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# Can Civil Society Be Inclusive? Strategies for Endowed Foundations

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**Keywords:** *Managerial and democratic strategies, inclusion, exclusion, grassroots associations, endowed foundations*

## Introduction

Most research on the impact of private sector and public sector values on nonprofit organizations proceeds from the perspective of fundraising (Chad, 2013; Hvenmark, 2016; Hwang & Powell, 2009) or venture philanthropy (Maier, Meyer, & Steinbereithner, 2016; Moody, 2008). Implications for funding strategies from the point of view of endowed foundations have been largely ignored. This article explores two major funding strategies of endowed foundations. By embracing either private sector or public sector values, foundations redirect toward managerial or democratic funding strategies. Managerial strategies involve applying corporate-management knowledge and practices in various organizational contexts through a process of “managerialization” (Hvenmark, 2013). In contrast, democratic strategies focus on legitimization of funding to grantees and communities.

We describe the consequences of managerial and democratic strategies in endowed foundations and their impact on inclusive funding. Because endowed foundations are fully resource independent, they may at their own discretion choose between strategies. We propose that each of these strategies affects funding decisions, possibly resulting in unequal treatment and exclusion for certain beneficiary groups.

After reviewing the foundation literature from the democratic and managerial perspectives, we present data and findings from a regional endowed foundation in the Netherlands to illustrate excluding consequences of managerialization. Finally, we discuss our conclusions and their practical applicability for endowed foundations, along with suggestions for further research.

## Key Points

- Literature on inclusion and exclusion within civil society distinguishes two broad approaches: the managerial, based on the private sphere, and the democratic, based upon the public sphere. Regardless of the approach, however, the influence of cultural distance or proximity between endowed foundations and grassroots associations has remained understudied. This research aims to address this gap.
- This article shares results of a quantitative comparison of the patterns of funding awarded by a regional endowed foundation in the Netherlands to immigrant grassroots associations and to other grassroots organizations. The results reveal differences in funding despite the foundation’s inclusive strategy. An exploration of success in annual grantmaking to grassroots organizations while the foundation adopted a more managerial approach or a more democratic approach explains these differences, while it also indicates that board and staff composition have only marginal effects on equal treatment in the funding of grassroots associations.
- Inclusive strategies focusing exclusively on human resources are not effective, as they ignore the influence of grantmakers’ private values, which underlie the day-to-day organization of endowed foundations. By becoming more aware of their own inherently exclusive characteristics, foundations could gain a better understanding of the potential consequences of various funding strategies for different beneficiaries.

*(continued on next page)*

**Key Points (continued)**

- While the literature on the nonprofit sector is increasingly dominated by a businesslike approach, such practices may not necessarily improve grantmaking for endowed foundations. Grassroots organizations – especially those involving people from immigrant backgrounds – may be better served by practices derived from the public sphere, such as community input and access to the decision-making process.

**Literature Review**

Anthropological research indicates that common interest associations date back to the millennia after 7000 B.C. with the global spread of agricultural communities and sodalities from the Middle East, (Anderson, 1971). An inventory of contemporary associations in 45 countries is provided by the John Hopkins Comparative Nonprofit Sector Project.<sup>1</sup>

In the United States, associations are related to democracy. On his visits to the United States almost two centuries ago, Alexis de Tocqueville (1805–1859) was struck by the multitude of associations holding this young society together in the absence of Old World hierarchies. De Tocqueville accepted democracy as the new and unavoidable system of governance, while also warning against compulsory equality and the accompanying tyranny of the majority (Goudsblom, 1974). Putnam (2000) claims that “Americans are more likely to be involved in voluntary associations than are citizens of most other nations; only the small nations of northern Europe outrank us as joiners” (p. 48).

These associations constitute a significant proportion of civil society, which can be defined as:

- “organized social life that is voluntary, self-generating, (largely) self-supporting, autonomous from the state, and bound

by a legal order or set of shared rules” (Diamond, 1994, p. 5);

- “the associations in which we conduct our lives, and which owe their existence to our needs and initiatives rather than to the state” (Dahrendorf, 1996, p. 237); and
- “the plethora of private, nonprofit, and nongovernmental organizations that have emerged in recent decades in virtually every corner of the world to provide vehicles through which citizens can exercise individual initiative in the private pursuit of public purposes” (Salamon & Anheier, 1997, p. 60).

Another important part of civil society are the numerous endowed foundations, which are civil society organizations (CSOs) funding other CSOs. Depending on their place and time of establishment, endowed foundations develop specific philanthropic cultures.

