation, believing that if ideas were proven to be successful, the federal or state governments would naturally assume responsibility for their widespread replication and implementation. The political process of policy making, though, rarely led to government replicating model programs. During the 1980s and 1990s, a number of foundations banded together in more than 50 "comprehensive community initiatives" focused on revitalizing low-income, urban neighborhoods (Silver, 2004). In these efforts, foundations moved beyond grant making and developed alternative financing tools, experimented with forming public–private networks, and fostered the redesign of public institutions. At the same time, corporate foundations began relying on business strategy to inform grant making, undertaking activities and making grants to advance corporate interests (Porter & Kramer, 2002; Wood, 1990). By the late 1990s, venture philanthropy also was offered as a promising model. Proponents of this approach (Frumkin, 2003; Letts, Ryan, & Grossman, 1997) believe much can be learned from venture capitalists who regularly take significant risks, develop close relationships with organizations, invest for the long term, and monitor performance through agreed-on measures. Finally, in the early part of this decade, grant maker associations began educating members about public policy and supporting public systems change (Arons, 2007; Ferris, 2003; Mandeville, 2007).

In spite of these approaches, there remains much confusion in the field about how best to conceptualize and implement a more "strategic" approach to philanthropy. Leaders, such as Mark Kramer, decry the field's "strategic confusion" that focuses establishing elusive causal theories of change rather than developing more robust frameworks (Kramer, 2001). In this article, I respond to Kramer's critique. I offer a set of questions and an investment framework that capitalizes on the unique roles foundations can play within the public arena. The foundation on which this new framework is built, though, is constructed from lessons of public affairs rather than private business.

BUILDING BLOCKS FROM THE STUDY OF PUBLIC AFFAIRS

Many foundation staff consult social science research when developing ideas for new programs, such as how to affect teen pregnancy or children's literacy. Yet, a close reading of research about the process and operation of

publicly funded systems also provides important, albeit humbling, lessons for philanthropic strategy. This research stresses that although pursuit of a magic bullet or "philanthropic masterstroke" (Bailin, 2003) is compelling, it is unlikely to prove fruitful. Instead, a careful examination of research from the last 35 years can point to philanthropy's unique ability to support significant social change.

SEEING AND DEFINING SOCIAL PROBLEMS

A rich literature within political science and sociology explores how events come to be understood as social problems and public agendas get established for change (Kingdon, 1984; McAdams, McCarthy, & Zald, 1996; Zald & McCarthy, 1979). Many foundations have played essential roles in identifying social problems, such as poor education and limited public communication, and developing viable solutions for them. Foundations also have supported larger social movements in civil rights, children's rights, and environmentalism. Although scholars debate the consequence of philanthropic investment on large social change efforts (Faber & McCarthy, 2005; Frumkin, 2006; Jenkins & Halchi, 1999; Prewitt, 2006), there is consensus that both large-scale and micro shifts must occur to focus mere social discontent into a recognizable social movement. Organizations with large-scale resources are important forces shaping the larger involvement (Jenkins & Perrow, 1977; Meyer, Jenness, & Ingram, 2005). In addition, the creation and evolution of nonprofit organizations and fields are important sites to institutionalize social movements (Galaskiewicz & Bielefeld, 1998; Minkoff, 1995, 1997; Zald & McCarthy, 1979). These organizations, in turn, support the significant social–psychological shifts that must occur among individuals who agitate for change (Morris & Mueller, 1992).

This scholarship suggests that public awareness of social problems evolves. Initially, problems emerge onto the public arena, sometimes through citizen agitation, other times through the sharing of emerging knowledge. Leaders develop solutions and organizations experiment. Social conditions directly affect the rate at which both new organizations form and established organizations change (Hannan & Carroll, 1992; Hannan & Freeman, 1989). Although many solutions to social problems are suggested by nonprofit organizations, sometimes public policy change is required. When the state enters into social movements, though, it often transforms them. On the one hand, the state provides resources and legitimacy; on the other, it imposes structures and procedures (Singh, Tucker, & Meinhard, 1991).

UNDERSTANDING NONPROFIT AND GOVERNMENT RELATIONSHIPS

The social movement literature emphasizes the role of nonprofits in defining social problems. Three additional roles of nonprofit organizations are notable in relation to government (Young, 2006): (a) a *complementary role,*

helping deliver public goods that are largely financed by government and reinforcing the necessity of public programs; (b) a *supplementary role,* focusing on needs that are unsatisfied by government perhaps because they are over-looked or emerging; and (c) an *adversarial role,* prodding the government to make changes in public policy and maintain accountability to the public. These roles often do not function in isolation. It is common for an organization to complement government and run some projects funded by public contracts, develop individual donations to supplement areas unmet by current government funding, *and* operate a public policy department focusing on advocacy. These multiple functions often create daily stresses and strains. Although nonprofits must depend on government revenue to sustain their operations, their missions are crafted and boards motivated by issues outside the purview of government. As is true for foundations, many nonprofits have deep ambivalence built into the core of their operations about their relationships with government.

APPRECIATING THE CHALLENGE OF NONPROFIT MANAGEMENT

The multiple layers of public systems creates complex revenue environments for many nonprofit organizations (Gronbjerg, 1993; Sandfort, Coleman Selden, & Sowa, in press; Smith, 2006). Berry and Arons (2003), for example, cite a Massachusetts health and human service nonprofit with revenue from 35 different public programs. In a current study of Minnesota human service agencies, one organization reports 76 unique funding sources, not accounting for private donations. Government's increasing reliance on consumer-sided subsidies also introduces new instability as these sources are not as dependable. Research shows that day-to-day management becomes more complex with an increased number of revenue sources, as staff must track programmatic results defined differently by each funder. Managers must juggle various budgetary parameters, cope with different reimbursement practices, and document adherence to public rules (Gronbjerg, 1993; Smith, 2006; Smith & Lipsky, 1993). Sometimes the funding stream dictates the qualifications of program staff, and because of these rules, managers change how they use volunteers. The increased competition for revenue causes more effort to be spent on marketing and public relations to compete with private organizations and other large nonprofits that dedicate resources to these functions. As management becomes more complex and programmatic knowledge more technical, boards and their relationship with staff also change (Stone, Hager, & Griffin, 2001).

Innovative nonprofit managers, of course, develop strategies to cope with these consequences. Some create structures to buffer the organization from external control, such as hiring staff to focus exclusively on completing government reporting requirements or developing data-tracking systems shaped by management rather than funders' needs (Gronbjerg, 1993). Others dedicate significant resources to monitoring public-sector activities through advisory committees or nonprofit coalitions (Saidel & Harlan, 1998). Still

other organizations build fund reserves to cushion themselves from the financial challenges stemming from delayed reimbursement processes and political uncertainty. Rather than questionable financial management, these practices are important to organizational financial stability in an environment in which nonprofits depend so heavily on public revenue. It is important to private philanthropic funders understand that such activity—having contract management staff, participating in public policy coalitions, building fund reserves—are rational responses to the complex funding environment many nonprofit managers face.

A final dimension of nonprofit management deserves mention—the terms of performance. Often the beneficiaries, funders, board members, staff, and community members in nonprofit organizations have their own definition of organizational effectiveness (Herman & Renz, 1999, 2004). As a result, multiple and conflicting goals are often built into the very fabric of the organization. Among researchers, consensus has emerged that multidimensional effectiveness indicators are most relevant to improving daily nonprofit management (Forbes, 1999; Kaplan, 2001; Sowa, Selden, & Sandfort, 2004). Yet the complicated frameworks that emerge underscore an important point for philanthropists to keep in mind—many implicit and explicit challenges arise when nonprofit organizations must respond to diverse and often divergent stakeholders.