Grassroots associations (GAs) are, as argued by Smith (2000), “the original form of the VNPS [voluntary nonprofit sector],” (p. 10). He defines these as:

locally based, significantly autonomous, volunteer-run, formal nonprofit (i.e., voluntary) groups that manifest substantial voluntary altruism as groups and use the associational form of organization and, thus, have official memberships of volunteers who perform most, and often all, of the work/activity done in and by these nonprofits. (p. 7)

An unknown proportion of these GAs are established by immigrants and their offspring. To distinguish them from other grassroots associations, we will refer to them as immigrant grassroots associations (IGAs).

*Democratic and Managerial Strategies in CSOs*

Civil society organizations develop strategies to fulfill their mission, achieve legitimacy, and raise external funds either through tax exemption and subsidies or funding by foundations. Democratic strategies are characterized by high

<sup>1</sup> See <https://ccss.jhu.edu/research-projects/comparative-nonprofit-sector-project/>

levels of constituent participation on CSO boards and representation of recipients (Bradshaw, 2009; Brown, 2002; LeRoux, 2009). There are various types of representation, such as direct, symbolic, and participatory representation (for an overview, see Guo & Musso, 2007). According to a recent study, greater inclusion bears the risk of conflict on the board, while at the same time organizations' legitimacy is at risk when non-profit boards lack minority members (Fredette & Sessler Bernstein, 2019).

Democratic strategies in nonmembership organizations include investing in social networks of committed citizens (Ostrander, 2007) and promoting democratic discourse (Eikenberry, 2009). Concentration of power at the level of the director and the board is nevertheless common, due to low participation, lack of information, and the absence of market pressure (Spear, 2004). In particular, paid-staff voluntary groups resemble ordinary work organizations in this regard (Smith, 2000). Power imbalances are detrimental to internal democracy and can jeopardize CSOs' mission and accountability; participants (donors, volunteers, beneficiaries) without voting rights may use exiting as the last resort to express their voice, by terminating their support or obtaining services elsewhere (Reiser, 2003). Membership organizations like most GAs have greater internal democracy, although they may experience leadership problems as well if the same people run for office repeatedly, for example, or maintain informal leadership after leaving their formal positions (Smith, 2000).

Managerial strategies result from a trend toward "businessification" (Suykens, Verschuere, & De Rynck, 2016) that has been gathering pace over the last 30 years. They include auditing practices, strategic planning, and codes of conduct (Bromley & Meyer, 2017). Nonprofit service-delivery organizations that depend on government grants are particularly likely to follow the trend toward managerialization (Chad, 2013; Evans, Richmond, & Shields, 2005). Other CSOs are drawn to competition, rationalism, and professionalism as a result of ideological, cultural, and economic changes (Maier et al., 2016).

*Civil society organizations develop strategies to fulfill their mission, achieve legitimacy, and raise external funds either through tax exemption and subsidies or funding by foundations. Democratic strategies are characterized by high levels of constituent participation on CSO boards and representation of recipients.*

Managerialization changes philanthropic values, especially with regard to voluntary work and professional knowledge (Hwang & Powell, 2009). It affects organizational identity, sometimes at expense of the mission (Kreutzer & Jäger, 2011; Willner, 2017). At the organizational level, researchers have reported increased donor control (Ostrander, 2007), competition with for-profit organizations within the domain of public services (Willner, 2017), mission creep or drift (Reiser, 2003; Wang, 2006), misuse of management tools (Beck, Lengnick-Hall, & Lengnick-Hall, 2008), endangered legal nonprofit status (with fiscal consequences), and continual dependence on donations (Eikenberry, 2009). At the beneficiary level, the poorest and the weakest are at risk of exclusion (Backman & Smith, 2000), and space for civic action and engagement becomes limited (Eikenberry, 2009). Most civil society studies on managerialism from 2009 onward "tend to be critical of what managerialism is said to involve and bring about in CSOs" (Hvenmark, 2016, p. 2848). Critical nonprofit workers may deliver services in their own way, thus "decoupling" daily work from formal structures (Bromley, Hwang & Powell, 2012).