STRATEGIC CHOICES FOR PHILANTHROPY

These building blocks from public affairs create a foundation for a new conception of strategic philanthropy. In a recent book, Frumkin (2006) offers a new framework to improve the strategic use of private philanthropy. His building bocks, though, are different, rooted in the values of donors. He encourages donors to ground themselves in their values and align their aims with funding mechanisms, funding profiles, and time frame. Although this argument is well reasoned, it is not sufficient for an entire field known for its diversity (Ostrower, 2006). Much of the field is composed of institutions rather than original benefactors. Frumkin's attention to donor values causes him to argue that foundations seize their autonomous positions and not craft their actions in relation to government.

Yet the building blocks of this analysis—the evolution of social problems, the nature of government nonprofit relationships, the complexities of nonprofit management—suggest an alternative perspective. Foundations occupy a unique niche in the arena of public affairs; they alone possess significant flexible resources that can be invested without regard to public deliberations or market restrictions. The magnitude of private foundation funding, however, is dwarfed by governments' significant investments. In 2004, for example, the outlay of private foundations was $32.4 billion compared to $2.2 trillion from the federal government. To be effective, foundations must develop strategy in relation to this environment that shapes how charitable organizations accomplish their work.

Of course, strategy, in and of itself, will not assure foundations realize their potential as social change agents. Staff must first work to identify the area of focus and goals, both of which are often grounded in organizational values and experience. Strategy development, though, requires articulating what will be done to address the problem, to accomplish the goal. To develop philanthropic strategy, staff can try to answer four questions: (a) What is the most effective role foundations can play? (b) What is the appropriate level for foundation intervention? (c) What is the most prudent forms foundation grants can take? and (d) What is the range of tools foundations can use? Each taps unique dimensions, but in practice they work together as a system. Alignment among them is essential, yet across a whole foundation portfolio, it is possible—and perhaps desirable—to have different configurations of answers. For example, a foundation's human service program with multiple focus areas, such as early childhood education, youth development, and homelessness, would likely have its own unique strategy. The foundation's environmental or arts programs also might choose different options given the characteristics of their fields, the direction of the board, and judgment of staff.

WHAT IS THE MOST EFFECTIVE ROLE FOUNDATIONS CAN PLAY?

As noted earlier, nonprofits historically have played three distinct roles in relation to government: complementing, supplementing, and advocating change. These roles can be applied to foundations, as well. Foundations may decide to complement government investment by providing resources that help deliver public services. Sometimes this takes the form of gap financing for an organization particularly vulnerable to cuts in government contracts or in instances when public reimbursement rates do not cover service costs. Other times, complementing government investment might cause a foundation to fund culturally relevant programming when government contracts might push organizations to provide more generic services. A complementary role could also lead a foundation to consider providing grant dollars to public institutions themselves.

Nonprofits also assume supplementary roles, working in areas where government is not focused. The Carnegie investment establishing public libraries is one often-cited historical example. Private funding when new problems emerge, such as sustainable development or domestic violence, is also undertaken in this vein. Foundations can provide grants or convene grantees to share promising practices when nonprofits are responding to an emerging problem without much other support.

Finally, nonprofits advocate in public discussions at all levels of government deliberation. As noted earlier, this role is getting more attention within the philanthropic community (Arons, 2007; Ferris, 2003). Those writing about it stress the important activities foundations can undertake to change public perceptions, influence policy decisions, and encourage civic engagement.

Yet, they also acknowledge field resistance because of misperceptions of legal restrictions and fears of drawing controversial attention.

Differentiation among these three roles can help foundations develop a more coherent investment strategy. Although it is not necessary or desirable for one foundation or even one program area to assume only one of these roles, it is important for staff and board members to be aware of the inherent trade-offs. Complementing government action allows modest foundation investment to grease the machinery of much larger public systems. However, it presumes government intervention is correctly focused. Supplementing government action allows staff and board to feel that they are making a difference in a new social problem. However, it is often challenging to bring such investments to "scale" or sustain them over the long term. Investing resources in advocacy to change public policy often appeals when existing policy and practice seem fundamentally misguided. However, foundations assuming this role cannot forget the many interests—most of whom possess more power than nonprofit groups—involved in public policy making in a democracy. Making these trade-offs explicit helps staff and board determine which roles are viable given their own objectives, values, and analysis.

WHAT IS THE APPROPRIATE LEVEL FOR FOUNDATION INTERVENTION?

Within public affairs, scholars have usefully described "systems" at multiple levels. National foundations long have focused their energy on macro systems of federal laws, regulations, and institutions, shaping how public work is carried out. Some also invest in supporting broad-based social movements to fuel a certain understanding of problems and policy alternatives. Increasingly, in an effort to make widespread "systems change," state and local foundations are experimenting with influencing national agendas. In fields such as early childhood education and smart growth, national, regional, and local foundations are now coming together to learn and coordinate their efforts in relation to large-scale macro change.

A recent national study suggests that more foundations are trying to move beyond strengthening particular organizations and focusing at the mezzo level on strengthening fields of activity or local communities (Ostrower, 2004). At this level, there are many possible investment targets because field conditions are often distinct. In one place there might be consensus among institutions working on homelessness about the goals of public policy and program standards. There might be standardized training of staff and deep interorganizational networks. In another place, the field might be filled with organizational infighting, with few sites for training and limited shared understanding of the problem to be addressed. To invest at this level, staff need to spend considerable time, learning the contours of the policy field. Where is administrative authority concentrated? Who are the organizations with an interest in this problem? Where is power concentrated?

What ties exist between the organizations? What are the existing resources and understandings that exist about the problem at hand (Sandfort, 2008)? The answer to these questions can open many opportunities for investment to shape program delivery and systems change at the local or state level.

At the micro level, of course, are individual organizations themselves. Most foundations have a long history of investing in organizations to support either programs or general operations. Some foundations work with intermediary organizations that provide technical support, field-specific knowledge, and management training to help other organizations improve operations and effectiveness. This "capacity-building" strategy has developed from the growing awareness about the complexity of nonprofit management and leadership.

Differentiating these levels can help foundations make clearer determinations about the appropriate site for investment. As in the discussion of roles, it is not necessary to focus on only one level of intervention within a portfolio. It is important to consider the trade-offs. There is appeal in focusing on national systems and institutions, but there are many competing interests at that level. Mezzo- or micro-level investments may offer the opportunity for more immediate change, though within the constraints imposed by macro-level laws and systems.

WHAT IS THE MOST PRUDENT FORMS FOUNDATION GRANTS CAN TAKE?

Grant making is a staple of many foundations' tool boxes. There are important issues to consider when trying to improve the strategic deployment of this tool. Many foundations are familiar with making program grants, such as funding an after-school program or a music outreach program. These grants are conventionally believed to be more direct, as they are dedicated to carrying out specific purposes. Yet, grant dollars can take other forms, as well. General operating grants provide resources to organizations that can be used to support various elements of organizational capacity that fall outside of program delivery—facilities upkeep, information technology systems, or communications. Some foundations target grants specifically to organizational or management development, focusing their investment on staff development or strategic planning. Others use financial resources to provide capital for specific purposes such as loan guarantees, facilities, program-related investments, or endowment financing (Ryan, 2001). Although foundations increasingly rely on diverse forms of financial tools, the prevalence of using mechanisms other than program grants varies considerably by foundation type (Ostrower, 2004).

As public affairs research documents, choices need to be made regarding the larger revenue environment facing nonprofit organizations. Unfortunately, in foundation practice the prevalent forms for grants seem to follow fad rather than close analysis. General operations grants, for example, have fallen out of favor because of a perception that they are less focused and strategic (Brest, 2003; Foundation Center, 2007; Frumkin, 2006; Ostrower,

2004). Yet, the revenue environment of nonprofits is increasingly complex and unstable. In many fields, government funding predominates and its form is increasingly inhospitable to effective organizational operation. If foundations see grant dollars as their primary tool of change, it is important to carefully analyze the funding dynamics present in the field.