*Managerial strategies in endowed foundations arise from a philanthropic culture that values entrepreneurship (Eikenberry & Kluver, 2004). This translates into proactive foundations that initiate programs and call for grant proposals, measure impact to enhance program efficacy, implement risk management, make long-term investments, and plan exit strategies.*

#### *Democratic and Managerial Strategies in Endowed Foundations*

Endowed foundations are by definition undemocratic, as they spend their money as they see fit (Anheier & Daly, 2007; Schuyt, Gouwenberg, & Hoolwerf, 2018). Foundations may nevertheless adopt democratic funding strategies, for instance by involving communities on foundation boards (McGinnis Johnson, 2016). Several case studies have addressed foundations led by “movement insiders,” including the Haymarket People’s Fund (Ostrander, 1995) and the Crossroads Fund (Silver, 1997). Community involvement may also be enhanced by human resources (HR) policies, application procedures, and decision-making processes. Other strategies that consider beneficiaries include scientific investigation and market research (Schervish, 2007). Democratic strategies could involve supporting advocacy groups (Katz & Soskis, 2018; Suárez, 2012) and giving voice to minorities (Gouwenberg, Van der Jagt, & Schuyt, 2007).

Critics argue that democratic strategies are directed at channeling funds to nonthreatening

organizations instead of changing power structures (Arnove & Pinede, 2007; Gavin Marshall, 2015; Roelofs, 2015). Human resources policies (e.g., employing grassroots leaders in foundations) can mask co-optation of grassroots social movements by the establishment. In addition, identity-based groups (e.g., advocacy groups for lesbians, single mothers, social assistance recipients) are funded to obscure the need for collective action against social ills related to gender or class (Edelman, 2001). The “undeserving” or people whose problems are perceived as self-inflicted (e.g., substance abusers, former prisoners, domestic violence offenders) are generally excluded from participation and funding (Body & Breeze, 2016; Van Oorschot, 2000).

Immigrant organizations tend to receive less government funding than other CSOs, even in multicultural European cities where former majorities have lost their dominant position to immigrants and their descendants (Crul, Schneider, & Lelie, 2013). This is the case even if the political environment is open to diversity, due to the reputation of immigrant organizations as interest groups focused on “self-help issues” (De Graauw, Gleeson, & Bloemraad, 2013, 104–105). Multiculturalism as a political ideology has lost force in public management strategies (Joppke, 2017; Kymlicka, 2010; Wright & Bloemraad, 2012). Integration policies have been replaced by generic policies (Van Breugel & Scholten, 2017).

As part of local, national, and global networks, endowed foundations may be inclined to follow these public sector trends. Foundations are also part of shifting power relations as a result of elections upon which they act, regardless of their resource independence; they may change their donation policies, either in an opposite or corresponding direction (Mosley & Galaskiewicz, 2015; Lucassen & Lucassen, 2015). Finally, democratic funding strategies can be hampered when foundations are pulled into public sector programs by governments that demand additional grantseeking from nonprofit organizations that are bound to government contracts (Evans et al., 2005).

Managerial strategies in endowed foundations arise from a philanthropic culture that values entrepreneurship (Eikenberry & Kluver, 2004). This translates into proactive foundations that initiate programs and call for grant proposals, measure impact to enhance program efficacy, implement risk management, make long-term investments, and plan exit strategies (Letts, Ryan, & Grossman, 1997). Such foundations need professional staff, either with managerial or substantive background (Hwang & Powell, 2009), and require professional investment advisors and consultants to guide mission investments (Wood & Hagerman, 2010). In addition, long-term funding commitments and capacity-building support are required (Frumkin, 2003).

Critics of managerial funding strategies point out drawbacks, such as impact measurement difficulties in fields like the arts (Cobb, 2002). The lack of organizational capacity and knowledge in unskilled nonprofits results in poor fundraising (Bothwell, 2002). Civil society organizations are induced by notions of efficiency and effectiveness to render account to funders instead of communities served (Meyer et al. 2013; King, 2017). Grassroots associations in particular may be excluded from funding because they lack managerial legitimizing jargon like “visionary leadership, learning, constant improvement, and above all innovativeness” (Meyer, Buber, & Aghamanoukjan, 2013, p. 175). On the part of grantmaking foundations, it is (wrongfully) assumed that their own performance is a result of the outcomes of their grants. As Leat, Williamson, and Scaife (2018) explain: “If a grant does not produce the specified outcome(s) then there was something wrong with the application, the grantee organization, and/or the foundation’s processes for assessing the application” (p. 131).

There is at present very little knowledge about different patterns of grassroots organization funding by endowed foundations. Research in the Netherlands is limited to government subsidies (Dekker & van Breugel, 2019; Duyvendak & Scholten, 2011; Uitermark, 2012). Before we proceed to our data, we provide background information on the endowed foundation studied and the societal (Dutch) context in which it operates.