Often, other funders come with more sizable grants and more stringent requirements and thus are more likely to influence day-to-day operations. Through careful analysis of the incentives created by other funding streams, foundations can strategically target their grant making and assure its form supports the type of change desired. If an organization's primary county funding pushes staff toward a particular, restrictive model, private grant dollars can create opportunities to work more flexibly. If an agency is juggling 35 public funding streams, a general operations grant can provide managers invaluable resources to fill gaps. If an agency is too dependent on institutional philanthropic grants, a specifically crafted matching grant can encourage new fund development activity with individual donors. Thinking carefully through the format of grant dollars is an important element of foundation strategy given the revenue environment facing most nonprofit organizations.

WHAT IS THE RANGE OF TOOLS FOUNDATIONS CAN USE?

Beyond the grant tool, there are many other forms philanthropic investment can take. A handful of large foundations have long used other investment forms to accomplish their goals (Hammack, 1999). Increasingly, more institutions are deploying an array of tools beyond conventional grant making—convening to focus attention, communicating to influence public opinion, researching to document social problems, and building networks to mobilize responses (Delfin & Tang, 2006; Fulton & Blau, 2005; McKersie, 1999; Ostrower, 2004). In these ways, foundations are both leveraging their political and social capital and directing their flexible financial capital to influence others.

Foundations should consider which tools seem most viable to their work and develop the internal capacity to deploy them effectively. In fact, each tool requires new organizational processes rather than conventional grant-making activities. Convening effectively, for example, requires program staff to know the local institutions and actors and know the appropriate "hooks" to bring people in to have productive and, hopefully, transformative conversations. Communicating to change public opinion requires staff who can move far beyond conventional foundation public relations that announce grants or annual reports; instead, they must be able to analyze current frames of social problems, work with others to develop alternative frames, and creatively use new communication mediums. Supporting networks of actors requires program staff who listen carefully to the needs of their grantees, facilitate shared learning among organizations, and use foundation influence to encourage deep collaboration.

All of these practices require staff who can subtly navigate the complex environment of the fields they are working in. In this conception, all of the resources of a foundation—social, political, and financial—become assets to be used to realize a full organizational strategy. The work is more challenging than mere reliance on grant making, where both foundation staff and grantees understand the roles they are supposed to play. Yet, the potential for using foundations' valuable resources for change is expanded. Whereas public resources are rigid and constrained by public accountability, philanthropic capital is flexible and nimble. However, with that flexibility comes a real possibility that actions will not be honed or focused. To further refine these options and consider how various tools might be applied, let us now consider their application in one area, the field of human services.

A STRATEGIC FRAMEWORK FOR PHILANTHROPIC INVESTMENT IN HUMAN SERVICES

Although these questions will move any foundation toward a more strategic approach to investment, research also suggests the importance of field-specific analysis. I have developed an investment framework for human services to illustrate how public affairs research can inform philanthropic strategy. Although the human services field gets the largest portion of its funding from government sources, it also receives the majority of all grants made by private foundations, accounting for fully one fourth (Foundation Center, 2007). Because the public systems are so complex and the objectives of each foundation are unique in human services areas, an analytical framework that both focuses attention and enables flexibility is required.

As discussed earlier, sociologists and political scientists document the critical role government plays in the evolution of public understanding of social problems; the resources available and institutional arrangements shape how nonprofit organizations operate, how they work with other groups, and how they command legitimacy. Yet, foundations' flexible resources also create the potential for them to influence social problem evolution if these resources are deployed purposively.

Drawing on lessons about social problem evolution, Figure 1 illustrates a framework for how to map the diverse investment tools available to foundations to field conditions in human services where government funding is a major structuring force. When determining how to invest in a particular area, foundation staff would analyze their own activity based on what is known about the evolution of a particular social problem and public investment to mitigate it. As the figure illustrates, foundation tactics can evolve as public investment changes.

In the first stage, when social problems first emerge, it is strategic to use philanthropic resources to fund nonprofits' programmatic response. In this way, foundations supplement government sources; they provide valuable funds when few public dollars are available. Given their political and social
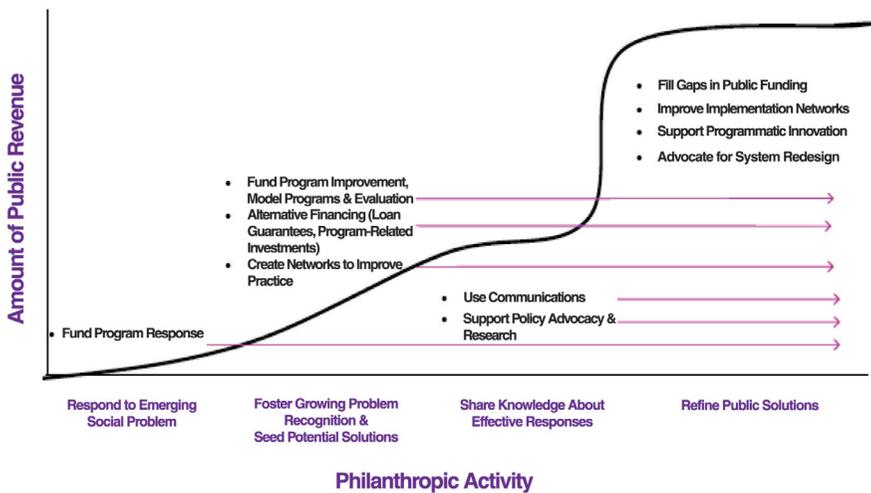
Figure 1. **Aligning Philanthropic Tools to the Evolution of Social Problems**

capital, foundations often are essential partners in fostering wider recognition of the problem and allowing nonprofits to develop program innovations rather than draft mere responses. At this second stage, if philanthropic attention is concentrated on fostering programmatic improvement or evaluating model responses, these investments can complement the initial funding government makes through small grant programs. Alternative financing tools to grants, such as program-related investments or loan guarantees, may also support the development of program innovation. Another philanthropic tool that can be effective at this stage is forming networks among public and private organizations. By bringing together people who are grappling with the same social problems, networks can be potent sites of knowledge development about effective solutions. Again, this approach complements government investment, for it provides some "glue" of peer learning rarely present in conventional public funding processes and offers the possibility of more coherent field development.

In the third stage of field development, effective solutions are developed. At this point, many foundations grapple with "scalability": How can knowledge be shared with the larger public about effective responses? Although it might still be important to provide program funding, support networks, or fund program improvement, other tools become relevant. Some foundations support research, either through grants or by commissioning studies, to increase visibility about a human service issue. Some use strategic communication campaigns that involve public events, media, or Web communication to increase public awareness. Many times such tools supplement the work of government by providing evidence and communication means not often present in public funding. Additionally, foundations can support attempts

to change public policy. Policy advocacy can target national, state, or local governments and focus on increasing government funding of proven solutions, shaping government regulation, or changing program rules.

Finally, after significant public investment is made in a human service field, foundation tactics again might shift. Like at other stages, foundations can assume complementary, supplemental, or adversarial roles. Given the government resource constraints, foundations may chose to fill gaps in public funding, such as providing grants to assist special populations or supporting overlooked program elements. Foundations also might provide resources to foster implementation networks to assure that planning is comprehensive or information is shared within the policy field. Similarly, foundations may decide to do what government often is unable to do and support the continued development of innovations. Foundations also might decide that a more direct, adversarial approach is important and continue supporting advocacy for public system redesign and improvement. At this stage, foundations can provide critical financial and knowledge resources to help lubricate large public systems and improve public policy implementation.