*Our research is based on data on patterns of funding for GAs and IGAs in a Dutch endowed foundation from 2002 through 2016. During this period, the foundation’s strategy shifted from clearly democratic (2002–2008) to clearly managerial (2011–2016).*

### Context

Our research is based on data on patterns of funding for GAs and IGAs in a Dutch endowed foundation from 2002 through 2016. During this period, the foundation’s strategy shifted from clearly democratic (2002–2008) to clearly managerial (2011–2016).

Although a few of its own programs have been developed in recent years, the foundation is fully grantmaking. Historically rooted in the Dutch Society for the Common Good, founded in 1784, the foundation’s main objective to this day is the independent and equal social participation of inhabitants of a Dutch province. The foundation supports nonprofit projects in the fields of education, arts and culture, environment, health care, and social work. Annual expenditures range from \$11 million to \$14 million in returns on the foundation’s assets, acquired through the sale of a savings bank that originated from the Society for the Common Good. An important task of the board is to retain assets through investments.

At the beginning of the researched period (2002), foundation board members were compelled to act upon the public disenchantment with multicultural society and the flexibilization, or changing nature, of volunteering. Local governments gradually replaced operating grants for CSOs with project grants, particularly for immigrant organizations. The focus of public

## Democratic and Managerial Values

- **Democratic values:** democratic, political, communal, diverse, representative, seeking middle ground, mission-driven, advocacy, accessible, public, tolerant, participatory
- **Managerial values:** businesslike, commercial, monitoring, professional, entrepreneurial, result-oriented, impact, efficient, effective, evaluation, programmatic, innovative, performance, (return on) investment, strategic

*Note: Translated from Dutch.*

minority policies shifted from the emancipation of disadvantaged groups through their own (immigrant) associations to the educational and labor participation of individuals. Long-term committed volunteers gave way to new types of volunteers. The nonprofit sector faced a double loss, namely the loss of local governments as faithful donors and the loss of loyal, sometimes lifelong volunteers. In response, the foundation developed strategies to improve social cohesion in what was called “plural society” by supporting multicultural projects and organizations, including those of immigrant ethnic background, and new types of (flexible) volunteering.

From its establishment in 1992 up to the first decade of this century, the foundation gradually transitioned from a small, undifferentiated organization with close ties to local communities to a professionalized grantmaking institution. The effectiveness of expenditures became increasingly important, and was to be achieved through professionalization, program development, evaluation, and new financing mechanisms like favorable loans and supplements to crowdfunding. The process is possibly fueled by the above-mentioned public policy changes, the progressive impact of corporate finance on philanthropy, and the isomorphic adoption of managerial practices among networks of endowed foundations. Our research concentrates on measurable indicators (e.g., HR policies) for

the foundation’s switch from a democratic to a managerial strategy.

## Method, Data, and Findings

Our research consisted of a literature review, desk research, a survey, and structured observation (Sekaran & Bougie, 2013) intended to:

- identify the years in which each strategy was used,
- assess the diversity of the foundation’s board and staff, and
- investigate the effects of the two strategies and HR diversity on two categories of grassroots beneficiaries.

We analyzed internal documents (e.g., employee records and minutes of board meetings) and public sources (e.g., the company website and foundation annual reports) to identify periods in which democratic or managerial strategies prevailed. Finally, we compared funding patterns for IGAs to GAs.

Our research questions were as follows:

1. Does strategy (democratic or managerial) influence the success rates (measured as percentage of applications awarded and percentage of total funds granted) of GAs and IGAs?
2. Does board/staff diversity enhance or mitigate the effects of strategy?

## Democratic and Managerial Periods

We analyzed the text of 15 annual reports and the minutes of five annual board meetings (75 in all) to identify democratic and managerial values, based on the literature reviewed. We identified two periods in which either democratic or managerial values and related strategies clearly prevailed. Because the strategies alternated and overlapped in 2009 and 2010, these years were excluded from the analysis.

**TABLE 1** IGAs/GAs Among “Similar” Organizations

Category used by foundation for potential IGAs/GAs	Other than IGA/ GA applications	IGA applications	GA applications	IGA applicants	GA applicants
Refugee orgs.	103	1		1	
Advocacy orgs.	1,581	106		64	
Social work orgs.	5	0		0	
“Self-orgs.”	339	1,138		284	
Volunteers & volunteering			1,504		571
<b>Total</b>	<b>2,028</b> (42%)	<b>1,245</b> (26%)	<b>1,504</b> (32%)	<b>349</b> (215 selected)	<b>571</b> (215 selected)
		<b>4,777</b>		<b>920</b>	

### HR Diversity

We compiled an inventory of board and staff members based on factors that are likely to affect their sense of connection to the “grassroots”: gender, ethnicity, professional background, and voluntary involvement. We analyzed the resumes of the 20 board members and the 16 professional grant advisors employed from 2002 through 2016. Resumes in the foundation’s personnel files were supplemented with public information from the internet (company websites, LinkedIn). Because these sources did not provide information on some factors, we asked all past and present board members and grant advisors to self-report their gender identity, ethnicity, professional background, and local voluntary involvement. We received no response from two grant advisors and seven board members (five of whom were deceased).

We divided HR diversity into four categories: 1) male/female; 2) native (Dutch) descent/non-Western migrant descent; 3) technical, financial background/sociological background; and 4) volunteer involvement/no volunteer involvement. Board and staff composition were measured separately for each of these variables. Heterogeneity (i.e., diversity) was considered high if the percentage of a given group (e.g., male) was 50%–75% (50% meaning maximum heterogeneity as both groups are equally present) and low if it was 75%–100% (meaning one

group is dominant). This leads to an overall high heterogeneity score (3 or 4 times high) or low heterogeneity (0 or 1 high). The staff was heterogeneous only in 2012. The board had maximum figures for high heterogeneity in 2007 and 2014 through 2016. The minimum figures for heterogeneity (0 or 1) were observed in 2011 for staff and in 2002 for the board.

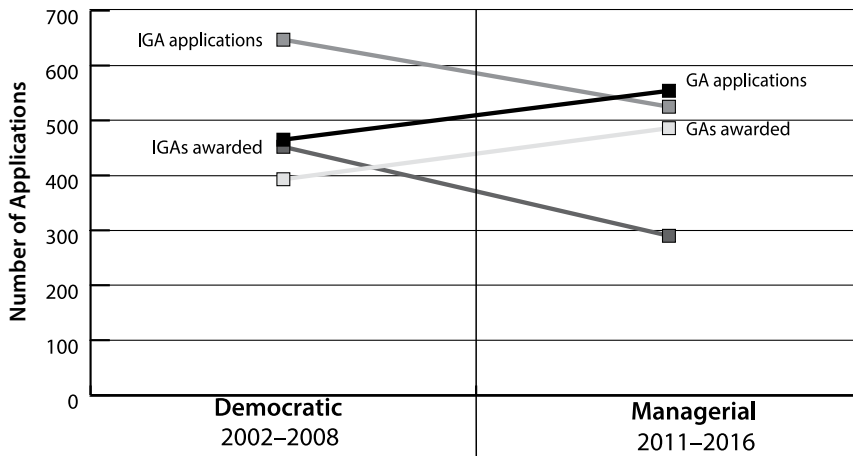
### The Grassroots Sample

Data collection consisted of measuring donations to regional (immigrant) grassroots associations in monetary terms, as well as in numbers of applications granted and denied, from 2002 through 2016. For this period, the foundation database reflects 30,000 applications from a highly diverse group of 11,000 applicants, ranging from large museums to small neighborhood organizations. Because the foundation’s database does not identify grassroots associations, we started by excluding all applicants that clearly were not grassroots associations (e.g., large museums).

We then conducted a closer examination of four categories of organizations that could potentially belong to one of the categories (GAs or IGAs): refugee organizations, advocacy organizations, social work organizations, and “self-organizations” (in Dutch, zelforganisaties, which usually refers to immigrant organizations). Because the database also contained no term for “all-volunteer organizations,” we