This investment framework helps foundations focus on the range of tools at their disposal and consider how they can be deployed in relation to government funding and systems. It also is designed to assure flexibility. Some foundation boards, for example, might feel comfortable in supplemental roles, whereas others yearn for adversarial tactics that push directly for system redesign. The framework also can accommodate the multiple fields where foundations invest. For example, within a human service portfolio that focuses on youth development, early childhood education, and homelessness, foundation staff could use this framework to develop distinct strategies in each field. Because youth development currently receives relatively little public funding, strategies focused on building program knowledge and developing field coherence might be a prudent investment. In contrast, because there are multiple streams of public funding for early childhood education (federal Head Start, state-sponsored preschool, and federal and state funds to decrease child care costs), strategic foundation investment would involve very different tactics. Rather than building new programmatic knowledge, early childhood education investments would more prudently focus on supporting program innovation or pushing for systems redesign. The framework helps illustrate how, by strategically deploying their unique tools and flexible revenue, foundations can complement public investment, fill gaps left by public systems, or work to change public systems.

INFORMING FUTURE RESEARCH

Although this framework and close reading of public affairs research can inform a new philanthropic practice, it can also open up new avenues for future research. This is an important endeavor. Many philanthropic practitioners look askance at the body of scholarly research about philanthropy; because

many studies take a critical or historical approach focused on large institutions, there are few frameworks that help inform current practice. Yet, over the last 20 years there has been a significant expansion in the number of philanthropic institutions making charitable investments. As new donors come onto the scene they are asking questions about conventional practices, requiring new analytical approaches, and demanding more purposive action. Fewer are satisfied by merely giving financial resources and are instead demanding gestures that are undertaken as "investments" rather than charitable "handouts." This desire creates an increased urgency in the field to articulate elements of a strategy that can guide this investment and reduce the inherent ambiguity of the work. It creates an urgency to develop scholarly research that identifies principles and refines frameworks that can help guide practice.

The issues explored in this article draw on lessons from public affairs research to inform philanthropic practice: Foundations play various roles in relation to government, investments are made at various levels of public systems, grants are made in different forms, and multiple investment tools are available. Yet, there is much that requires empirical investigation and some fundamental research questions that need to be explored:

1. How do foundations juggle their multiple roles in relation to government? How does board governance and staff background shape the roles assumed by these institutions?
2. How do we conceptualize and measure foundation performance at the various levels of investment—macro (national system), mezzo (policy field), and micro (organizational)?
3. What are the consequences of different grant forms on grantee organizational performance?
4. What are the processes and consequences of foundation investment using various investment tools beyond grants for macro-systems change, mezzo-field development, or micro-level grantee organizational performance?

Additionally, the framework for human service investment makes visible specific research questions about that field. Following the tradition of organizational population dynamics (Hannan & Carroll, 1992), the framework asserts the central role the state plays in establishing field conditions within human services. Yet, as more foundations explicitly use their resources to try to shape institutional environments, might there be a similar "crowding-out" effect as is found for individual organizations in relation to public investment and individual donations (Brooks, 2000; Khanna & Sandler, 2000)? This framework suggests new avenues for scholars interested in the relationships between philanthropy and social movements. It moves beyond normative assessments of the relative costs and benefits of overall foundation investment and encourages scholars to explore how philanthropic investment at different stages might have particular consequences on social movement evolution.

CONCLUSION

In this article, I have argued for an approach to strategic philanthropy that flies in the face of conventional belief that innovative strategy development must originate in private business logic. In fact, this analysis suggests that private-sector models, particularly those evolving from corporate strategy or venture capital investment, are inadequate because they employ a limited understanding of the building blocks discussed here. For-profit models of strategic philanthropy ignore what is known about the analysis of social problems, government-nonprofit relationships, or nonprofit management. They overlook the reality that the vast majority of nonprofits are embedded in complex networks that involve multifaceted relationships with the public sector. As private, nonprofit organizations, foundations are operating in arenas of market failure and government failure. As such, they need conceptual models that take these forces into account.

Although government is charged with carrying out the public will—with all of the complexity and inefficiencies that are to be expected in democracy—philanthropy has the unique ability to direct flexible resources in targeted ways to bring about social change. By attending more closely to what is known about public affairs, the questions foundation staff use to shape strategy and direct their valuable resources are framed differently. By relying on this alternative concept of strategy—one that takes seriously the role and form of the public sector—the philanthropic field will come closer to being truly strategic in the use of its resources.

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