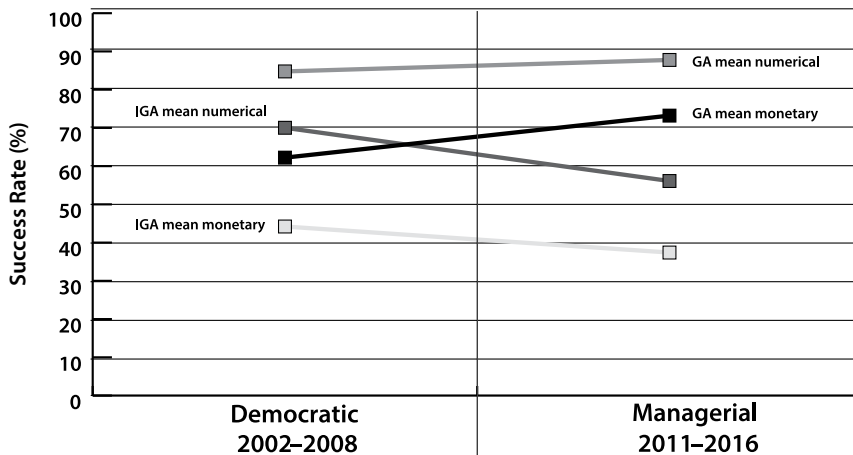


**FIGURE 1** GA/IGA Applications Submitted and Awarded in Two Periods



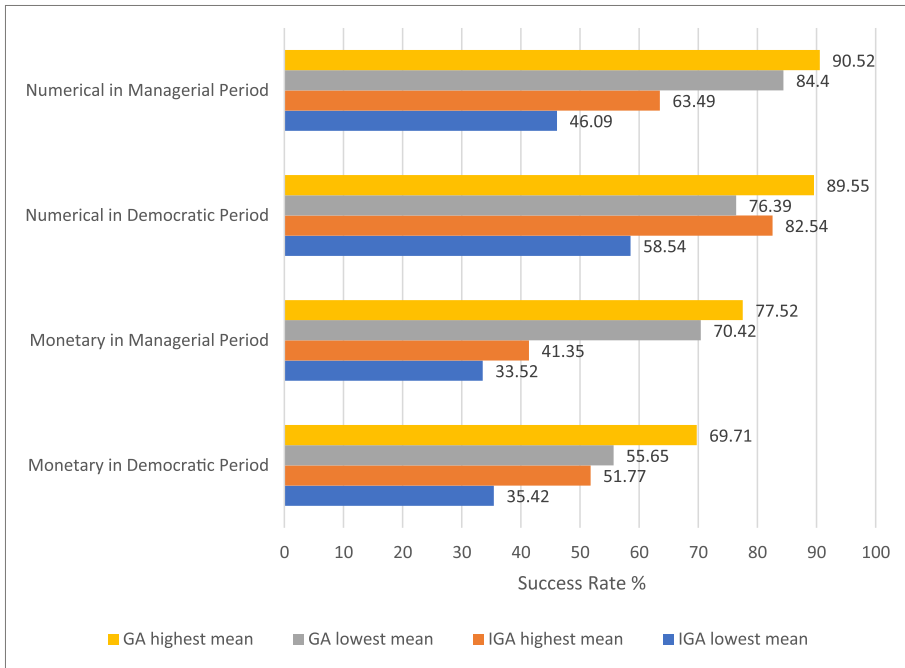
	Democratic 2002-2008	Managerial 2011-2016
GA applications	465	554
GAs awarded	393	486
IGA applications	647	525
IGAs awarded	452	290

**FIGURE 2** GA/IGA Monetary and Numerical Success Rates in Two Periods



	Democratic 2002-2008	Managerial 2011-2016
GA mean monetary	62.22	73.21
IGA mean monetary	44.21	37.40
GA mean numerical	84.77	87.74
IGA mean numerical	70.03	56.11

**FIGURE 3** GA/IGA Lowest and Highest Success Rates in Two Periods



searched the “target group” field for “volunteers” and the “activity” field for “volunteering.”

The initial inventory of applications submitted in these five categories resulted in 4,777 applications. We eliminated all applications submitted by organizations not meeting the definition of GA/IGA, leaving a total sample of 2,749 applications: 1,245 (26%) submitted by 349 IGAs and 1,504 (32%) submitted by 517 GAs. Finally, we randomly selected 215 of the 349 IGA applicants and 215 of the 517 GA applicants. (See Table 1.) The samples were divided evenly, as a proportional divide would not affect findings.

We then compiled an inventory of all applications submitted by the organizations in our samples, resulting in 2,638 observations (grant applications) for the years 2002 through 2016, after eliminating outliers. This number does not correspond precisely to the previously identified 2,749 IGA/GA applications, due to duplicate registrations or staff decisions concerning receipt before or after Jan. 1, 2002.

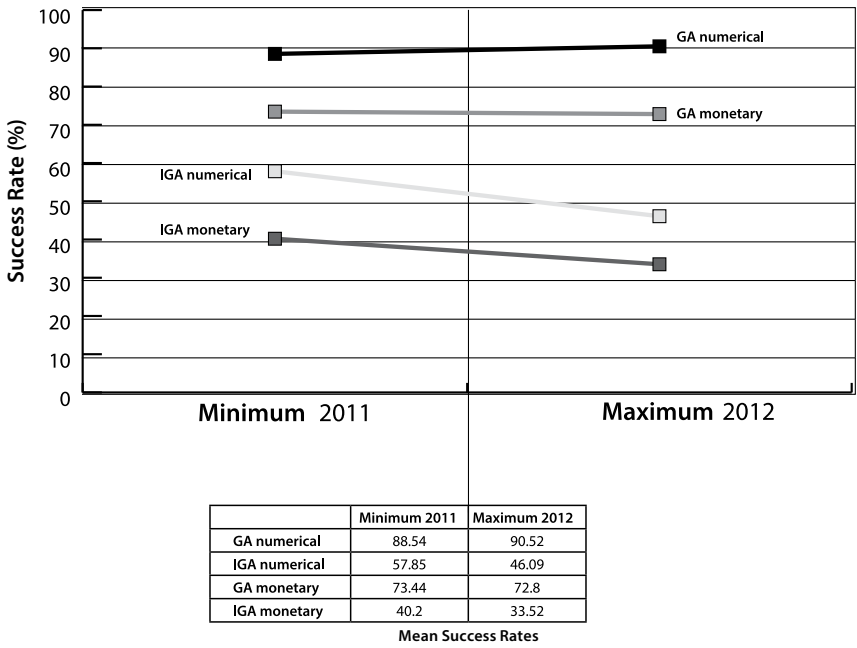
*Findings*

Does strategy — democratic or managerial — influence the success rates (measured as percentage of applications awarded and percentage of total funds granted) of IGAs and GAs? To answer this question, we compared the annual monetary and numerical success rates of IGAs and GAs during the period dominated by democratic strategies (2002–2008) and the period dominated by managerial strategies (2011–2016). (See Figure 1.) The managerial approach clearly had positive consequences for GAs and negative consequences for IGAs with regard to the number of applications submitted and awarded.

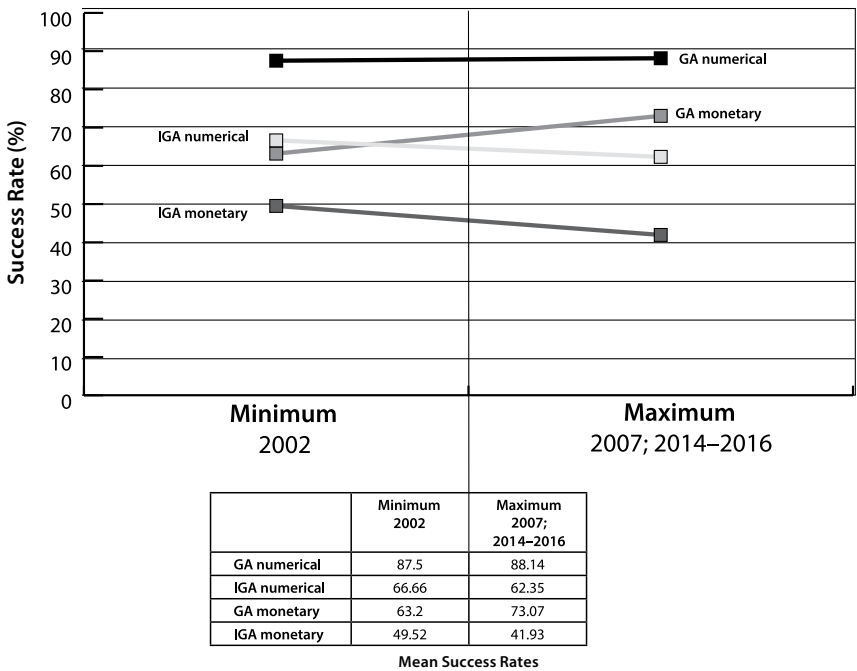
The same pattern was observed regarding the percentage of the amount requested that was ultimately awarded (i.e., the monetary success rate) and the percentage of successful applications (i.e., the numerical success rate). The effect for IGAs regarding numerical success rate was particularly negative. (See Figure 2.)

This evidence is repeated when comparing the “worst” years (i.e., those with the lowest mean

**FIGURE 4** GA/IGA Success Rates With Maximum and Minimum Staff Diversity



**FIGURE 5** GA/IGA Success Rates With Maximum and Minimum Board Diversity



monetary and numerical success rate) and “best” years (i.e., those with the highest mean monetary and numerical success rate) within the two periods. (See Figure 3.) Except for the IGAs’ numerical success rate in their best year (2003) during the democratic period, the IGAs’ highest success rates are lower than the lowest success rates of GAs.

Does board/staff composition enhance or mitigate the effects of strategy? To answer this question, we related the monetary and numerical success rates of IGAs and GAs to the few years with maximum and minimum HR diversity in the foundation’s staff and board, and found changes in those rates for minimum and maximum staff/board diversity. (See Figure 4 and Figure 5). Although caution is advised, given the limited number of years of either minimum or maximum diversity, greater diversity or heterogeneity also appeared to disadvantage IGAs, although the effects were relatively small or nonexistent.

## Discussion

The study clearly shows that IGA funding deteriorates during the period in which the foundation deploys a managerial strategy (2011–2016). Compared to the democratic period (2002–2008), awards decreased by 35.8% for IGA applications, while awards increased with 19.4% for GA applications. The gap between IGA awards and GA awards widened from 14.74% in the democratic period to 31.63% in the managerial period. The IGAs received 18% less in donations than GAs did in the democratic period, and 35.8% less during the managerial period. Overall, managerial strategies resulted in funding disparity of 17% to the detriment of IGAs.

The foundation promoted HR diversity in both board and staff in the managerial period, with no substantial effects for GAs and adverse effects for IGAs. Maximum board diversity in the managerial period did not affect the number of applications granted for GAs, while amounts donated increased by 10%. The IGAs’ number of applications and amounts donated fell by 4% to 8%. Maximum staff diversity did not affect GAs’ numerical and monetary success, while IGAs’

*Our research indicates that IGAs are more vulnerable to exclusion by businesslike endowed foundations than other GAs, despite inclusive funding strategies like HR policies, program development, and expanding financial instruments.*

funding continued to decline. Especially striking is the 11.85% decrease in IGAs’ numerical success rate with staff becoming more diversified.

We infer that inclusive HR policies have only marginal effects on equal treatment in the funding of grassroots associations when the foundation adopts a managerial funding strategy at the same time. The transition toward a managerial funding strategy has proved disadvantageous for grassroots associations of immigrant ethnic background. Therefore, different funding patterns should rather be considered a result of cultural distance or proximity between endowed foundations and grassroots associations.

## Conclusions

Endowed foundations (inadvertently) adapt to managerialization of the public and private sphere in an isomorphic way, possibly because of their ties with administrative and corporate networks. However, an (implicit) switch to a managerial funding strategy may jeopardize the funding of IGAs, despite an explicit inclusive mission.

Our research indicates that IGAs are more vulnerable to exclusion by businesslike endowed foundations than other GAs, despite inclusive funding strategies like HR policies, program development, and expanding financial instruments. As we have demonstrated, a managerial

philanthropic culture differs substantially from a democratic one. A managerial philanthropic culture (unintentionally) increases the social and cultural distance between foundation staff and IGAs that are based on community culture. Their importance to society is not adequately known or recognized by foundation staff and board, which can lead to indifference toward these organizations and, ultimately, unequal treatment in funding.

The results of our study also provide the basis for several recommendations for endowed foundations:

- It is advisable to investigate whether IGAs are (increasingly) excluded from funding and to examine underlying causes, in conjunction with academics in the social and management sciences.
- Internal research may be preceded by discussions regarding the inclusive mission of the foundation and the core values underlying funding strategies. The outcome could involve either consent to or rejection of a certain degree of exclusion. From an efficiency perspective, a focus on professional CSOs with a minimum size is justifiable, while excluding small, voluntary-based organizations. However, strategic choices should be well-argued internally and communicated clearly externally.
- Funding organizations with different organizational cultures requires HR policies based on cross-cultural competence, attitudes, and skills that foster dialogue with beneficiaries, particularly IGAs.
- Inclusive grantmaking requires a learning organizational culture in which foundation staff is encouraged to implement lessons learned. Boards and CEOs should provide space for the development of support programs for IGAs/GAs and exploration of new initiatives, preferably in cooperation with the grassroots and with less emphasis on impact measurements of expenditures.

Much more comparative quantitative research on the effects of HR policies, governance styles, and decision-making procedures for foundation funding of grassroots organizations is needed to validate results. In addition, qualitative research on diverging values of foundation staff and grassroots beneficiaries can further clarify and improve the philanthropic relationship. We are currently conducting interviews with GAs and IGAs for that purpose. Finally, research on external factors (e.g., public policy) affecting funding strategies can increase our understanding of the relationship between endowed foundations and their grassroots beneficiaries, particularly on the local level on which these grassroots operate.

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